

## Select Committee Agenda



### **Stronger Council Select Committee Monday, 26th September, 2022**

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

**Council Chamber - Civic Offices**  
on **Monday, 26th September, 2022**  
at **7.00 pm**

**G Blakemore**  
**Chief Executive**

**Democratic Services  
Officer**

L Kirman (01992 564243)  
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#### **Members:**

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

**SUBSTITUTE NOMINATION DEADLINE:**

**6:00 pm**

#### **1. WEBCASTING INTRODUCTION**

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

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

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

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

#### **2. APOLOGIES FOR ABSENCE**

To be announced at the meeting.

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

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

**3. SUBSTITUTE MEMBERS (COUNCIL MINUTE 39 - 23.7.02)**

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

**4. DECLARATIONS OF INTEREST**

To declare interests in any item on the agenda.

**5. NOTES OF PREVIOUS MEETING (Pages 5 - 16)**

To agree the notes of the meeting of the Select Committee held on 21 July 2022.

**6. TERMS OF REFERENCE & WORK PROGRAMME (Pages 17 - 20)**

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

**7. QUARTER 1 BUDGET MONITORING REPORT 2022/23 (Pages 21 - 36)**

To note and comment on the quarter 1 Budget Monitoring Report for 2022/23.

**8. FINANCIAL PLANNING FRAMEWORK 2023/24 TO 2027/28 (Pages 37 - 48)**

To note the backdrop to the Financial Planning process for 2023/24 to 2027/28.

**9. QUALIS QUARTERLY MONITORING REPORT - Q3 - 2021/22 (Pages 49 - 60)**

To note and comment on the third Quarter's monitoring report for the Qualis trading year 2021/22.

**10. DATES OF FUTURE MEETINGS**

To note the next meeting dates for this Committee to be held on;

25 October 2022;  
24 November 2022;

**Stronger Council Select Committee**

**Monday, 26 September 2022**

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

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## EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

<b>Committee:</b>	Stronger Council Select Committee	<b>Date:</b>	Thursday, 21 July 2022
<b>Place:</b>	Council Chamber - Civic Offices	<b>Time:</b>	7.00 - 8.00 pm
<b>Members Present:</b>	Councillors J McIvor (Chairman), S Patel (Vice-Chairman), R Balcombe, I Hadley, R Morgan and J M Whitehouse		
<b>Members Present (Virtually):</b>	Councillors R Bassett and R Brookes		
<b>Other Councillors:</b>	Councillors S Kane, A Lion and J Philip		
<b>Other Councillors (Virtual):</b>	Councillors		
<b>Apologies:</b>	S Heather and S Rackham		
<b>Officers Present:</b>	A Hendry (Democratic Services Officer), G Blakemore (Chief Executive), C Hartgrove (Interim Chief Financial Officer), S Jennings (Team Manager - Infrastructure and Security), P Maginnis (Service Director (Corporate Services)) and P Seager (Chairman's Officer)		
<b>Officers Present (Virtually):</b>	V Messenger (Democratic Services Officer)		

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### 1. **Webcasting Introduction**

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

### 2. **Substitute Members (Council Minute 39 - 23.7.02)**

The Committee noted that Councillor R Balcombe would substitute for Councillor S Heather for the duration of this meeting.

### 3. **Declarations of Interest**

There were no declarations of interest made pursuant to the Member's Code of Conduct.

### 4. **Notes of Previous Meeting**

#### **Resolved:**

That the notes of the meeting held 28 April 2022 were agreed as a correct record.

## 5. Terms of Reference & Work Programme

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

The Chairman proposed that the Committee consider the participation of officers on Zoom at the various meeting, as the Council gets back to holding more normal meetings after the Pandemic. The Committee would especially like to look at officers appearing on Zoom at Planning meetings as the sound quality deterred complete participation. This was agreed by the Committee.

Councillor S Kane reminded the meeting that there was a project at present, looking at the sound system and acoustics in the Council Chamber.

**ACTION:** To put a form of wording in the work programme to capture the action needed to progress this.

## 6. People Strategy

P Maginnis (Service Director- Corporate Services) introduced the People Strategy report, updating the meeting on the new strategy which runs until March 2023. The new Strategy was in draft and being reviewed at present.

She went on to provide some highlights from this detailed report.

Councillor Brookes asked about the vacancies that the Council was were experiencing at present and were we experiencing higher levels of turnover for this time of year. She was told that we were not; turnover was comparable with other organisations.

Councillor Bassett asked if we had many applications for the Resourcing Apprentices. He was told that officers were not sure at present but would find out and put in the minutes. He then asked what were HRBP Power Hours? He was told that it stood for HR Business Partners who led these sessions, taking managers and staff through various issues.

**ACTION:** To find out the number of applicants for the Resourcing Apprentices scheme.

Councillor Bassett noted that there was a review on 'creating our tomorrows'; should this go out to Councillors a well as they would be heavily involved. He was told that this survey was focused on Hybrid and agile ways of working and how officers wanted to work. This would not have suited members.

Councillor Bassett noted that there was not a lot on Member interaction in this, and it could get quite confusing on what was happening. Could we have some sort of presentation on the buzzwords going around so we had some sort of comprehension on them. P Maginnis said that they could put together a glossary of terms for the minutes.

**ACTION:** To put in a glossary of terms used by the Council in the next set of minutes (Attached).

The Chairman added that would be very useful and asked if there was a need to scrutinise any areas that were finding it hard to recruit to, it may be that we could look into it.

Councillor Jon Whitehouse asked how many vacancies we were carrying at present and how many temporary staff were there and were there any vacancies that we would not fill. He was told that currently going through such an exercise to identify vacancies and if we did need to fill them; we can bring back information on vacancies and temporary staff along with some comments on why we had them.

**ACTION:** To provide information on number of vacancies and temporary staff currently in place with a short explanatory comment.

Councillor Hadley asked how many people were in the People team. He was told there were 8 people. He then asked if they had used 'Agile Approach' before for project work, as opposed to normal task to timescale approach. He was told that they had in the organisation; it's the difference between a 'waterfall' approach as opposed to an 'Agile' one based on building the project, on feedback, and continuous review. Councillor Hadley replied that it could be said that an Agile Approach was making it up as you went along. He hoped that was not the case, but he shall keep an eye out. P Maginnis said that it suited the project they were working on.

Councillor Jon Whitehouse asked about the new legal team and their structure. He was told that four posts had gone out to advert; they are of a senior level backed with market comparable salaries, so we were hoping we would get a good response. Among the posts were a litigation lawyer, planning lawyer and support for housing – within these roles there will be a deputy monitoring officer and a deputy data protection officer to provide more resilience for the council.

Councillor Whitehouse asked how we could ensure that governance and legal issues were fully taken into account. He was told by P Maginnis, that the head of legal (and also the monitoring officer) has unfettered access to all senior managers and also sits in on the corporate governance meetings. Although the role reports directly to her she has that autonomy to attend meetings to ensure her role as monitoring officer was fulfilled. The Chief Executive clarified that what mattered was the persons skills and expertise they brought to the table and not their rank they sit at.

Councillor S Patel asked about the employee survey with 57% feedback. Was that normal or was it lower or higher than normal. She was told that it was a fair result, they would normally be looking for a 65 to 70% return. But this continues to improve each time we did it. We did regular short 'workbuzz' surveys every quarter and then we have an annual survey.

**Resolved:**

The Committee considered the report as information on the continuing People Strategy for 2022.

**7. Azure Move to the Cloud**

The report author, S Jennings introduced the report on the future strategy for IT for EFDC, based on recommendations to our Corporate Strategy and Government Strategies for IT within public bodies. The report outlined where we were at present and the cost for the replacement hardware for the Council. At present we have a data centre housed in the Civic offices and this was now coming up to its 5-year renewal,

and there will be costs for the replacement of hardware and cooling system. Epping Forest District Council digitisation strategic plan includes standardising its infrastructure and services to a cloud first strategy. As such this project will create a cloud platform that supports the longer-term digital ambitions of the council.

The Government advice was to move where we could to the Cloud and not have a single point of failure, i.e. if our data centre was destroyed by fire then the council would be completely without any IT structure. Better to have it in the cloud. This would be for our core services and not for the Housing or Planning systems. The report went into detail on how we would carry out this process and included the costings for the project.

Councillor Hadley said there did not seem to be any end user training with this new system. He was told that the move would not change anything for users, they would remain the same.

Councillor Hadley said that some apps were not very good in the cloud such as Excel or graphic packages. It was also dependent on the internet connection. These things need to be taken into account. He was told that the core applications such as Microsoft office and email will remain on corporate devices as there could be a lag. The core office suite would remain on a device. The benefits would be managing a device from the cloud as opposed to from a data centre. It was much more beneficial than from a data centre. Also, as we have the majority of people working from home now, we are almost in a cloud environment anyway. A lot of the applications that we will be moving to were designed to be used in the cloud and minimised as much as possible the effect of the internet, so there should not be a major issue with performance. Councillor Hadley noted that the potential risks did not fully come over in the report.

Councillor S Kane said that what was changing was where the data was stored and how it was delivered and not the end use. Councillor Philip said that there seemed to be a degree of confusion between hosting the servers in the cloud and the software. Everything else would be the same.

Councillor S Patel noticed the project plan has a phased waterfall approach; was there a reason this was chosen over an agile one. S Jennings did not know quite what the Councillor wanted to know. The Chairman noted that a written answer could be given and perhaps the question be clarified outside the meeting.

Councillor Jon Whitehouse asked how they could make sure that they could support all the business-as-usual stuff as they migrated to the cloud while having enough resources to manage both strands. He was told that a large proportion of work would be carried out by our preferred partner (Agilisys) assisted by some of our IT officers. Initially the services would remain in our data centre but will be copied across to the Azure environment and tested as a parallel system to minimise any risks.

#### **RESOLVED:**

The Select Committee noted and commented on the Azure Business Case and to awarding a contract to Agilisys for the procurement and provision of Azure – Move to the Cloud.

#### **8. Quarter 4 Budget Monitoring 20221/22 (Outturn)**

The report was introduced by C Hartgrove, the interim chief finance officer. He noted that the report set out the 2021/22 General Fund and Housing Revenue Account positions for both revenue and capital, as at 31st March 2022, which represented the Quarter 4 (Outturn) for the 2021/22 financial year.

The figures included within the report were still subject to external audit and so should still be considered provisional at this stage.

In terms of General Fund revenue expenditure – at the Quarter 4 (Outturn) stage – a budget underspend of £0.992 million had been recorded, with net expenditure of £15.877 million against an overall budget provision of £16.869 million.

The Housing Revenue Account (HRA) revenue position was presented in Section 3 of the report. Although there were some pressures in the year (most notably an overspend of £901,000 on Repairs and Maintenance), a planned surplus of £2.059 million was achieved and was to be applied to supporting the 2022/23 budget, which forms part of the strategy in the new HRA Business Plan.

The General Fund Capital position is covered in Section 4, showed underspending (Programme slippage) of £46.767 million from originally profiled spending of £72.443 million in 2021/22. The single largest factor is the slower than anticipated drawdown on Qualis loans (impact £41.767 million).

Councillor Jon Whitehouse asked about the £0.5 million savings which came from vacancies. Was this hampering the delivery of projects? And, recycling, was it volume or value that makes a difference, and would this continue into the current year? He was told that the salary savings was dominated by slippages in projects, so this was delaying recruitment to resource projects and not a case of not delivering services. Waste management spending had been identified later in the financial year. One of the regular payments got out of sync during the pandemic (with them owing the council some £225k), which has now been rectified. With regards to recycling income, he was not sure as to the finer points, other than quarter 3 projections were more pessimistic than actually turned out to be at year end.

Councillor Bassett thanked officers for their work over the past difficult year. He was concerned by the differences from the forecasts to the actuals. Were we more confident in this year's forecasts? Councillor Philip replied that we had poorer balances last year than we intended to have and as such we needed the ability to pull in £1.35 million from our reserves. In the end we significantly reduced our spending last year to bring us in under budget. He always said that our budget was a ceiling, and we should not go over that. Our budget was a target and to come in under budget was a good news story and the work we will be doing in the coming months will give us the ability to come in under budget once again this year. But this year's budget will be more difficult than last years. It will be more challenging this year.

Councillor Jon Whitehouse asked if officers could expand a bit more on the land and property changes, in particular the late cancellation of the rental invoices and the lower rental incomes. Was this because it was harder to fill the vacant properties or because rents have been coming in at lower levels than we expected. C Hartgrove did not have a detailed answer to this, but he knew that several invoices were cancelled towards the end of the year were incorrect. This emerged late in the financial year during the 4<sup>th</sup> quarter. Councillor Philip added that we have had challenges on several properties throughout the pandemic. We had no recourse to the courts in terms of people failing to pay. But the vast majority of our challenges have been with multi nationals rather than with our local businesses. We have also

had problems with our bad debts system which are currently being resolved. And we now have recourse to the court system once again.

The Chairman asked if the invoice errors were partly due to technological errors. He was told that there were a number of different things that worked together including some technological problems.

Councillor Jon Whitehouse asked when would we know if there would be a problem for this year. He was told that this was unknown at present, but it looks like the systems were working properly now. The Asset Management Team were working hard on this, and the right things were being done.

**RESOLVED:**

That the Select Committee noted and commented upon the Quarter 4 Budget Monitoring Report.

**9. Dates of Future Meetings**

The Committee noted their future meeting dates.

