Epping Forest District Council

CABINET
Monday 5th February 2024

You are invited to attend the next meeting of **Cabinet**, which will be held at:

Council Chamber, Civic Offices, High Street, Epping
on **Monday 5th February 2024**
at **7.00 pm**

Georgina Blakemore
Chief Executive

Democratic Services Officer:	V Messenger (Democratic Services) Tel: (01992) 564243
Members:	Councillors C Whitbread (Leader of Council & Leader of the Conservative Group) (Chairman), N Bedford (Deputy Leader & Place Portfolio Holder) (Vice-Chairman), R Balcombe, S Patel, J Philip, H Whitbread and K Williamson

PLEASE NOTE THAT THIS MEETING IS OPEN TO ALL MEMBERS TO ATTEND

This meeting will be broadcast live and recorded for repeated viewing.

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1. WEBCASTING INTRODUCTION

This meeting is to be webcast and the Chairman will read the following announcement:

"I would like to remind everyone present that this hybrid meeting will be broadcast live to the internet (or filmed) and will be capable of repeated viewing (or other such use by third parties).

Therefore, by participating in this meeting, you are consenting to being filmed and to the possible use of those images and sound recordings for webcasting and/or training purposes. If any public speakers on MS Teams do not wish to have their image captured, they should ensure that their video setting throughout the meeting is turned off and set to audio only.

Please also be aware that if technical difficulties interrupt the meeting that cannot be overcome, I may need to adjourn the meeting.

Members are reminded to activate their microphones before speaking".

2. APOLOGIES FOR ABSENCE

To be announced at the meeting.

To report non-attendance before the meeting, please use the Members Portal webpage 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'.

3. DECLARATIONS OF INTEREST

To declare interests in any item on this agenda.

4. MINUTES (Pages 5 - 8)

To confirm the minutes of the meeting of the Cabinet held on 15 January 2024.

5. REPORTS OF PORTFOLIO HOLDERS

To receive oral reports from Portfolio Holders on current issues concerning their Portfolios, which are not covered elsewhere on this agenda.

6. PUBLIC QUESTIONS AND REQUESTS TO ADDRESS THE CABINET

To receive any questions submitted by members of the public and any requests to address the Cabinet.

(a) Public Questions

To answer questions asked by members of the public after notice in accordance with the provisions contained within Part 4 of the Constitution (Council Rules, Rule Q3) on any matter in relation to which the Cabinet has powers or duties or which affects the District.

(b) Requests to Address the Cabinet

Any member of the public or a representative of another organisation may address the Cabinet on any agenda item (except those dealt with in private session as exempt or confidential business) due to be considered at the meeting, in accordance with the provisions contained within Article 7 of the Constitution (The Executive, Paragraphs 27 and 28).

7. OVERVIEW AND SCRUTINY

To consider any matters of concern to the Cabinet arising from the Council's Overview and Scrutiny function and to identify any matters that the Cabinet would like the Overview and Scrutiny Committee to examine as part of its work programme.

8. HRA BUSINESS PLAN (Pages 9 - 37)

(Housing and Strategic Health Partnerships – Cllr H Whitbread) To approve the HRA Business Plan (C-041-2023-24).

9. HOME OWNERSHIP STRATEGY 2023/24 TO 2028/29 (Pages 38 - 52)

(Housing and Strategic Health Partnerships – Cllr H Whitbread) To consider and approve the Draft Home Ownership Strategy 2023/24 to 2028/29 (C-039-2023-24).

10. INDEPENDENT LIVING FOR OLDER PEOPLE STRATEGY 2023 TO 2028 (Pages 53 - 71)

(Housing and Strategic Health Partnerships – Cllr H Whitbread) To consider and approve the Independent Living for Older People in Epping Forest Strategy 2023/24 to 2028/29 (C-040-2023-24).

11. FIT FOR THE FUTURE - EFDC TRANSFORMATION PORTFOLIO (Pages 72 - 87)

(Leader – Cllr C Whitbread) To agree the creation of a Reserve of up to £3 million for the purposes of investing in the Council's Fit for the Future Portfolio (C-042-2023-24).