**CHAIRMAN**

## People Strategy and Project Management Office Glossary

<b>Agile Methodology</b>	A method of project management which breaks up a project into several phases. Gathering on-going feedback making continuous improvements at every stage. The cycle takes a project through a cycle of planning, implementation, and evaluation
<b>Alpha version</b>	The initial phase of validating whether a system, product etc will perform as expected
<b>BAU</b>	Business as usual
<b>Baseline</b>	Represents the costs and schedules approved at the start of the project. They use baselines as a basis for monitoring and evaluating performance.
<b>Benefit Realisation</b>	The process of identifying and measuring benefits which enables officers to ensure the project is delivering the right outputs
<b>Beta version</b>	A system or product is tested with users
<b>BPHR</b>	Business Partner Human Resources
<b>Budget</b>	The sum of money allocated for a project. The term may also refer to a comprehensive list of revenues and expenses
<b>Business analysis</b>	The practice of identifying and solving business problems. It focuses on creating and implementing solutions to business needs via organizational development, process reengineering, or any number of other methods.
<b>Business case</b>	A documentation of the potential outcomes of a new project, including benefits, cost, and effects. It shows the reasoning for starting the project.
<b>Common Operation Model (COM)</b>	It represents how the organisation will deliver its services via its structure
<b>Change management plan</b>	A Change management plan details the change control process. It is created to ensure all changes are managed according to procedure. Change management plans can be created for individual projects or for organizations undergoing transitions.
<b>Client/Customer</b>	The people who will directly benefit from a project. A team executes a project with specific attention to a client's requirements.
<b>Closing phase</b>	The final phase of the project management life cycle, in which all aspects of the project are officially completed and closed. This includes making sure that all deliverables have been given to the client, that the team notifies suppliers of completion, and that the team updates stakeholders regarding the end of the project and overall project performance.
<b>Concept</b>	The beginning phase of the project management life cycle. In the concept phase, the team presents the opportunity or problem (along with possible solutions) and examines the general feasibility of the project
<b>Contingency plan</b>	An alternative or additional course of action planned in anticipation of the occurrence of specific risks.
<b>Deliverable</b>	A final product or product component that must be provided to a client or stakeholder according to contractual stipulations.
<b>Dependency</b>	A logical relationship between project activities in a network diagram that determines when a dependent activity may begin.

## People Strategy and Project Management Office Glossary

<b>Duration</b>	The amount of time taken to complete an activity or task from start to finish.
<b>Effort management</b>	The most efficient allocation of time and resources to project activities.
<b>Fallback plan</b>	A predetermined alternative course of action adopted if a risk occurs, and a contingency plan proves unsuccessful in avoiding the risk's impact.
<b>Fast tracking</b>	A schedule compression technique or duration compression technique in which the duration of a critical path is shortened by performing sections of some critical path activities concurrently instead of consecutively.
<b>Feasibility study</b>	An evaluation of how likely a project is to be completed effectively, or how practical it is, taking resources and requirements into consideration.
<b>Fishbone diagram</b>	A fishbone diagram is used in project management to identify and categorize the possible causes of an effect
<b>Flowchart</b>	A diagram that lays out the complete sequence of steps in a process or procedure.
<b>Forecast</b>	A prediction or estimation of future project status based on available information.
<b>Gantt chart</b>	A Gantt chart is a type of bar chart that shows all the tasks constituting a project. Tasks are listed vertically, with the horizontal axis marking time. The lengths of task bars are to scale with tasks' durations.
<b>Go/No go</b>	A point in a project at which it is decided whether to continue with the work.
<b>Goal</b>	An objective set by an individual or an organization. It is a desired endpoint reached by setting and working towards targets.
<b>Handover</b>	In the project life cycle, a handover is the point at which deliverables are given to users.
<b>High-Level requirements</b>	The high-level requirements explain the major requirements and characteristics of the final product, including its purpose as a product and within the company. (See also product description)
<b>Initiation phase</b>	The formal start of a new project. It involves receiving proper authorization and creating a clear definition for the project.
<b>Internet</b>	is a worldwide system of computer networks which enables access to a range of information
<b>Intranet</b>	is an organisations' private network which shares information
<b>ILM</b>	Institute of Leadership and Management – a qualification body
<b>Kick-off meeting</b>	The first meeting between a project team and stakeholders. It serves to review project expectations and to build enthusiasm for a project.
<b>Key performance indicator (KPI)</b>	A Key performance indicator is a metric for measuring project success. Key performance indicators are established before project execution begins
<b>Lead/Lead time</b>	The amount of time an activity can be brought forward with respect to the activity it is dependent upon.

## People Strategy and Project Management Office Glossary

<b>Lessons learned</b>	The sum of knowledge gained from project work, which can be used as references and points of interest for future projects.
<b>Life cycle</b>	The entire process used to build its deliverables. Life cycles are divided into a number of phases. A variety of life cycle models are in use in project management.
<b>Milestone</b>	Milestones indicate specific progress points or events in project timelines. They mark progress needed to complete projects successfully.
<b>Objective</b>	A clear, concise statement about what an activity is meant to accomplish. Objectives are written to be SMART: specific, measurable, achievable, realistic, and time bound. A successful project meets all its stated objectives.
<b>Off-Boarding</b>	Employee exit process
<b>On-Boarding</b>	Employee induction process
<b>Output</b>	In project management, an output is the (usually physical) end product of a process.
<b>People Days</b>	An opportunity for our employees to engage with their teams or colleagues across the Council and are hosted by the People Team
<b>Percent complete</b>	The percent complete indicates the amount of work completed on an activity as a percentage of the total amount of work required.
<b>Performance reporting</b>	Performance reporting is formally informing stakeholders about a project's current performance and future performance forecasts. The aspects of performance to be reported are typically laid out in a communications management plan.
<b>Perkbox</b>	An employee benefits and rewards platform, giving access to employees to discounts and benefits, wellness sessions, ability to recognise colleagues and healthcare
<b>Phase</b>	A distinct stage in a project life cycle.
<b>Planning</b>	The development of a course of action to pursue goals or objectives.
<b>Planning phase</b>	In project management, planning refers specifically to a phase of the life cycle that involves creating plans for management, control, and execution, as well as for what a project is meant to accomplish.
<b>PM</b>	Project Manager, the person tasked with initiating, planning, executing, and closing a project, and with managing all aspects of project performance through these phases. The term is typically used for a project management professional. Project managers are able to use organizational resources for projects. They serve as contact points for sponsors, program managers, and other stakeholders.
<b>PS</b>	Project sponsor is a person or group who owns the project and provides resources and support for the project, program or portfolio in order to enable its success. Every project has at least one project sponsor. They are the reason for the project.
<b>PMO</b>	Project Management Office
<b>Portfolio</b>	A collectively managed set of programs and projects

## People Strategy and Project Management Office Glossary

<b>Portfolio management</b>	The collective management of portfolios and their components in line with concepts of organizational project management.
<b>Power Hour Sessions</b>	HR Business Partners take employees through key HR policies, processes and systems and answer questions
<b>PRINCE2</b>	PRINCE2 is an acronym for projects in controlled environments, version 2. It is a project management methodology that emphasizes business justifications for projects. PRINCE2 management is based on clear organization of project roles and responsibilities and managing, when necessary, rather than by obligation. It involves planning and executing projects in a series of stages, with stipulated requirements for each work package
<b>Problem statement</b>	A problem statement concisely states and describes an issue that needs to be solved. It is used to focus and direct problem-solving efforts.
<b>Process</b>	A process is a repeatable sequence of activities with known inputs and outputs. Processes consume energy.
<b>Process management</b>	The act of planning, coordinating, and overseeing processes with a view to improving outputs, reducing inputs and energy costs, and maintaining and improving efficiency and efficacy.
<b>Program</b>	A collectively managed set of projects.
<b>Program charter</b>	An approved document that authorizes the use of resources for a program and connects its management with organizational objectives
<b>Program management</b>	The collective management of programs and their components in line with concepts of organizational project management.
<b>Program manager</b>	A program manager has formal authority to manage a program and is responsible for meeting its objectives as part of organizational project management methods. They oversee, at a high level, all projects within a program.
<b>Project</b>	A temporary, goal-driven effort to create a unique output. A project has clearly defined phases, and its success is measured by whether it meets its stated objectives.
<b>Project baseline</b>	Comprises the budget and schedule allocations set during the initiation and planning phases of a project. Assuming the scope of the project remains unchanged, it may be used to determine variance from budget or schedule.
<b>Project charter</b>	Document that details the scope, organization, and objectives of a project. It is typically created by a project manager and formally approved by the sponsor. A project charter authorizes the project manager's use of organizational resources for the project and is understood to be an agreement between the sponsor, stakeholders, and project manager. (See also project)
<b>Project definition</b>	A project definition or project charter is a document created by a project manager and approved by a project sponsor that details the scope, organization, and objectives of a project. It authorizes a project manager's use of resources for a project and constitutes an agreement between the sponsor, stakeholders, and project manager.

## People Strategy and Project Management Office Glossary

<b>Project management software</b>	Project management software is a family of tools typically used in the management of complex projects. They provide the ability to: calculate estimates; create and manage schedules and budgets; track and oversee project activities and progress; assign and allocate resources; optimize decision making; and communicate and collaborate with members of a project team.
<b>Project phase</b>	A distinct stage in a project management life cycle. Each phase comprises a set of project-related activities.
<b>Project plan</b>	A document formally approved by the project manager, sponsor, and other stakeholders which states the approved cost, schedule, and scope baselines. It guides project execution, control, and quality and performance assessment. The project plan also forms the basis for communication between parties involved in a project. Project plans can vary in their levels of detail.
<b>Project stakeholders</b>	Broadly, stakeholder is any party which may be affected by a project. In project management, the term usually refers to parties with an interest in the successful completion of a project.
<b>Project team</b>	A project team is responsible for leading and collectively managing a project and its related activities through the project's life cycle. Project teams may contain members from several different functional groups within an organization. Depending on the nature of the project, a project team may be disbanded upon completion of a project.
<b>Pulse Survey</b>	An employee engagement tool which asks a small and regular set of questions to continuously gain their insight in subjects such as the work environment, leadership, communications
<b>Quality assurance</b>	A set of practices designed to monitor processes and provide confidence that result in deliverables meeting quality expectations. It may involve quality audits and the stipulated use of best practices.
<b>RAID log</b>	RAID is an acronym for risks, assumptions, issues, and dependencies. The RAID log is a project management tool that records developments in these four aspects of project work for the stakeholders' benefit and for an end-of-project review.
<b>RC1</b>	Release Candidate 1. This is a further cycle when developing an IT system which will be close to the finished product.
<b>Resource allocation</b>	The assigning and scheduling of resources for project-related activities, ideally in the most efficient manner possible. Resource allocation is typically handled by a project manager, though they may be overridden by a program manager if resources are to be shared between multiple projects.
<b>Resources</b>	The elements needed for a project to successfully meet its objectives. Examples of resources include equipment, staff, locations, facilities, and money.
<b>Return on investment (ROI)</b>	The expected financial gain of a project expressed as a percentage of total project investment. It is used to assess the overall profitability of a project.

## People Strategy and Project Management Office Glossary

<b>Risk</b>	The probability of occurrence of a specific event that affects the pursuit of objectives. Risks are not negative by definition. In project management, opportunities are also considered risks.
<b>Risk acceptance</b>	Risk acceptance involves acknowledging a risk and not taking pre-emptive action against it.
<b>Risk assessment</b>	An activity that involves identifying possible risks to a project and examining how these risks, if they occur, would affect objectives.
<b>Risk avoidance</b>	Risk avoidance focuses on avoiding threats that can harm an organization, its projects, or assets. Unlike risk management, which is geared toward mitigating the impact of a negative event, risk avoidance seeks to address vulnerabilities and make sure those events do not occur.
<b>Risk efficiency</b>	A concept based on the idea of maximizing the return-to-risk ratio. It can do this in two ways: by minimizing exposure to risk for a given level of expected return or by seeking the highest possible expected return for a given level of risk.
<b>Risk management</b>	A subset of management strategies that deals with identifying and assessing risks and acting to reduce the likelihood or impact of negative risks. Risk managers seek to ensure that negative risks do not affect organizational or project objectives.
<b>Root cause</b>	The primary reason an event occurs.
<b>SD</b>	Service Directors
<b>SM</b>	Service Managers
<b>TM</b>	Team Managers
<b>Waterfall</b>	A linear approach to project management which relies on careful planning, documentation, and a chronological implementation
<b>WorkBuzz</b>	The name of the platform the Council uses to carry out its pulse surveys and provides the insight back to the Council

## **STRONGER COUNCIL SELECT COMMITTEE**

### **TERMS OF REFERENCE 2019/20**

#### **Core Areas of Responsibility**

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

#### **Scrutiny Role of the Select Committee**

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

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

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

6.	Quarterly Budget Monitoring Report	Q4 2021/22 – 21 July 2022			Andrew Small/ Chris Hartgrove
7.	Quarterly Qualis Monitoring	01 Sept 2022			Andrew Small
8.	Report on new election legislation on Voter ID and any financial implications for the Council. when information was available.	TBC			Gary Woodhall
9	Customer Services (Overall satisfaction)	TBC	To receive a recovery plan on this failing KPI		
10	Housing and Asset Management System	01 September 2022			Deborah Fenton
11	Review of Officers appearing via Zoom at various meetings – especially Planning meetings	TBC			



### **Report to Stronger Council Select Committee**

**Date of meeting: 26th September 2022**

**Subject: Quarter 1 Budget Monitoring Report 2022/23**

**Portfolio Holder: Finance – Cllr. John Philip**

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

**Democratic Services Officer: Adrian Hendry 01992 564246**

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

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

#### **Executive Summary:**

This report sets out the 2022/23 General Fund and Housing Revenue Account positions, for both revenue and capital, as at 30th June 2022 (“Quarter 1”).

In terms of General Fund revenue expenditure – at the Quarter 1 stage – a budget overspend of £1.196 million, with projected net expenditure of £16.827 million against an overall budget provision of £15.631 million, is forecast.

The Quarter 1 position is dominated by a range of substantial spending pressures, most notably:

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

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

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

The Housing Revenue Account is projected to record a budget underspend of £1.513 million. The HRA is facing the same challenges as the General Fund (especially the impact of inflation on staffing and energy costs), but there is an overall need to reduce contributions to capital to maintain the minimum HRA balance of £2.0 million (a key part of the strategy within the HRA Business Plan); this lowers the size of the planned deficit in the budget.

Turning to capital spending:

- *General Fund Capital Programme* – spending in the first 3 months was £0.516 million, with a forecast outturn of £45.084 million, which – if this materialises – would lead to an underspend of £73.072 million. The drawdown on Qualis loans is lower than the budget and is the most significant variance (£59.247 million); and
- *Housing Revenue Account Capital Programme* – spending in the first 3 months was £2.272 million, with a forecast outturn of £31.417 million, which – if this materialises – would lead to an underspend of £21.082 million. Slippage on the Housing Development Programme is the most notable factor.

Members attention is drawn to the Council's draft Balance Sheet position as at 31st March 2022, which is showing an unallocated General Fund Reserve balance of £4.070 million. If the year-end forecast spending and funding position in this report is accurate – notwithstanding any other reserve adjustments – the balance will fall to £3.045 million, which is significantly below the Council's formally adopted contingency balance of £4.0 million.

## 1) Background and Introduction

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

1.2 This is the first update for 2022/22 and includes the General Fund and Housing Revenue Account positions, for both revenue and capital, as at 30th June 2022 ("Quarter 1").

## 2) General Fund Revenue Budget

### Net Expenditure

2.1 The General Fund **net expenditure** position for 2022/23, at the Quarter 1 stage – summarised by service area – is presented in **Appendix A**. The headline is a forecast budget overspend of £1.196 million, with projected net expenditure of £16.827 million against an overall budget provision of £15.631 million. The table below summarises the position by service.

GF Net Expenditure Budget 2022/23 (Quarter 1)			
Description	Budget 2022/23	Forecast Spending (31/03/23)	Variance
	£000's	£000's	£000's
Chief Executive	658	657	(1)
Commercial & Technical	139	107	(32)
Community & Wellbeing	1,783	1,765	(18)
Corporate Services	9,763	9,631	(132)
Customer Services	2,255	2,135	(120)
Finance & Audit	2,411	2,431	20
Housing & Property	1,849	1,843	(6)
Place	375	338	(37)
Planning & Development	1,480	2,294	814
Strategy, Delivery & Performance	850	823	(27)
Qualis	(2,909)	(2,208)	701
HRA Recharges	(5,225)	(5,352)	(127)
Financing	2,202	2,363	161
<b>Totals (Net Expenditure)</b>	<b>15,631</b>	<b>16,827</b>	<b>1,196</b>

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 (£813,965 forecast Overspend)** – the continued delay in finalising the Local Plan is causing substantial pressure on the Planning & Development budget, with many developers delaying the submission of planning proposals pending formal adoption of the Plan. The 2022/23 budget was prepared based on available intelligence at the time; this included the assumption that the finalised Local Plan would be in place for substantially all of the financial year and generate £1,711,780 in income from Planning Applications. The Local Plan is now not expected to be finalised before Christmas 2022. Forecast income from Planning Applications in 2022/23 is now £1,000,000, thus driving a negative variance of £711,780.
- **Qualis Income (£700,526 forecast Overspend)** – the delayed Local Plan is also having a detrimental impact on anticipated income from the margins that the Council generates from Qualis loans, with the pace of drawdowns being dampened by planning delays on key development sites. Rising interest rates are also driving up the cost of PWLB borrowing for the Council, which is expected to put a further squeeze on loan margins. The combined impact is driving a forecast budget shortfall of £700,526; and

- **Financing Costs (£160,995 forecast Overspend)** – rising interest rates are also having a negative impact on the Council’s (non Qualis) net Financing Costs. Forecast Interest Payable on working capital and the General Fund Capital Programme is now £1,171,042 compared to a budget of £863,440, thus driving a negative variance of £307,602. Although forecast Interest Receivable (on cash and short-term investments) is also exceeding budget expectations (by £66,107), rising interest rates are detrimental to the Council (as a net borrower).

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

- **Corporate Services (£132,136 forecast Underspend)** – the forecast surplus on Corporate Services is largely driven by a forecast underspend of £168,104 on Insurance Premiums following the commencement of the new Insurance contract, following the completion of a full re-tendering exercise
- **Customer Services (£119,467 forecast Underspend)** – staff vacancies in both the Revenues and Benefits teams are driving anticipated surpluses of £238,721 and £115,030 respectively, which are the dominant factor behind the forecast underspend. This is despite the upward pressure on pay rates (see Paragraph 2.4 below); and
- **HRA Recharges (£127,230 forecast Underspend)** – rising costs (exceeding budgets) – especially on staffing – are expected to feed through to higher Recharges from the General Fund to the Housing Revenue Account at the year end.

2.4 Members attention is also drawn to the following:

- **Staffing Budgets** – the budget for 2022/23 was set based on the assumption that staff would receive an annual pay award of 2.0% (plus a small contingency of 0.25%). Unfortunately – since the budget was developed and adopted – UK inflation (in common with the rest of the world) – has risen sharply; the UK Consumer Prices Index (CPI) for July 2022 was 10.1%, which is the highest rate for 40 years. The exceptionally high inflation rate is driving increased pay demands across both the public and private sector. At the time of preparing this report, local government pay negotiations for 2022/23 are still in progress at a national level, with the employers’ latest offer being £1,925 to all employees (irrespective of base salary). This (broadly and typically) equates to a 5.0% pay award for the average Epping Forest District Council employee and could potentially drive an overall cost pressure of up to £800,000 on the Council’s base budget. The forecast figures presented include the expectation that the Council will have to meet the employers’ latest offer. The figures also include a range of staff savings, primarily due to temporary vacancies (dampened by agency backfilling costs in some cases). The net impact varies significantly from one service area to another. Therefore, senior officers are now working together in developing a joint strategy aimed at containing overall staffing costs within budget for 2022/23. It should be noted that the 2023/24 budget will require additional growth to the base budget if current staffing levels are to be maintained
- **Energy Costs** – at the time of preparing this report, there is an intense media spotlight on the spiralling worldwide cost of energy including the UK. Most of the Council’s exposure to increased energy costs falls within the HRA (see Paragraph 3.2 below re £237,000 cost pressure). Gas and Electric budgets in the General Fund for 2022/23 total £279,720. The Council has had some protection from price rises in the form of forward contracts so far in 2022/23 and, at this stage, a limited overspend of £59,410 (including the use of £50,000 of a £62,500 contingency) has been assumed. A more detailed review of projected energy costs is being undertaken by Property Services officers at the time of preparing this report; an updated projection will be presented in the Quarter 2 report; and

- **Recycling Income** – although the Commercial & Technical Services directorate is forecast to record a small surplus of £32,094 at this stage, there is an underspend of £565,610 on the Waste Management service underlying the net position (as summarised in **Appendix A**). The dominant factor is an anticipated net underspend of £613,262 on the Recycling contract, primarily due to an income surplus, which is the result of a substantial increase in market rates for recyclable materials (embedded in the contract for 2022/23); total receipts from this source are now expected to exceed original expectations by £541,000. Some further (smaller) cost savings are also anticipated on Recycling, as some budgeted Covid-related costs will no longer be incurred. At the time of preparing this report, market rates for recyclable materials remain strong and the prospects for the 2023/24 budget are therefore positive. However, attention is drawn to the most recent Medium-Term Financial Plan (MTFP) 2022/23 to 2026/27 adopted by the Council in February 2022, which identifies a major cost pressure – estimated at £1.3 million per annum – expected to impact from December 2024, with the letting of the new Waste Collection contract; a stronger market for recyclable materials would help dampen this cost pressure. It should also be noted that an 11% uplift on the Waste Collection contract has been absorbed in the overall Waste Management forecast (effective from 1st November 2022), representing a forecast cost pressure of £189,000 for 2022/23 (circa £450,000 per annum). Again, it should be noted that the 2023/24 budget will require additional growth to the base budget to reflect the underlying effects of the higher inflation rate on the Waste Collection contract.

### **Funding**

2.5 The General Fund **funding** position for 2022/23, at the Quarter 1 stage is summarised in the table below.

<b>GF Funding Position 2022/23 (Quarter 1)</b>			
<b>Source Description</b>	<b>Budget Assumption 2022/23</b>	<b>Forecast (31/03/23)</b>	<b>Variance</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Council Tax	(8,639)	(8,639)	0
Business Rates	(5,011)	(5,042)	(31)
Collection Fund Adjustments	(165)	(165)	0
Council Tax Sharing Agreement (CTSA)	(948)	(783)	165
New Homes Bonus	(776)	(776)	0
Lower-Tier Services Grant	(149)	(149)	0
2022/23 Services Grant	(229)	(229)	0
Other Grants (General)	0	0	0
Credit Loss Adjustment	(51)	(19)	32
Contribution to/(from) Reserves	337	(1,025)	(1,362)
<b>Total Funding</b>	<b>15,631</b>	<b>16,827</b>	<b>1,196</b>

2.6 The funding position has been mixed for the General Fund in Quarter 1. The Business Rates position has been relatively stable, with a projected Pooling benefit at this stage of £562,000 compared to the budget assumption of £531,000 (up £31,000). Council Tax collection has not been performing quite as well as expected, with slightly lower CTSA payments of £783,000 now anticipated. The Council received a larger than anticipated Credit Loss Adjustment in its 2021/22 Accounts following an updated Fair Value review of the original Qualis Working Capital Loan. Whilst good for the 2021/22 outturn, this leaves less available in the General Fund Reserve to support the 2022/23 budget; latest estimates suggest a potential year end credit adjustment of £18,657, although it should be noted that a range of variable factors underlying the calculation mean that this is an estimate that can fluctuate.

### **Reserves**

2.7 The negative outlook of £1.196 million on net expenditure summarised and explained in paragraphs 2.1 to 2.4, and the funding position presented in paragraphs 2.5 to 2.6 above means that – if the forecasts materialise as presented – it will not be possible to contribute £0.337 million to the General Fund (unallocated) Reserve as assumed in setting the budget. Instead, there will be a contribution requirement of £1.025 million from the Reserve to support the budget (as presented in the table in Paragraph 2.5 above). The forecast impact on the General Fund Reserve is presented in the table below.

<b>Movement on General Fund Reserve: Quarter 1 2022/23</b>	
<b>Description</b>	<b>£000's</b>
General Fund Balance 31st March 2022 (pre-audit)	4,070
Contribution from Reserves 2022/23 (Q1 forecast)	(1,025)
<b>General Fund Balance 31st March 2023 (Q1 forecast)</b>	<b>3,045</b>

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

2.9 Expenditure funded from ring-fenced grants and earmarked reserves has been minimal in Quarter 1. A detailed analysis will be presented at the Quarter 2 stage.

### 3) Housing Revenue Account (revenue)

3.1 The Housing Revenue Account (HRA) revenue position for 2022/23, at the Quarter 1 stage, is summarised in the table below. As at 30th June 2022, a £1.513 million underspend is forecast for the year end, with projected net expenditure of £2.164 million compared to an overall budget provision of £3.677 million.

<b>HRA Budget 2022/23 (Quarter 1)</b>			
<b>Description</b>	<b>Budget 2022/23 (Updated)</b>	<b>Forecast Spending (31/03/23)</b>	<b>Variance</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>EXPENDITURE</b>			
Supervision & Management (General)	6,976	7,158	182
Supervision & Management (Special)	4,111	4,397	286
Rents, Rates, Taxes & Insurances	504	478	(26)
Repairs & Maintenance	9,418	9,727	309
<b>Management &amp; Maintenance</b>	<b>21,009</b>	<b>21,760</b>	<b>751</b>
Capital Charges	8,958	8,958	0
Treasury Management Expenses	58	30	(28)
Provision for Bad/Doubtful Debts	93	93	0
<b>Total Expenditure</b>	<b>30,118</b>	<b>30,841</b>	<b>723</b>
<b>INCOME</b>			
Dwelling Rents	(34,973)	(35,196)	(223)
Non-Dwellings Rents	(843)	(772)	71
Charges for Services & Facilities	(1,228)	(1,309)	(81)
Contributions from General Fund	(368)	(368)	0
<b>Total Income</b>	<b>(37,412)</b>	<b>(37,645)</b>	<b>(233)</b>
<b>Net Cost of Services</b>	<b>(7,294)</b>	<b>(6,804)</b>	<b>490</b>
Interest on Receipts and Balances	(6)	(6)	0
Interest Payable on Loans	5,613	5,348	(265)
<b>Net Operating Income</b>	<b>(1,687)</b>	<b>(1,462)</b>	<b>225</b>
<i>Appropriations:</i>			
Direct Revenue Contributions to Capital	5,364	3,626	(1,738)
<b>(Surplus)/Deficit for Year</b>	<b>3,677</b>	<b>2,164</b>	<b>(1,513)</b>

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

<b>HRA Budget Reconciliation 2022/23: Quarter 1</b>	
<b>Description</b>	<b>Value (£000's)</b>
<b>(Surplus)/Deficit for Year (approved by full Council 24/02/22)</b>	<b>3,537</b>
<i>Brought forward project budget from 2021/22:</i>	
“More than Bricks and Mortar” Estate Improvement Scheme	140
<b>Total Budget Additions (@ Quarter 1)</b>	<b>140</b>
<b>(Surplus) / Deficit for Year (updated Budget 2022/23 @ Quarter 1)</b>	<b>3,677</b>

3.3 There are five significant factors behind the forecast as follows:

- **Direct Revenue Contributions (£1.738 million forecast Underspend)** – the dominant factor in the overall underspend, is an anticipated significant reduction in Contributions to Capital. This is due to the need to maintain a minimum HRA balance of £2.0 million, which is key part of the strategy embedded in the HRA Business Plan. See Paragraph 3.3 below for a more detailed explanation
- **Repairs and Maintenance (£0.309 million forecast Overspend)** – there are numerous items contributing to this variance, the largest of which relates to the additional short-term costs (£75,000) associated with the new Gas Servicing contract with Qualis, which is expected to deliver substantial future savings
- **Supervision and Management Special (£0.286 million forecast Overspend)** – the most significant factor here, is a forecast budget pressure of £237,000 (50% above budget) due to anticipated increases in energy (gas and electric) costs
- **Interest Payable on Loans (£0.265 million forecast Underspend)** – the HRA capital spend in 2021/22 was lower than expected, thereby negating the need for additional borrowing, and reducing the associated interest payable in this – the 2022/23 – financial year; and
- **Dwelling Rent (£0.223 million forecast Underspend)** – improvements in void turnaround times is leading to rental income levels exceeding budget.