12. QUARTER 3 BUDGET MONITORING REPORT 2023/24 (Pages 88 - 112)

(Finance and Economic Development – Cllr J Philip) To note the Quarter 3 budget position (C-043-2023-24).

13. ANY OTHER BUSINESS

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

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

14. EXCLUSION OF PUBLIC AND PRESS

Exclusion
To consider whether, under Section 100(A)(4) of the Local Government Act 1972, the public and press should be excluded from the meeting for the items of business set out below on grounds that they will involve the likely disclosure of exempt information as defined in the following paragraph(s) of Part 1 of Schedule 12A of the Act (as amended) or are confidential under Section 100(A)(2):

Agenda Item No	Subject	Exempt Information Paragraph Number
Nil	Nil	Nil

The Local Government (Access to Information) (Variation) Order 2006, which came into effect on 1 March 2006, requires the Council to consider whether maintaining the exemption listed above outweighs the potential public interest in disclosing the information. Any member who considers that this test should be applied to any currently exempted matter on this agenda should contact the proper officer at least 24 hours prior to the meeting.

Background Papers

Article 17 of the Constitution (Access to Information) define background papers as being documents relating to the subject matter of the report which in the Proper Officer's opinion:

(a) disclose any facts or matters on which the report or an important part of the report is based; and

(b) have been relied on to a material extent in preparing the report and does not include published works or those which disclose exempt or confidential information and in respect of executive reports, the advice of any political advisor.

The Council will make available for public inspection one copy of each of the documents on the list of background papers for four years after the date of the meeting. Inspection of background papers can be arranged by contacting either the Responsible Officer or the Democratic Services Officer for the particular item.

EPPING FOREST DISTRICT COUNCIL
CABINET MEETING MINUTES

Monday 15 January 2024, 7.00 pm - 7.15 pm

Council Chamber, Civic Offices, High Street, Epping

Members Present:	Councillors C Whitbread (Chairman), N Bedford (Vice-Chairman), R Balcombe, S Patel, J Philip, H Whitbread and K Williamson
Other Councillors:	Councillor R Brookes
Other Councillors (Virtually):	Councillors E Gabbett, S Heap, C McCredie and D Wixley
Apologies:	None.
Officers In Attendance:	Surjit Balu (Interim Housing and Property Director), Natalie Cole (Corporate Communications Officer), Vivienne Messenger (Democratic Services Officer), Rebecca Moreton (Corporate Communications Officer), Andrew Small (Strategic Director, Corporate and Section 151 Officer) and James Warwick (Service Director (Contracts, Partnerships and Procurement))
Officers In Attendance (Virtually):	Georgina Blakemore (Chief Executive), Jennifer Gould (Strategic Director and Chief Operating Officer) and Therese Larsen (Democratic Services Officer)

A RECORDING OF THIS MEETING IS AVAILABLE FOR REPEATED VIEWING

85 WEBCASTING INTRODUCTION

The Leader of Council made a short address to remind everyone present that the meeting would be broadcast live to the internet, and would be capable of repeated viewing, which could infringe their human and data protection rights.

86 DECLARATIONS OF INTEREST

There were no declarations of interest pursuant to the Council's Members' Code of Conduct.

87 MINUTES

That the minutes of the Cabinet meetings held on 4 and 18 December 2023 be taken as read and signed by the Leader as a correct record.

88 REPORTS OF PORTFOLIO HOLDERS

(a) Leader Portfolio

Councillor C Whitbread announced that Councillor S Kane for personal and health reasons had left the Cabinet with immediate effect. He thanked Councillor S Kane for all his work over the years as a Cabinet member recognising the work he had achieved and wished him well. The Leader continued that he would announce in due course when he had reorganised the

Customer and Corporate Support Services portfolio holder responsibilities within the existing Cabinet members.

(b) Regulatory Services Portfolio

Councillor K Williamson reported that as the Council had not received any responses against the Taxi Tariff consultation, the increase in tariffs would go ahead as planned but would be reviewed annually.

(c) Housing and Strategic Health Partnerships

Councillor H Whitbread advised that as a result of Government funding the Council was retrofitting some of the more rural Council housing stock.

(d) Contracts, Service Delivery and Improvement

Councillor R Balcombe was pleased to report the efficient refuse clear up after the Christmas break. Councillor C Whitbread also thanked the Waste Management team and Biffa for their work on this despite the inclement weather.