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

- 2021/22 Overspend (Para 3.3) - £1.375 million
- 2021/22 Roll Forward (Para 3.2) - £0.140 million
- 2022/23 Net Operating Income Forecast Q1 (Para 3.1) - £0.225 million
- **Impact on Capital Contributions** **£1.740 million**

#### 4) General Fund Capital Programme

4.1 The General Fund Capital Programme for 2022/23 as at 30th June 2022 is summarised – at a service level – in the table below. A more detailed analysis – at a scheme level – is included in **Appendix B**. The updated Programme budget totals £118.156 million. Spending in the first 3 months was £0.516 million, with a forecast outturn of £45.084 million, which – if this materialises – would lead to an underspend of £73.072 million.

General Fund Capital Programme 2022/23 (Quarter 1)					
Description	Budget 2022/23 (Updated)	Spending (@ 30 June 2022)	Remaining Budget (@ 30 June 2022)	Forecast Spending (31/03/23)	Variance (Under) / Over
	£000's	£000's	£000's	£000's	£000's
Community & Wellbeing	770	0	770	0	(770)
Commercial & Technical	16,213	438	15,775	3,366	(12,847)
Corporate Services	3,435	72	3,363	3,308	(127)
Customer Services	160	0	160	160	0
Housing (General Fund)	654	6	648	573	(81)
Place	677	0	677	677	0
Qualis Loans	96,247	0	96,247	37,000	(59,247)
<b>Total Expenditure</b>	<b>118,156</b>	<b>516</b>	<b>117,640</b>	<b>45,084</b>	<b>(73,072)</b>
<i>Capital Financing:</i>					
Borrowing	113,692	387	113,305	42,924	(70,768)
Capital Grants	971	129	842	760	(211)
Capital Receipts	3,493	0	3,493	1,400	(2,093)
<b>Total Financing</b>	<b>118,156</b>	<b>516</b>	<b>117,640</b>	<b>45,084</b>	<b>(73,072)</b>

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

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

- **Qualis (£59.247 million forecast Underspend)** – as described in Paragraph 2.2, the drawdown of Qualis loans has been slower than envisaged at the time of preparing the Capital Programme, primarily due to planning delays on development sites; and
- **Commercial and Technical (£12.847 million forecast Underspend)** – there are two big projects driving the underspend as follows:
  - Epping Forest Leisure Centre – the Leisure Centre is a long-term project with an overall budget of £25.0 million (with spending of £10.937 million profiled for 2022/23). However, projected spending for 2022/23 is now a much reduced £0.250 million, resulting in a forecast underspend of £10.687 million. Qualis are in the process of developing a Multi-Storey Car Park on land adjacent to the Leisure Centre site; until this is complete, the development of the Leisure Centre cannot commence; and

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

## 5) Housing Revenue Account (HRA) Capital Programme

5.1 The Housing Revenue Account (HRA) Capital Programme for 2022/23 as at 30th June 2022 is summarised in the table below. A more detailed analysis – at a scheme level – is included in **Appendix C**. The updated Programme budget totals £52.499 million. Spending in the first 3 months was £2.272 million, with a forecast outturn of £31.417 million, which – if this materialises – would lead to an underspend of £21.082 million.

<b>HRA Capital Programme 2022/23 (Quarter 1)</b>					
<b>Description</b>	<b>Budget 2022/23 (Updated)</b>	<b>Spending (@ 30 June 2022)</b>	<b>Remaining Budget (@ 30 June 2022)</b>	<b>Forecast Spending (31/03/23)</b>	<b>Variance (Under) / Over</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Housing Development	28,809	1,075	27,734	9,557	(19,252)
Capital Works	16,314	1,136	15,178	16,176	(138)
Other Housing Schemes	7,376	61	7,315	5,684	(1,692)
<b>Total Expenditure</b>	<b>52,499</b>	<b>2,272</b>	<b>50,227</b>	<b>31,417</b>	<b>(21,082)</b>
<i>Capital Financing:</i>					
Direct Revenue Contributions	5,364	0	5,364	3,626	(1,738)
Major Repairs Reserve	14,613	1,842	12,771	18,293	3,680
Capital Receipts	5,970	430	5,540	3,823	(2,147)
Other Contributions	466	0	466	466	0
Borrowing	26,086	0	26,086	5,209	(20,877)
<b>Total Financing</b>	<b>52,499</b>	<b>2,272</b>	<b>50,227</b>	<b>31,417</b>	<b>(21,082)</b>

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

5.3 There are two significant areas of underspending/slippage on the HRA Capital Programme at the Quarter 1 stage; Housing Development and Other Housing Schemes. Thus:

- **Housing Development (£19.252 million forecast Underspend)** – there are two elements to note:
  - Housebuilding – the programme for Housebuilding has a total budget of £15.598 million for 2022/23. The forecast outturn is £5.870 million, which – if this materialises – would lead to an underspend of £9.728 million at year end. Several schemes have encountered planning issues and delays; in particular, two large schemes at Chequers B and Ladyfields, with anticipated spend of over £5.0 million, are subject to planning consent and will not commence until early 2023; and

- Qualis Acquisitions – the budget allocation for this scheme in 2022/23 was £10.461 million. Forecast spending is now £1.0 million, which if this materialises – would lead to an underspend of £9.461 million. Qualis have encountered planning delays, which have halted works, but permissions have now been granted and schemes are expected to commence soon. Negotiations have taken place regarding the purchase of some units once completed, although this may be less than originally planned and not until 2023/24.
- **Other Housing Schemes (£1.692 million forecast Underspend)** – there are two regeneration projects primarily driving this variance:
  - Limes/Copperfield Regeneration – this project has a profiled budget of £2.772 million for 2022/23. The projected outturn on the scheme in 2022/23 is £3.817 million, which – if this materialises – would lead to an ‘overspend’ – against the in-year budget – of £1.045 million (it should be noted that this is covered by a profiled budget provision of £3.0 million in 2023/24). There have been some initial setbacks related to the tender report however, and subject to approval (19th September 2022 Cabinet), the scheme is expected to commence in late September 2022; and in contrast
  - Broadway Regeneration – this project has a total budget of £2.750 million in 2022/23, of which only a very small proportion is expected to be spent (on fees) this financial year resulting in a forecast underspend of £2.635 million. The project is now expected to be delivered in 2023/24.

5.4 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 £20.877 million reduction in the need to borrow in 2022/23.

**Reason for Decision:**

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

The comments made at this Committee, where relevant, will be reported to Cabinet for consideration at their meeting on 10th October 2022.

**Options:**

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

**Resource Implications:**

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

**Legal and Governance Implications:**

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

**Safer, Cleaner, Greener Implications:**

There are no SGS implications.

**Consultation Undertaken:**

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

**Background Papers:**

Management Accounts 2022/23 (Month 3)

**Risk Management**

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

## General Fund Revenue Budget 2022/23

## Quarter 1 Forecast

Epping Forest DC: General Fund Revenue Budget 2022/23							
@ 30 June 2022 (Month 3)							
Service Area	Activity	Net Expenditure					
		Full Year Budget	Budget (M3)	Actual	Variance	Forecast	Variance
		£'s	£'s	£'s	£'s	£'s	£'s
<b>Chief Executive</b>	Chief Executive Support Services	532,530	133,133	129,102	- 4,030	520,410	- 12,120
	Corporate Activities	75,820	18,955	16,300	- 2,655	87,137	11,317
	Chief Executive Other Activities	50,000	12,500	-	- 12,500	50,000	0
	<b>Sub-Total</b>	<b>658,350</b>	<b>164,588</b>	<b>145,402</b>	<b>- 19,185</b>	<b>657,547</b>	<b>- 803</b>
<b>Commercial &amp; Technical Services</b>	Car Parking	- 894,030	- 223,508	- 113,183	110,325	- 820,200	73,830
	C&T Community & Partnership	232,330	58,083	- 113,980	- 172,062	235,329	2,999
	Contracts & Technical Support Services	1,810,440	452,610	481,205	28,595	1,898,543	88,103
	Cost Centres - Contracts & Technical	3,325,580	831,395	710,378	- 121,017	3,424,424	98,844
	C&T Emergency Planning & Other	2,500	625	2,400	1,775	2,500	-
	Environmental Health	232,250	58,063	61,580	3,517	233,051	801
	Land Drainage/Sewerage	129,830	32,458	9,924	- 22,533	125,719	- 4,111
	Land & Property	- 7,688,610	- 1,922,153	- 1,691,991	230,162	- 7,520,971	167,639
	Leisure Facilities	- 1,215,530	- 303,883	- 35,342	268,540	- 1,099,469	116,061
	North Weald Centre	- 1,152,230	- 288,058	- 495,270	- 207,213	- 1,194,408	- 42,178
	Parks & Grounds	471,920	117,980	- 15,352	133,332	508,329	36,409
	Private Sector Housing	- 96,790	- 24,198	- 36,166	- 11,969	- 101,669	- 4,879
	C&T Regulatory Services	- 255,480	- 63,870	- 40,832	23,038	- 255,480	0
	Waste Management	5,236,990	1,309,248	907,148	- 402,100	4,671,380	- 565,610
	<b>Sub-Total</b>	<b>139,170</b>	<b>34,793</b>	<b>- 369,482</b>	<b>- 404,274</b>	<b>107,076</b>	<b>- 32,094</b>
<b>Community &amp; Wellbeing</b>	Community, Health & Wellbeing	120,340	30,085	30,324	239	107,949	- 12,391
	Cost Centres - Community & Wellbeing	457,670	114,418	118,513	4,095	457,158	- 512
	Economic Projects Support Serv	198,290	49,573	49,513	- 60	200,000	1,710
	Homelessness	73,000	18,250	- 766,677	- 784,927	108,042	35,042
	Museum, Heritage & Culture	682,640	170,660	149,580	- 21,080	640,629	- 42,011
	Voluntary Sector Support	250,740	62,685	269	- 62,416	251,592	852
	<b>Sub-Total</b>	<b>1,782,680</b>	<b>445,670</b>	<b>- 418,479</b>	<b>- 864,149</b>	<b>1,765,370</b>	<b>- 17,310</b>
<b>Corporate Services</b>	Business Support	1,925,860	481,465	352,746	- 128,719	1,972,984	47,124
	Cost Centres - Corporate Support	335,600	83,900	97,681	13,781	336,468	868
	Elections	222,460	55,615	130,468	74,853	208,264	- 14,196
	Emergency Planning & Other	115,840	28,960	17,171	- 11,789	108,721	- 7,119
	ICT	3,810,130	952,533	1,764,203	811,671	3,790,720	- 19,410
	Insurance Premiums	810,060	202,515	- 2,391	- 204,906	641,956	- 168,104
	Corp Serv - Member Activities	381,760	95,440	88,942	- 6,498	381,760	-
	Other Support Services	1,866,960	466,740	374,167	- 92,573	1,871,718	4,758
	Strategy Support Services	294,150	73,538	76,765	3,227	318,092	23,942
	<b>Sub-Total</b>	<b>9,762,820</b>	<b>2,440,705</b>	<b>2,899,753</b>	<b>459,048</b>	<b>9,630,684</b>	<b>- 132,136</b>
<b>Customer Services</b>	Cost Centres - Customer Services	2,472,370	618,093	579,343	- 38,750	2,304,458	- 167,912
	Customer Support Services	1,621,990	405,498	388,566	- 16,931	1,657,356	35,366
	Housing Benefits	- 1,172,620	- 293,155	- 714,621	- 421,466	- 1,174,829	- 2,209
	Local Taxation	- 693,360	- 173,340	- 7,109,217	- 6,935,877	- 678,070	- 15,290
	Customer Services - Members Activities	26,470	6,618	80,596	73,979	26,469	- 1
	<b>Sub-Total</b>	<b>2,254,850</b>	<b>563,713</b>	<b>- 6,775,334</b>	<b>- 7,339,046</b>	<b>2,135,383</b>	<b>- 119,467</b>
<b>Finance &amp; Audit</b>	Audit Support Services	384,470	96,118	93,558	- 2,560	378,719	- 5,751
	Finance Support Services	1,063,390	265,848	103,459	- 162,388	1,188,612	125,222
	Finance & Other Activities	963,630	240,908	-	- 240,908	863,630	- 100,000
	<b>Sub-Total</b>	<b>2,411,490</b>	<b>602,873</b>	<b>197,017</b>	<b>- 405,855</b>	<b>2,430,961</b>	<b>19,471</b>
<b>Housing &amp; Property</b>	Accommodation	457,940	114,485	555,936	441,451	463,066	5,126
	Cost Centres - Housing & Property	510,440	127,610	125,025	- 2,585	532,770	22,330
	Facilities & Depot Management	528,200	132,050	148,463	16,413	485,339	- 42,861
	Housing & Property Support Services	352,110	88,028	80,114	- 7,913	361,626	9,516
	Housing Policy	-	-	-	-	-	-
	<b>Sub-Total</b>	<b>1,848,690</b>	<b>462,173</b>	<b>909,539</b>	<b>447,366</b>	<b>1,842,802</b>	<b>- 5,888</b>
<b>Place</b>	Place - Community & Partnership	40,920	10,230	- 21,173	- 31,403	37,574	- 3,346
	Cost Centres - Place	334,020	83,505	72,138	- 11,367	300,139	- 33,881
	Economic Resilience Fund	-	-	-	-	-	-
	<b>Sub-Total</b>	<b>374,940</b>	<b>93,735</b>	<b>50,965</b>	<b>- 42,770</b>	<b>337,714</b>	<b>- 37,226</b>
<b>Planning &amp; Development</b>	Cost Centres - Planning Services	2,324,800	581,200	558,046	- 23,154	2,371,077	46,277
	Local Plan Implementation	1,048,700	262,175	- 523,873	- 786,048	1,029,908	- 18,792
	Planning & Development	- 1,655,730	- 413,933	- 185,477	228,455	- 843,402	812,328
	Planning Support Services	291,970	72,993	53,802	- 19,191	278,364	- 13,606
	Regulatory Services	- 529,840	- 132,460	- 226,461	- 94,001	- 542,080	- 12,240
	<b>Sub-Total</b>	<b>1,479,900</b>	<b>369,975</b>	<b>- 323,964</b>	<b>- 693,939</b>	<b>2,293,865</b>	<b>813,965</b>
<b>Strategy, Delivery &amp; Performance</b>	Strategy - Other Activities	161,600	40,400	16,476	- 23,924	161,600	0
	Strategy, Delivery & Performance Support Services	688,040	172,010	103,418	- 68,592	661,577	- 26,463
	<b>Sub-Total</b>	<b>849,640</b>	<b>212,410</b>	<b>119,894</b>	<b>- 92,516</b>	<b>823,177</b>	<b>- 26,463</b>
<b>General Fund Total</b>		<b>21,562,530</b>	<b>5,390,633</b>	<b>- 3,564,690</b>	<b>- 8,955,322</b>	<b>22,024,580</b>	<b>462,050</b>
	Qualis Income	- 2,909,440	-	128,207	-	- 2,208,914	700,526
	HRA Recharges	- 5,224,670	-	-	-	- 5,351,900	- 127,230
	Financing						
	Interest (exc. Qualis):						
	Interest Receivable	- 50,000	-	-	-	116,107	66,107
	Interest Payable	863,440	-	-	-	- 1,171,042	- 307,602
	Minimum Revenue Provision	1,327,000	-	-	-	- 1,259,000	- 68,000
	Specific Contingency (GF Energy)	62,500	-	-	-	- 50,000	- 12,500
<b>General Fund (Net Expenditure)</b>		<b>15,631,360</b>	<b>5,390,633</b>	<b>- 3,436,483</b>	<b>- 8,955,322</b>	<b>16,827,701</b>	<b>1,196,341</b>

## General Fund Capital Programme 2022/23

## Quarter 1 Forecast

General Fund Capital Programme 2022/23: Quarter 1 Forecast										
Scheme	2021/22 Budget Outturn (xtract)			2022/23 Budget		2022/23 Budget Progress (@ 30th June 2022 - Q1)				
	2021/22 Unspent / (Overspent) Balances	(Savings) / Overspends not c/fwd	Balances Rolled Forward into 2022/23	2022/23 Budget Allocation	Q1 Changes	2022/23 Budget (Updated)	Actuals to Q1	Remaining Budget	Forecast Outturn 2022/23	Forecast (Uspend)/ Opend 2022/23
	£'s	£'s	£'s	£'s	£'s	£'s	£'s	£'s	£'s	£'s
<b>Community &amp; Wellbeing</b>										
Joint Museum and Library Facility	688,018	- 688,018	-	770,000	-	770,000	-	770,000	-	770,000
<b>Sub-Totals</b>	<b>688,018</b>	<b>- 688,018</b>	<b>-</b>	<b>770,000</b>	<b>-</b>	<b>770,000</b>	<b>-</b>	<b>770,000</b>	<b>-</b>	<b>770,000</b>
<b>Commercial &amp; Technical</b>										
Cartersfield Road	1,436,464	-	1,436,464	-	-	1,436,464	-	1,436,464	359,116	1,077,348
Investment Property Acquisition Fund	1,117,867	-	1,117,867	-	-	1,117,867	-	1,117,867	425,000	692,867
EFDC Shopping Park	-	-	-	-	-	-	-	-	-	-
CCTV Replacement Programme	85,437	- 44,992	40,445	102,000	-	142,445	12,978	129,467	100,110	42,335
CarPark CCTV Systems	10,259	- 10,259	-	20,000	-	20,000	-	20,000	6,920	13,080
Superfast Broadband (REFCuS)	350,000	-	350,000	-	-	350,000	-	350,000	350,000	-
Disabled Facilities Grants (REFCuS)	218,152	- 218,152	-	971,210	-	971,210	128,427	842,783	760,000	211,210
Home Assist Grants (REFCuS)	-	-	-	30,000	-	30,000	-	30,000	30,000	-
Car Park Schemes	18,785	- 18,785	-	-	-	-	-	-	-	-
Civic Offices Accommodation Project	108,169	- 108,169	-	-	-	-	-	-	92,976	92,976
Civic Offices Café External Access	75,979	-	75,979	100,000	-	175,979	-	175,979	175,979	-
Highway Ranger Vehicle & Equipment	519	- 519	-	40,000	-	40,000	-	40,000	40,000	-
Grounds Maintenance	40,945	-	40,945	30,000	-	70,945	-	70,945	62,650	8,295
Highways (REFCuS) Orig £100k 21/22 budget	97,564	-	97,564	-	-	97,564	-	97,564	97,564	-
H2 Taxiway (ex NWA Prep Phase 1)	200,000	-	200,000	-	-	200,000	-	200,000	200,000	-
NWA Employment Land Develop	-	-	-	-	-	-	21,812	21,812	21,812	21,812
NWA Vehicles & Equipment (funded by vehicle sales)	-	-	-	-	-	-	23,970	23,970	23,970	23,970
Vehicle Fleet Replacement & OHD Equipment	622,740	-	622,740	-	-	622,740	250,197	372,543	369,574	253,166
Ongar Leisure Centre	4,953	- 4,953	-	-	-	-	-	-	-	-
Epping Leisure Centre (Bakers Lane)	1,562,560	-	1,562,560	12,500,000	-	10,937,440	-	10,937,440	250,000	10,687,440
<b>Sub-Totals</b>	<b>2,540,941</b>	<b>- 121,497</b>	<b>2,419,444</b>	<b>13,793,210</b>	<b>- 294,910</b>	<b>16,212,654</b>	<b>437,384</b>	<b>15,775,270</b>	<b>3,365,671</b>	<b>- 12,846,983</b>
<b>Corporate Services</b>										
ICT General Schemes	142,379	- 54,608	87,771	103,000	-	190,771	-	190,771	189,439	1,332
ICT Strategy	1,715,452	- 145,487	1,569,965	1,960,910	- 294,910	3,235,965	72,430	3,163,535	3,109,800	126,165
Civic Offices Accommodation Project (ICT)	63,830	- 55,288	8,542	-	-	8,542	-	8,542	8,542	-
<b>Sub-Totals</b>	<b>1,921,661</b>	<b>- 255,383</b>	<b>1,666,278</b>	<b>2,063,910</b>	<b>- 294,910</b>	<b>3,435,278</b>	<b>72,430</b>	<b>3,362,848</b>	<b>3,307,781</b>	<b>- 127,497</b>
<b>Customer Services</b>										
Council Chamber Upgrade	-	-	-	160,000	-	160,000	-	160,000	160,000	-
<b>Sub-Totals</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>160,000</b>	<b>-</b>	<b>160,000</b>	<b>-</b>	<b>160,000</b>	<b>160,000</b>	<b>-</b>
<b>Housing (Property Services)</b>										
Oakwood Hill Depot Extension	6,572	-	6,572	-	-	6,572	-	6,572	24,727	18,155
Investment Properties (Planned Works)	80,316	- 80,316	-	19,220	294,910	314,130	-	314,130	314,130	-
Operational Properties (Planned Works)	93,230	- 12,250	80,980	252,000	-	332,980	5,843	327,137	234,547	98,433
<b>Sub-Totals</b>	<b>19,486</b>	<b>- 68,066</b>	<b>87,552</b>	<b>271,220</b>	<b>294,910</b>	<b>653,682</b>	<b>5,843</b>	<b>647,839</b>	<b>573,404</b>	<b>- 80,278</b>
<b>Place</b>										
Climate & Environmental Projects	426,984	-	426,984	250,000	-	676,984	-	676,984	676,984	-
<b>Sub-Totals</b>	<b>426,984</b>	<b>-</b>	<b>426,984</b>	<b>250,000</b>	<b>-</b>	<b>676,984</b>	<b>-</b>	<b>676,984</b>	<b>676,984</b>	<b>-</b>
<b>Qualis</b>										
Asset Purchase Loan	1,247,500	-	1,247,500	-	-	1,247,500	-	1,247,500	-	1,247,500
Regeneration Finance Loans	40,000,000	-	40,000,000	55,000,000	-	95,000,000	-	95,000,000	37,000,000	58,000,000
<b>Sub-Totals</b>	<b>41,247,500</b>	<b>-</b>	<b>41,247,500</b>	<b>55,000,000</b>	<b>-</b>	<b>96,247,500</b>	<b>-</b>	<b>96,247,500</b>	<b>37,000,000</b>	<b>- 59,247,500</b>
<b>Total Expenditure</b>	<b>46,844,590</b>	<b>- 996,832</b>	<b>45,847,758</b>	<b>72,308,340</b>	<b>-</b>	<b>118,156,098</b>	<b>515,657</b>	<b>117,640,441</b>	<b>45,083,840</b>	<b>- 73,072,258</b>
<b>Capital Financing:</b>										
Borrowing	46,626,438	- 778,680	45,847,758	67,844,380	-	113,692,138	387,230	113,304,908	42,923,840	70,768,298
Capital Grants	218,152	- 218,152	-	971,210	-	971,210	128,427	842,783	760,000	211,210
Capital Receipts	-	-	-	3,492,750	-	3,492,750	-	3,492,750	1,400,000	2,092,750
<b>Total Financing</b>	<b>46,844,590</b>	<b>- 996,832</b>	<b>45,847,758</b>	<b>72,308,340</b>	<b>-</b>	<b>118,156,098</b>	<b>515,657</b>	<b>117,640,441</b>	<b>45,083,840</b>	<b>- 73,072,258</b>

# Housing Revenue Account Capital Programme 2022/23

## Quarter 1 Forecast

HRA Capital Programme 2022/23: Quarter 1 Forecast										
	2021/22 Budget Outturn (xtract)			2022/23 Budget			2022/23 Budget Progress (@ 30 June 2022 - Q1)			
	2021/22 Unspent/ (Overspent) Balances	Savings	Balances Rolled Forward into 2022/23	2022/23 Budget Allocation	Q1 Changes	2022/23 Budget (Updated)	Actuals to Q1	Remaining Budget	Forecast Outturn 2022/23	Forecast (Uspend) / Ospend 2022/23
Schemes	£	£	£	£	£	£	£	£	£	£
<b>Housing Development Programme:</b>										
Housebuilding	8,335,830	8,335,830	-	15,597,810	-	15,597,810	1,074,950	14,522,860	5,869,530	- 9,728,280
Acquisition of Land for Building	-	-	-	2,750,000	-	2,750,000	-	2,750,000	2,687,500	- 62,500
Acquisition of Street Properties	2,968,310	2,968,310	-	-	-	-	-	-	-	-
Qualis Acquisitions	7,492,000	7,492,000	-	10,461,190	-	10,461,190	-	10,461,190	1,000,000	- 9,461,190
<b>Sub-Totals</b>	<b>12,859,520</b>	<b>12,859,520</b>	<b>-</b>	<b>28,809,000</b>	<b>-</b>	<b>28,809,000</b>	<b>1,074,950</b>	<b>27,734,050</b>	<b>9,557,030</b>	<b>- 19,251,970</b>
<b>Capital Works:</b>										
Heating	691,840	-	691,840	1,556,000	-	2,247,840	57,790	2,190,050	1,849,160	- 398,680
Windows, Door and Roofing	848,550	-	848,550	2,886,000	- 300,000	3,434,550	489,830	2,944,720	3,495,830	61,280
Compliance Planned Maintenance	439,160	-	439,160	250,000	-	689,160	138,660	550,510	708,670	19,510
Kitchens & Bathrooms	566,420	-	566,420	2,300,000	-	2,866,420	172,990	2,693,420	2,918,220	51,800
Electrical	201,390	18,380	219,770	2,211,000	900,000	3,330,770	172,660	3,158,110	3,372,280	41,510
Sprinklers	275,000	275,000	-	-	-	-	-	-	-	-
Environmental	306,280	150,940	155,340	275,000	-	430,340	9,940	420,400	454,310	23,970
Structural works	1,636,520	-	1,636,520	949,000	- 600,000	1,985,520	40,700	1,944,820	2,008,700	23,180
Disabled adaptations	114,620	-	114,620	1,145,000	-	1,030,380	40,590	989,790	1,069,580	39,200
Asbestos Removal	219,190	100,000	119,190	130,000	-	249,190	9,240	239,950	249,190	-
Estate Improvements	56,110	56,110	-	50,000	-	50,000	4,130	45,870	50,000	-
<b>Sub-Totals</b>	<b>5,125,840</b>	<b>563,670</b>	<b>4,562,170</b>	<b>11,752,000</b>	<b>-</b>	<b>16,314,170</b>	<b>1,136,530</b>	<b>15,177,640</b>	<b>16,175,940</b>	<b>- 138,230</b>
<b>Other Housing Schemes:</b>										
Service Enhancements										
HAM Project	251,730	-	251,730	400,000	-	651,730	60,820	590,910	650,000	- 1,730
HFHH Act Project	24,210	-	24,210	154,000	-	178,210	-	178,210	178,210	-
Limes/Copperfield Regeneration Project	228,510	-	228,510	3,000,000	-	2,771,490	-	2,771,490	3,816,870	1,045,380
The Broadway Regeneration Project	-	-	-	2,750,000	-	2,750,000	-	2,750,000	115,340	- 2,634,660
Frank Bretton Refurbishment	115,720	115,720	-	-	-	-	-	-	-	-
Emergency Alarm System Upgrade	-	-	-	360,000	-	360,000	-	360,000	360,000	-
Sheltered Blocks Refurbishment	-	-	-	330,000	-	330,000	-	330,000	230,000	- 100,000
Door Replacemnt Programme	99,000	-	99,000	235,000	-	334,000	-	334,000	334,000	-
<b>Sub-Totals</b>	<b>30,710</b>	<b>115,720</b>	<b>146,430</b>	<b>7,229,000</b>	<b>-</b>	<b>7,375,430</b>	<b>60,820</b>	<b>7,314,610</b>	<b>5,684,420</b>	<b>- 1,691,010</b>
<b>Vehicle Replacements</b>	<b>80,070</b>	<b>80,070</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Expenditure</b>	<b>17,936,000</b>	<b>13,227,410</b>	<b>4,708,590</b>	<b>47,790,000</b>	<b>-</b>	<b>52,498,590</b>	<b>2,272,290</b>	<b>50,226,300</b>	<b>31,417,390</b>	<b>- 21,081,200</b>
<b>Capital Financing:</b>										
Direct Revenue Contributions	-	-	-	5,364,000	-	5,364,000	-	5,364,000	3,626,000	- 1,738,000
Major Repairs Reserve	4,708,590	-	4,708,590	9,904,000	-	14,612,590	1,842,310	12,770,280	18,293,000	3,680,410
Capital Receipts	-	-	-	5,970,000	-	5,970,000	429,980	5,540,020	3,822,810	- 2,147,190
Other Contributions	-	-	-	466,000	-	466,000	-	466,000	466,000	-
Borrowing	13,227,410	13,227,410	-	26,086,000	-	26,086,000	-	26,086,000	5,209,580	- 20,876,420
	<b>17,936,000</b>	<b>13,227,410</b>	<b>4,708,590</b>	<b>47,790,000</b>	<b>-</b>	<b>52,498,590</b>	<b>2,272,290</b>	<b>50,226,300</b>	<b>31,417,390</b>	<b>- 21,081,200</b>

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## **Report to Stronger Council Select Committee**

# SCRUTINY

**Date of meeting: 26th September 2022**

**Subject: Financial Planning Framework 2023/24 to 2027/28**



**Epping Forest District Council**

**Portfolio Holder: Finance, Qualis Client & Economic Development – Cllr. John Philip**

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

**Democratic Services Officer: Adrian Hendry 01992 564246**

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

- 1. To note the backdrop to the Financial Planning process for 2023/24 to 2027/28, including the impact of the economic crisis, limited financial reserves, and emerging changes in local authority finance; and**
- 2. To consider and comment on the proposed approach to Financial Planning for 2023/24 to 2027/28, including the reporting and governance timetable summarised in Appendix A.**

### **Executive Summary:**

Like virtually all local authorities, the Council is facing major financial pressure, following a series of major external World events – including Brexit, a pandemic, and the most significant armed conflict in Europe since the Second World War – which have combined to create a worldwide economic crisis that, at the time of preparing this report, is worsening almost daily.

The General Fund budget is becoming especially challenging in the light of a range of major income, spending and funding pressures, which are mainly beyond the Council's control. There are major financial pressures on Staff Salaries, Energy, Contracts and Financing costs, which are impacting at a time when a significant reduction in the Local Government Settlement is already anticipated as a number of specific grants are withdrawn by the Government. There are also further financial risks that may exacerbate the problem, including potentially new Employer Pension Contribution rates for the Local Government Pension Scheme (LGPS) as well as the threat to Commercial Property returns and funding from Local Taxation receipts as the economic crisis begins to affect local communities and businesses.

Achieving a balanced General Fund budget for 2023/24 is therefore likely to be the most difficult financial challenge that the Council has faced in many years and the opportunity to use unallocated reserves, or potentially 're-purpose' earmarked reserves is very limited.

The Housing Revenue Account (HRA) is currently in good financial health. However, the same cost pressures experienced by the General Fund are beginning to bite and Members will have a difficult choice in determining an appropriate rent increase for Council tenants in 2023/24; 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, struggle to cope with the present cost of living crisis.

The Council adopted an ambitious Capital Programmes for the General Fund and HRA and HRA in February 2022; comprising capital expenditure of £303.31 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 are increasing in line interest rates rises. Given the usual pattern whereby the Local Government Finance Settlement is announced just before Christmas, definitive figures for 2023/24 may not be available until December 2022.

A tailored Financial Planning approach, which develops the 2023/24 Budget and updated Medium-Term Financial Plan (MTFP) through to 2027/28 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 2023.

## **1) INTRODUCTION AND BACKGROUND**

- 1.1 Like virtually all local authorities, Epping Forest District Council (“the Council”) is facing major financial pressure, following a series of major external World events – including Brexit, a pandemic, and the most significant armed conflict in Europe since the Second World War – which have combined to create a worldwide economic crisis that, at the time of preparing this report, is worsening almost daily.
- 1.2 This report sets out a proposed approach to Financial Planning for the next five years (2023/24 to 2027/28) 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 2023/24; 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 changes 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 been evolving in recent years, initially in the context of the extreme volatility and uncertainty triggered by the pandemic, followed by a brief period of relative stability and more recently (and suddenly) the emergence of major budget pressures, a lot of which are triggered by external worldwide events, well beyond the control of the Council.

### 2021/22 Outturn

- 2.2 The extreme volatility – triggered by the Covid-19 pandemic – experienced in 2020/21 gradually receded as the 2021/22 financial year progressed with financial activity resuming to normal pre-pandemic levels in most areas, albeit with a few notable exceptions such as Car Parking income and Waste Collection costs. This helped drive a significant General Fund budget surplus (of £992,042), resulting in a positive end to what began as a very uncertain year. Allowing for funding variances and year-end accounting adjustments, meant that the originally planned use of £1.350 million in reserves to support the budget was no longer required, which resulted in the General Fund Reserve being fully protected at its minimum contingency level of £4.0 million. This was a very good outcome.

### 2022/23 Quarter 1 Forecast

2.3 In contrast, the 2022/23 financial year has not started well. At the Quarter 1 stage, there is a forecast year-end budget deficit of £1.196 million on the General Fund. This is due to a combination of major worldwide and local factors. The sharp increase in inflation is driving up potential staff costs (by approaching £800,000 based on the assumption that the national employers latest pay offer is eventually accepted; although there is no guarantee that this will happen). Rising interest rates are also having a significant impact on the Council's borrowing costs. And locally, the continued delay in the finalisation of the Local Plan has substantially depressed income levels from Planning Applications and has also restrained Qualis developments (which is a driving factor behind loan margins that the Council relies upon to support the General Fund budget).

### 2023/24 Budget (and beyond)

2.4 Members will recall the most recent Medium-Term Financial Plan (MTFP) (2022/23 to 2026/27) adopted by the Council on 24th February 2022. The MTFP highlighted a significant cumulative budget deficit of £4.228 million by 2026/27, although the pressure highlighted for 2023/24 was relatively modest at £0.791 million, with most of the challenge centred on 2024/25 and 2025/26, coinciding with the new Waste Management contract anticipated in November 2024. The prospects for the 2023/24 budget at that time were therefore generally sanguine.

2.5 By a strange coincidence, the Russians invaded Ukraine on exactly the same day as the Council meeting, and the economic circumstances of the world rapidly changed. This is having a profound impact worldwide on communities and businesses and across all sectors, both private and public, including local government. The impact on the Council's budget has been almost immediate as illustrated by the major pressure on staff costs highlighted above in Paragraph 2.3. The Council adopted a Budget and MTFP in February 2022 that was based on what were deemed prudent and reasonable assumptions and estimates, but with the benefit of hindsight, now has a structural deficit that has to be addressed in order to set a balanced budget for 2023/24. Known major issues on the General Fund at this stage include the following:

- Staff Costs – at the time of reporting, the pressure on staff costs in 2022/23 (estimated to be up to £800,000 as explained in Paragraph 2.3 above) is being broadly offset by staff related savings due to a range of factors, including (especially) vacant posts. Whilst this is positive, it does not address the deficiency in the base budget. Therefore – if the pay award is settled at the level expected in 2022/23 – this will need to be added to the base budget before the cost of the pay award for 2023/24 can be calculated. The assumed pay award for 2023/24 contained in the MTFP adopted in February 2022 was 3.0%. It now appears unlikely that such a provision in the 2023/24 budget will be sufficient
- Energy Costs – Gas and Electric budgets in the General Fund for 2022/23 total £279,720 and a relatively small contingency (£62,500) was added to the budget based on protections that existed in the form of forward energy contracts. The Council's forward contracts are now coming to an end, with costs spiralling worldwide. Substantial budget growth in 2023/24 on Gas and Electric costs appears unavoidable (the current MTFP assumes just 2.0% inflation), with an Ofgem spokesman telling Radio 4 listeners (on 26th August 2022) that "winter gas prices were 15 times higher than normal conditions, and are the equivalent of paying £400 to £500 to fill up a car with petrol"; although the immediate impact is 2022/23, it would seem very unlikely that normal market conditions will resume in readiness for 2023/24

- Contract Costs – the Waste Management contract with Biffa is a major expense for the Council and the contract has an in-built inflation clause which guarantees the provider an annual uplift (each November) based on October CPI. The Quarter 1 forecast included an assumed increase in November 2022 of 11.0% which equates to an additional annual expense to the Council of £450,000; this is around £370,000 per annum above the previous budget assumption for 2023/24 and – at the time of preparing this report – it appears entirely plausible that October 2022 CPI could exceed 11.0%
- Financing Costs – rising interest rates are also a problem for the Council. The rates that the Council is able to secure from the Public Works Loans Board (PWLB) are no longer as favourable as the assumptions included in the MTFP. Whilst the Council has most of its current borrowing in long-term fixed interest rate loans, so is protected to a large extent, the General Fund (and HRA) Capital Programme – including major projects such as the Epping Leisure Centre – relies on further borrowing. Longer-term forecasts for interest rates are more positive but, even if accurate, that creates a significant challenge for 2023/24 at least
- 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.

A new Corporate Plan is due to be published shortly and will take effect in 2023/24; there are still 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, others will need to be financed including – e.g. – the Council’s commitment to the Harlow & Gilston Garden Town (HGGT) project will require additional budget growth in 2023/24 (with the annual contribution rate set to increase to £150,000, representing a budget pressure of £68,000 compared to a current provision of £82,000 in the base budget)

- Local Government Settlement – the Secretary of State has indicated that, following a series of single year settlements in recent years, there will be a two-year settlement for 2023/24 and 2024/25. A two-year settlement helps with financial planning but – as yet – there are no clear indications of what the forthcoming settlement might contain (in the context of the economic crisis).

In the absence of intelligence to the contrary, the assumptions reported to full Council in February 2022 still stand at this stage. Those assumptions were built into the forecast deficit of £0.791 million for 2023/24 in the MTFP as mentioned above in Paragraph 2.4. This included the cessation of the New Homes Bonus with effect from 2023/24, which has been a substantial source of Council funding for many years (the Council received £775,510 from this source in 2022/23). The Government made clear (at the time) that the other two remaining grants received in 2022/23 are one off in nature (the “Lower-Tier Services Grant” at £149,386 and the “2022/23 Services Grant” at £229,580). No specific grant funding is currently assumed in 2023/24.

At this stage, it is not known when clarity will be established regarding the Council Tax Referendum Limit, although there is increasing speculation in local government circles that the Government may raise this significantly compared to recent years; this would give councils greater flexibility to raise funding through larger Council Tax increases.

The Epping Forest District Council element of the Council Tax was increased in 2022/23 for the first time in several years (by £5 on a Band D property), although it still remains the lowest in Essex. Members will have an especially difficult decision in setting the Council Tax for 2023/24 and will have to balance the conflicting demands of protecting local residents from further financial pressure and protecting local services.

Clarity is also awaited regarding the Government's intended approach to Business Rates in 2023/24 and 2024/25. In particular, any changes to the Business Rates Baseline (BRB) could affect the funding that the Council receives from the Business Rates Retention (BRR) system.

Looking further ahead, whilst it is likely that the existing funding regime will be rolled forward in broadly its current form for the next two years, there will probably be more significant changes in 2025/26. These are likely to include the implementation of "Fair Funding" and the resetting of the BRB.

2.6 In addition to the known budget pressures (highlighted in Paragraph 2.5), there are some significant risks that could materialise, thus exacerbating a difficult situation. These include:

- Pension Contributions – The majority of the Council's employees are members of the Local Government Pension Scheme (LGPS), with the fund administered by Essex County Council. The current employer contribution rate is 21.2% of employees' salary and the Council is expecting to pay £4.713 million in contributions into the fund in 2022/23.

The Essex fund is currently the subject of an ongoing "Triennial" Valuation. The valuation – undertaken by independent actuaries – takes place every three years to determine whether the fund has sufficient assets to pay future benefits. The outcome is used to determine employer contribution rates for the following three years; the 2023/24 financial year is the first year that the new rate will apply.

The LGPS is a defined benefit scheme that is 'index link'; pensioners receive an uplift in their annual pension each April in line with the CPI inflation rate of the previous September. Given the present circumstances, this means that the future liabilities of the fund, will increase significantly this year in respect of current inflation levels and, even if inflation peaks relatively quickly (as predicted by most commentators), it seems inevitable that the valuation will incorporate a higher number for future inflation to reflect this unexpected near-term rise, regardless of the actuaries' longer-term models. The assets of the fund could also increase, especially in the light of higher interest rates, which would offset liabilities, so it remains to be seen what the net impact on employer contribution rates from April 2023; each 1.0% increase, increases the Council's annual revenue costs by around £200,000.

- Income Streams – significant revenue is generated from the Council's Commercial Property portfolio, with income from this source now on a par with that received from the Council Tax (the 2022/23 precept was £8.6 million). This compares favourably with the majority of shire districts, but it is not a risk-free income stream. The portfolio proved very resilient to the pandemic. However, it remains to be seen how well the business sector can weather the current economic crisis; a rising trend in insolvencies is being reported in the media at the time of preparing this report, which could eventually lead to depressed rental levels and void properties, potentially reducing rental returns
- Local Taxation (Funding Streams) – it is still too early to gauge the impact of the economic crisis on local communities and the business sector. The insolvency risk to businesses is highlighted above, and the potential impact on Business Rates income is self-evident. Council Tax too is at risk as hard-pressed residents may be forced to prioritise food and heating bills above their Council Tax obligations (the MTFP currently assumes a 98.0% collection rate for Council Tax; this will be reviewed for 2023/24).

2.7 Despite the major financial issues and risks highlighted above in paragraphs 2.5 and 2.6 above, there is some limited good news for the General Fund, with the 2022/23 Quarter 1 forecast highlighting strong financial performance on Recycling; the market price for recyclable materials rose substantially in late 2021 and currently shows no signs of tailing off. A budget surplus in the region of £0.5 million is forecast for 2022/23, which might potentially feed through to a reduced budget requirement of a similar scale in 2023/24.

- 2.8 Overall, it now appears certain that the updated MTFP 2023/24 to 2027/28 (due before Cabinet on 10th 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 2023/24; that gap will also drive a substantially weaker medium-term position compared to the one reported to Council in February 2022.

### **3) HOUSING REVENUE ACCOUNT FINANCIAL POSITION**

- 3.1 The Housing Revenue Account (HRA) balance stood at £4.164 million on 31st March 2022 (compared to £2.105 million on 31st March 2021). 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 2022/23 Quarter 1 stage, this was on course to be achieved, albeit with a lower level of contributions to capital than originally planned.
- 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 has set the maximum allowable rent increase in accordance with the extant legal Rent Standard (latest version April 2020); the relevant formula is ‘September CPI+1.0%’. This approach has not been problematic until now, given the UK experience of persistent low inflation over many years (with slowly rising costs being offset by slowly rising rents).
- 3.3 However, the current inflation level (CPI was 10.1% in July 2022) is a potential ‘game changer’. Given its current trajectory, CPI could potentially reach (or exceed) 11.0% by September 2022; if so, the formula rent increase would – in the absence of Government intervention – be 12.0% with effect from 1st April 2023. This would be the increase required to keep the HRA Business Plan on track and compares to an increase of 4.1% in 2022/23 (the increase was just 1.5% in 2021/22).
- 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 very 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. Currently (as of mid-August 2022), 34% of Epping Forest tenants receive Housing Benefit and a further 28% are in receipt of Universal Credit, so around 60% of tenants are likely to be protected to some extent (but conversely 40% will not of course). This potentially displaces some of the cost burden to central Government of course and, at the time of preparing this report, there is mounting speculation that the Government might intervene to cap rent increases (at a lower level) this year for precisely this reason.

### **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 2022, the Council approved an overall Capital Programme of £303.31 million (including £185.91 million re HRA) for the five-year period 2022/23 through to 2026/27. This compares to an overall Programme of £266.97 million set in February 2021 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 2020/21 and 2021/22, with further plans to borrow in 2022/23 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 £4.070 million on 31st March 2022 (compared to £4.017 million on 31st March 2021). The stable balance reflects the Budget underspend achieved in 2021/22 and is a more positive position than previously expected (an initially planned contribution of £1.350 million for 2021/22 was eventually not required). This is of course very welcome, but it provides only temporary respite. As reported elsewhere on this agenda, an overspend of £1.196 million on the General Fund budget for 2022/23 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 £3.0 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 2022 was £612,000). 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 2023/24 to 2027/28 is the preparation of an updated Medium-Term Financial Plan (MTFP) to Cabinet on 10th October 2022. This will provide more specific and numeric detail as to the financial position. It will provide a broad outline forecast through to 31st March 2028 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 2023/24, allowing Cabinet to consider available options, and instruct officers, in preparing an initial draft balanced budget for Cabinet on 5th December 2022.

## 7) SUPPORTING STRATEGIES

7.1 There are two other mandatory strategies that require updating as part of the 2023/24 Financial Planning cycle as follows:

- Capital Strategy – this is a mandatory requirement 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 prepared and adopted for both 2021/22 and 2022/23, which reflect further developments (notably an expanded Capital Programme and the Qualis initiative). However, there will be some significant revisions to the Capital Strategy in 2023/24 to reflect CIPFA’s updated Prudential Code released in late 2021; compliance will require some refinements to the current Prudential Indicators within the 2022/23 Strategy; 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 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 – 2022/23 – TMS was prepared in accordance with CIPFA’s Treasury Management Code (2017 Edition). However, CIPFA updated its Code in late 2021 (alongside the updated Prudential Code highlighted above), therefore – as with the Capital Strategy – some revisions will be required to the 2023/24 TMS in order to comply with the new Code.

### **Reason for Decision:**

To allow the scrutiny of the framework within which the Council will develop and set a balanced budget for 2023/24 and update its MTFP through to 2027/28, ensuring that corporate priorities continue to be delivered in a financially sustainable way.

### **Options:**

The report sets out the Council’s updated financial context and represents the beginning of the 2023/24 budget preparation process. The information disclosed – including financial statistics – is for illustrative purposes only and solely for noting.

Members have the option to make comments on the approach to Financial Planning, including the reporting and governance timetable. Any comments made at this Committee, where relevant, will be reported to Cabinet for consideration at their meeting on 10th October 2022.

### **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 10th October 2022. Net expenditure must be brought into line with available funding both in the short-term (to set a balanced budget for 2023/24) 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 2021/22 (published 8th July 2022)

Quarter 1 Budget Monitoring Report 2022/23

**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 2023/24 to 2027/28

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 2022 with this report and culminating in late February 2023 with full Council adopting a balanced budget for 2023/24.

Date	Committee	Report	Purpose
19th September 2022	Cabinet	Financial Planning Framework 2023/24 to 2027/28 (including updated financial context)	Allowing Members to consider proposals for an updated Financial Planning framework. Also sets out updated financial context.
10th October 2022	Cabinet	Updated MTFP 2023/24 to 2027/28 (General Fund & HRA) (including Budget Strategy 2023/24)	Members to consider first iteration of updated MTFP for 2023/24 to 2027/28
		Capital Programme Update (General Fund & HRA) update 2022/23 to 2026/27.	Members to consider currently adopted five-year Capital Programme and provide guidance on developing a revised Programme for 2023/24 to 2027/28.
25th October 2022	Stronger Council Select Committee	Updated MTFP 2023/24 to 2027/28 (including Budget Strategy 2023/24)	Members to scrutinise updated MTFP (including Budget Strategy) and Capital Programme
		Capital Programme Update (General Fund & HRA) update 2022/23 to 2026/27.	
5th December 2022	Cabinet	Draft Budget 2023/24, and updated MTFP (2023/24 to 2027/28)	Members to consider detailed draft budget proposals for 2023/24, including Fees and Charges included therein
		Draft Capital Programme (GF & HRA) 2023/24 to 2027/28	
		Draft Fees and Charges 2023/24	

<b>Date</b>	<b>Committee</b>	<b>Report</b>	<b>Purpose</b>
24th January 2023	Stronger Council Select Committee	Draft Budget 2023/24, and updated MTFP (2023/24 to 2027/28)	Members to scrutinise draft proposals, providing feedback for Cabinet.
		Draft Capital Programme (GF & HRA) 2023/24 to 2027/28	
		Draft Fees and Charges 2023/24	
6th February 2023	Cabinet	Final Draft Budget 2023/24, and updated MTFP (2023/24 to 2027/28)	Members to review latest Budget & MTFP proposals, making recommendation to full Council.
		Final Draft Capital Programme (GF & HRA) 2023/24 to 2027/28	Members to approve Fees and Charges proposals for year ahead.
		Final Fees and Charges 2023/24	Decisions to take account of scrutiny feedback and public consultation.
13th February 2023	Audit & Governance Committee	Draft Capital Strategy 2023/24 to 2025/26	Members to consider strategies, making comments and recommendations to full Council
		Draft Treasury Management Strategy 2023/24	
28th February 2023	Full Council	Budget Report 2023/24, including updated MTFP 2023/24 to 2027/28	Full Council to consider and decide upon the Budget for 2023/24, and relevant linked and supporting strategies. Includes setting the Council Tax on behalf of all preceptors.
		Capital Programme (GF and HRA) 2023/24 to 2027/28	
		Capital Strategy 2023/24 to 2025/26	
		Treasury Management Strategy 2023/24	

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## **Report to Stronger Council Select Committee**

**Date of meeting:** 26<sup>th</sup> September 2022

**Portfolio:** Finance – Cllr J. Philip

**Subject:** Quarterly Monitoring Report – Q3 2021/22

**Responsible Officer:** Andrew Small (07548 145665).

**Democratic Services:** Adrian Hendry (01992 564246).

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

**Consider the report and make any comments which they wish Cabinet to take into account.**

#### **1. Executive Summary**

- 1.1. The Governance framework for Qualis, as agreed by Cabinet in February 2020, included the requirement that Qualis should report to Epping Forest District Council on its performance Quarterly.
- 1.2. This report presents the third Quarter's monitoring report for the Qualis trading year 2021/22 and covers the period from 1 April 2022 to 30 June 2022. Attached as Appendix A is the Qualis Board monitoring report for Quarter 3.
- 1.3. Cabinet will consider this report on the 19<sup>th</sup> September and the committee is requested to make any comments which they wish the Cabinet to consider .
- 1.4. Performance is measured in the attached report against the business plan targets for 2021/22. The Board report highlights performance against these using the recognised Red, Amber, Green reporting system (RAG).
- 1.5. **Whilst Quarter 3 of Year 3 shows a continuing loss, as previously reported, this is primarily associated with delays in achieving planning consent for Roundhills and challenges with finding suitable regeneration property to acquire. Once planning consent is obtained for Roundhills accrued costs will be removed from the Profit and Loss account thereby reducing the accumulated loss reported here. Issues with finding suitable regeneration sites within the District are also contributing to the position, as the Business Plan had assumed that rental income associated with new acquisitions would have been delivered prior to the end of Quarter 3. With these exceptions the position is broadly in line with the target.**

## 2. Introduction

- 2.1. The Qualis Shareholder agreement, as agreed by Cabinet in February 2020, includes the following paragraph,

‘The Company shall procure that quarterly management accounts and reports (including a balance sheet, profit and loss account and cash flow statement) containing such information as EFDC may reasonably require are provided to EFDC and EFDC’s Representative.’

- 2.2. The Cabinet resolution also requires that the Council’s S151, as the key conduit between Qualis and the Council, provides a commentary to the Council on the performance of Qualis at each Quarter review.
- 2.3. In compliance with this requirement Qualis has provided the Council with the Quarters’ Management Accounts for consideration.

## 3. Commentary on the Trading Performance for Quarter 3, 2021/22 (Qualis Year 3)

- 3.1. The Qualis Board report attached at Appendix A meets the requirements placed upon Qualis within the Shareholder agreement. The Board report presents the Balance Sheets, P&Ls and a Cash Flow explanation. It also RAG (Red, Amber, Green) rates key quarterly deliverables against the Business Plan.

- 3.2. **Cabinet should note that majority of the deliverables for Year 3 Quarter are flagged as Green with the exceptions highlighted below.**

- 3.3. **Cash in Bank (Continuing as Amber)** – Below the target of £6 million by £2,733,218, (£722,534 below target in Quarter 2). The lower cash position is attributed to delays in drawing down cash from the Council approved loan facility. The Business Plan had anticipated that £6 million of funding under the construction loan and £10 million of funding under the Development Loan would have been drawn down in Quarter 2 whilst delays meant these had not happened before the 30 June.

- 3.4. **Income and Expenditure (Reduced to Amber)** – The Board report includes cumulative losses up to the end of the 2<sup>nd</sup> quarter of £370,288 compared to a business plan expectation of a profit of £918,039. Whilst the cumulative loss has reduced slightly from the Quarter 2 position of £458,391 the variation from target has increased. However, the reason given is consistent with previous reports and is accepted. The reason for the accumulated loss is largely twofold. Partly it is associated with accrued expenditure on the Roundhills development site, which Qualis is unable to charge to its Balance Sheet as ‘Work in Progress’ until planning consent is given. Once Planning consent is awarded, this cost will be removed from the Profit and Loss account. The second issue is the delays in sourcing suitable regeneration sites within the district.

- 3.5. **Qualis Commercial (Flagged as Amber)** – Whilst costs associated with the Epping Sites have now been moved to the Balance Sheet, the ongoing accrued costs associated with the Roundhills development must stay in the Profit and Loss account until Planning consent is achieved.

- 3.6. **Qualis Living (Flagged as Amber)** – Qualis has experienced delays in finding and investing in suitable local properties using the regeneration loan of £35 million that the Council has made available to it. As this process is taking longer than had been assumed in the Business Plan, it is impacting upon the forecast higher rental income.

At this stage in the Business Plan Qualis had assumed that it would have drawn £10 million from the Council whilst, for the reasons given above, as yet this has not happened.

- 3.7. The table below sets out the actual net income or expenditure against that expected for each of the Qualis companies.

Qualis Company	Expected £	Actual £	Variance £	Last Report Q2 (2021/22) £
Group	8,195	100,109	91,913	56,044
Commercial	0	-489,112	-489,112	-428,906
Management	12,395	41,220	28,825	78,567
Living	897,449	-22,526	-919,975	-349,929
Total	918,039	-370,309	-1,288,349	-644,223

- 3.8. The Balance Sheet position, showing Fixed Assets and accumulated net worth of Qualis, is set out in the table below. Fixed Assets are individually identified for members' information as the Council charges these for security purposes against the loans provided. The Net Worth position reflects the accumulation and carry forward of set-up costs to be offset by future planned profits.

Qualis Company	Fixed Assets £	Net Worth (Q3) £	Last Report Q2 (2021/22) £
Group	76,093	172,828	133,907
Commercial	0	-2,530,047	-2,962,171
Management	0	-127,019	-441,474
Living	45,144,403	-781,314	-1,061,246
Total	45,278,277	-3,265,552	-4,330,984

- 3.9. The reported deficit position now incorporates the capitalisation of Work in Progress on the Qualis development sites, thereby explaining the increase in the deficit carried forward. Qualis anticipates achieving a positive net worth position during their trading year 2024/25 – this coincides with the completion of their initial developments.

#### 4. Resource Implications

- 4.1. The Epping Forest District Council Budget and Medium-Term Financial Plans partly rely on interest paid by Qualis for the loans the Council has given. Delays in obtaining Planning consent, issues around title and delays in completing the loan agreements meant that actual payments to the Council were lower than expected in 2021/22 and this was reported in the Epping Forest District Council Budgetary monitoring reports. The Budget for 2022/23 makes some allowance for delays.
- 4.2. Actual lending to Qualis at the year-end is as follows;

Loan Purpose	Facility £ Millions	Term Years	Interest Rate %	Advanced at Quarter 2 £ Millions	Advanced at Quarter 3 £ Millions
Working Capital Loan	6.0	5	4.10	6.0	6.0
Asset Purchase	30.0	10	4.00	30.0	30.0
Construction Loan	68.0	30	6.00	11.0	11.0
EFDC Asset Purchase	16.8	30	4.94	14.0	14.0
Regeneration Loan	35.0	TBC	TBC	0	0
Net Receipts	155.8			61.0	61.0

- 4.3. At the end of Q3 the Council had loaned Qualis £61 million against a Council commitment of £155.8 million.
- 4.4. The drawdown of loans is generally taking longer than originally anticipated in both the Qualis Business Plan and in the Council's Budget and this impacts on the delivery of financial planning target. Further delays will reduce the lending margin earned by the Council in 2022/23, but it is expected that some of this will be recouped through earlier advances of the construction loan than the budget assumed.

## **5. Legal and Governance Implications**

- 5.1. None contained within this report.

## **6. Safer, Cleaner and Greener Implications**

- 6.1. None.

## **7. Consultation Undertaken**

- 7.1. None

## **Background Papers**

Group Company Governance Document – Cabinet 6 February 2020



# Finance and Performance Monitoring Quarterly Report

Year 3, Quarter 3, (1<sup>st</sup> April 2022 – 30th June 2022)

- Subject:** Finance and Performance Monitoring
- Author:** Frances Malone, Finance Business Partner
- Decisions Required:** To approve the report and note the actions.
1. To note the figures and performance highlighted in this report.
  2. To support the key actions set out through Section 5 of this report.
  3. To agree that this report should be passed to Epping Forest District Council in line with the Shareholder Agreement.

## 1. Purpose of this report

- 1.1 The Group Board receives monthly financial reports.
- 1.2 In line with the Shareholder Agreement, the Group Board receives a quarterly Finance and Performance Report that tracks the success of the Group against the agreed One Year Business Plan and Annual Budget.
- 1.3 This formal monitoring will include any Board and subsequently Shareholder approved amendments to the Business Plan and Annual Budget.
- 1.4 The Quarterly Finance and Performance Report will be passed to the Shareholder for review.

## 2. Monitoring finance and operational performance indicators

- 2.1 The key performance indicators set out below are those proposed to be used for monitoring purposes in the future. They are top level indicators of the financial health and operation delivery of the Qualis group of companies.
- 2.2 Major exceptions are reported as are actions to remedy any exception. In line with standard practice, the following colour coded performance flags are used:

Colour	Overall Performance	Detailed Measure
	Cyan, exceptional performance	For finance; over twice the expected figure, for operations, over one month ahead of target delivery.
	Green, good performance	For finance; positive performance up to twice the expected figure, for operations, up to one month ahead of target delivery.
	Amber, poor performance but will be remedied next quarter	For finance; negative performance variance of between 5% and 10% of the expected figure, for operations, one and three months behind target delivery.
	Red, poor performance but will be remedied in two further quarters	For finance; negative performance variance of between 5% and 10% of the expected figure, for operations, one and three months behind target delivery.
	Black, poor performance requiring immediate Board level intervention	For finance; negative performance variance in excess of 10% of the expected figure, for operations, over three months behind target delivery.

2.4 Direction of travel indicators are shown as arrows, either up for improved performance or down for deteriorating performance. An equal sign indicates no change in the reported trend.

### 3. Key financial performance indicators

3.1 The top-level indicators are shown above including performance and trend flags.

Indicator	Target	Actual	Variance	Performance
	£	£	£	
Cash in Bank	6,000,000	3,266,782	-2,733,218	
Income and Expenditure	918,039	- 370,288	-1,288,327	

3.2 The cash position is below the target of £6 million by £2,733,218 which is based on the initial working capital position. This variation is principally due to delays drawing £6m from the construction loan facility.

- 3.3 There is an outstanding amount owed to Qualis by EFDC of £500k.
- 3.4 Plans to draw the initial £10m from the agreed £35m regeneration loan facility have been delayed due to investments that meet the criteria not being available.
- 3.5 The income and expenditure position is £1,288,327, which is below target due to delays purchasing additional investment property (note search challenges referenced above) that provides a surplus after the cost of finance.

#### 4. Budget and business plan amendments this quarter

- 4.1 There have been no agreed amendments to the 2021/22 Budget in respect of an increase in the quantum of income and cost or to reflect a redistribution between spending budgets.

#### 5 Company financial performance, income, and expenditure.

- 5.1 The income and expenditure summary for the individual companies that form the Qualis Group of companies is summarised on the following pages.

##### 5.2 Qualis Group

Month	Sales	Costs	Net Profit
Oct-21	196,406	- 209,304	12,898
Nov-21	187,716	- 148,318	39,398
Dec-21	192,040	- 172,372	19,668
Jan-22	192,040	- 219,687	27,647
Feb-22	192,040	- 187,064	4,976
Mar-22	193,815	- 191,120	2,695
Apr-22	192,290	- 180,215	12,075
May-22	192,290	- 145,001	47,289
Jun-22	192,290	- 177,738	14,552
Jul-22			
Aug-22			
Sep-22			
		<b>TOTAL</b>	<b>100,109</b>
		<b>TARGET</b>	<b>8,195</b>
		<b>VARIANCE</b>	<b>91,913</b>

Underspend against budget following the appointment of employees previously seconded from EFDC, which has provided a saving. Vacant permanent positions have been filled recently, later than forecast also providing a saving against budget. The health and safety project for mixed use properties (as referenced in the Group Operations Director update) provides a small income benefit, with the recharge of costs for the interim consultant plus margin, which was previously a Group cost.

#### Actions

- None



### 5.3 Qualis Commercial

Month	Sales		Costs		Net Profit
Oct-21	160	-	160		0
Nov-21	965,922	-	61		965,861
Dec-21	61	-	457,432	-	457,371
Jan-22	254,546	-	1,288,507	-	1,033,961
Feb-22	13,546	-	379,967	-	366,421
Mar-22	222,235		240,750		462,985
Apr-22	2,096		28,833		30,930
May-22	2,096	-	42,064	-	39,968
Jun-22	2,096	-	53,264	-	51,168
Jul-22					
Aug-22					
Sep-22					
			<b>TOTAL</b>	-	<b>489,112</b>
			<b>TARGET</b>		<b>-</b>
			<b>VARIANCE</b>	-	<b>489,112</b>

Items to note:

- In the balance sheet £7.9m (which includes subsidiary and Group overheads and project finance costs) have been transferred to work in progress and will be released at the point of sale. This represents the spending incurred since October 2019 to date on the Epping Sites.
- Roundhills expenditure had been taken to WIP as planning permission was originally expected before the end of December. The expenditure has been moved back to income and expenditure until planning permission is gained indicatively by the 31 March 2022.
- Pyrles Lane & Cartersfield expenditure is also held in the P&L until planning permission is agreed.

Actions

- None



### Qualis Management

Month	Sales	Costs	Net Profit
Oct-21	588,438	- 595,370	- 6,931
Nov-21	576,311	- 609,829	- 33,518
Dec-21	536,003	- 505,302	30,701
Jan-22	558,722	- 510,049	48,673
Feb-22	558,112	- 542,056	16,056
Mar-22	593,715	- 600,383	- 6,668
Apr-22	775,252	- 763,894	11,358
May-22	824,479	- 855,922	- 31,443
Jun-22	719,118	- 706,126	12,992
Jul-22			
Aug-22			
Sep-22			
		<b>TOTAL</b>	<b>41,220</b>
		<b>TARGET</b>	<b>12,395</b>
		<b>VARIANCE</b>	<b>28,825</b>

#### Items to note:

- Agreed reduction in income following amendments to SLA with EFDC.
- 2.5% income inflation funding impact has yet to be agreed with EFDC until external benchmarking exercise completed. Income below target due to delayed handover and implementation of planned and electrical works.
- Salaries overspend against budget due to additional resources required in advance of new service transfers.
- Additional materials costs have been noted. An element of material prices are fixed for the year with an annual review aligned to the contract with EFDC. Due to increase in operatives employed by QM completing more repairs, additional cost offset by reduction in sub-contractors being used.
- Holding a £30k legal fee accrual relating to a contractor dispute.

#### Actions

- Benchmarking exercise to be completed.



#### 5.4 Qualis Living

Month	Sales		Costs		Net Profit
Oct-21	111,839	-	56,939		54,900
Nov-21	136,101	-	52,295		83,806
Dec-21	250,702	-	351,863	-	101,162
Jan-22	294,657	-	168,738		125,919
Feb-22	203,151	-	161,321		41,830
Mar-22	202,689	-	589,612	-	386,923
Apr-22	206,547	-	187,647		18,900
May-22	203,046	-	288,364	-	85,318
Jun-22	214,544		10,977		225,521
Jul-22					
Aug-22					
Sep-22					
			<b>TOTAL</b>	-	<b>22,526</b>
			<b>TARGET</b>		<b>897,449</b>
			<b>VARIANCE</b>	-	<b>919,975</b>

Items to note:

- In cost of sales we had a higher amount of premises insurance for developments sites that was not included in the budgets. The insurance policy sits with the landowner of development sites, this will be recharged later in the year.
- Plans to draw the initial £10m from the agreed £35m regeneration loan facility have been delayed due to investments that meet the criteria not being available.

Actions

- None

#### 6. Balance Sheets

6.1 A summary view of each balance sheet is shown below. The increasing net worth of the Qualis Group should be noted as the impact of initial loan financing diminishes through the repayment of principal.

6.2 Overall Qualis is due to have balance sheets with a positive net worth within five years, i.e., in 2024/2025.

Qualis All Companies		
Net assets and liabilities		-3,265,530
Total Capital Employed		-3,265,530

<b>Qualis Living</b>		
Net assets and liabilities		-781,314
Total Capital Employed		-781,314

<b>Qualis Management</b>		
Net assets and liabilities		-127,019
Total Capital Employed		-127,019

<b>Qualis Group</b>		
Net assets and liabilities		172,828
Total Capital Employed		172,828

<b>Qualis Commercial</b>		
Net assets and liabilities		-2,530,047
Total Capital Employed		-2,530,047

## 7. Cash and Loans

7.1 The cash position of the Group is below target. This variation is principally due to delays drawing £6m from the construction loan facility.  
There is £500k owed to Qualis by EFDC for work carried out regarding the Epping Leisure Centre.

7.2 In the original financial plan for this year, based on the business cases that existed at the time, the aim was to call down the following:

	Q1 £m	Q2 £m	Q3 £m	Q4 £m
EFDC Asset Purchase Loan	16			
Construction Loan	6	6	6	6
Regeneration Loan	10	5	5	5
Working Capital Loan	1			1
External Loan				5
<b>Total</b>	<b>33</b>	<b>11</b>	<b>11</b>	<b>17</b>
<b>Grand Total</b>				<b>72</b>



7.3 The actual and/or predicted call down of loans is shown overleaf:

	Q1 £m	Q2 £m	Q3 £m	Q4 £m
EFDC Asset Purchase Loan	14			
Construction Loan		5		6
Regeneration Loan				15
Working Capital Loan				2
External Loan				0
Total	0	19	0	28
Grand Total				47

7.4 The reduced call down of loans during the year is a result of the certification process for the drawdown of the construction loan, and difficulty finding investment properties that meet the narrow criteria set by PWLB for the regeneration loan. Options are to be discussed with the Shareholder Representative.

#### 8. Summary going concern statement

The underlying trend of the performance of all Qualis companies is considered satisfactory and therefore all Qualis companies should be considered, "going concerns".

**Frances Malone, Group Finance**  
**20/07/2022**