89 PUBLIC QUESTIONS AND REQUESTS TO ADDRESS THE CABINET

The Cabinet noted that no public questions or requests to address the Cabinet had been received for consideration at the meeting.

90 OVERVIEW AND SCRUTINY

The Chairman of the Committee, Councillor D Wixley, reported that the agenda for the next meeting had been published and the Committee would be reviewing the 2023/24 Quarter 3 Corporate Performance Report, Quarter 3 Budget Monitoring Report 2023/24 and the Draft Budget 2024/25 at the meeting on 23 January 2024.

91 EMERGENCY ALARM UPGRADE

Councillor H Whitbread (Housing and Strategic Health Partnerships) advised the Council must upgrade the emergency alarm system in their independent living schemes that operated on the public switched telephone network (PSTN), as the analogue telephone lines were being discontinued by November 2025. The Council would then move to using a digital IP network. The Council had been working with the Telecare Services Association (TSA) to procure a new emergency alarm system. In addition, the current emergency alarm monitoring contract with Tunstall Response was due to expire in 2025, so the Council also had to undertake a tender exercise to procure a new monitoring provider for its emergency alarm systems.

Councillor R Brookes remarked that this had previously been done in-house and then the Council had switched to a telecare system that was Essex-wide. Councillor H Whitbread acknowledged this was the case. The Interim Housing Services Director, S Balu, continued that the TSA had recommended hard wired alarm upgrades for the Council’s independent living schemes and the Council currently provided a dispersed alarm to older people living in the community. It was more cost effective to have an external provider in terms of upgrades and repairs and other people could sign up externally who were not in independent living.

The report set out the options considered, if any, and the reasons for the recommendation and the decision.

Decision:

(1) That the Cabinet noted the Council was working with TSA (Telecare Services Association) the representative body for technology enabled care (TEC) services to procure a new emergency alarm system for the Council's independent living schemes, and designated dwellings for older people in the community following the termination of the contract with Doro & Everon in January 2023.

(2) That the Cabinet noted the alarm monitoring contract with Tunstall Response was due for renewal in 2025, and that a tender exercise was underway to procure new emergency alarm systems and an alarm monitoring service for the Council's independent living schemes and designated dwellings for older people in the community, to ensure work was completed in readiness for the digital switchover in 2025.

92 ANY OTHER BUSINESS

It was noted that there was no other urgent business for consideration by the Cabinet.

93 PROCUREMENT OF WASTE FLEET VEHICLES

Councillor R Balcombe (Contracts, Service Delivery and Improvement Portfolio Holder) introduced the report. For EFDC to manage its statutory duties in relation to domestic and commercial waste collections from November 2024 after the current waste contract ended, the Council must procure a new fleet of vehicles. Contract hire was the preferred method of procurement, and the advantages (detailed in the report) included greater flexibility to change vehicles, ability to use greener, cleaner vehicles when affordable and the ability to include vehicle maintenance at the Operations Hub at North Weald Airfield. All environmentally friendly options had been considered.

Councillor J Philip (Finance and Economic Development Portfolio Holder) remarked that he was pleased the Council was heading down the leasing option. This was a sensible approach since waste vehicles typically only lasted for around 8 years. The Contracts, Partnerships and Procurement Service Director, J Warwick, added that 8 years was the right length of time for the contract from a financial point of view, as 8 years was better value for money. A thorough maintenance package was to be provided. Also, street cleaning vehicles would be swopped after 4 years.

The report set out the options considered, if any, and the reasons for the recommendation and the decision.

Decision:

(1) That Epping Forest District Council (EFDC) award an 8-year contract hire and vehicle maintenance agreement to Specialist Fleet Services (SFS) to provide EFDC with vehicles and the maintenance of provided vehicles within the agreed financial cap which could be found in restricted Appendix A.

(2) That officers and advisers were instructed to finalise negotiations with SFS with a view to placing an order by 1st February 2024 subject to Leader, Portfolio Holder, and Section 151 Officer approval.

94 EXCLUSION OF PUBLIC AND PRESS

That the Cabinet noted the exclusion of the Public and Press was not required during the consideration of the item on the Procurement of waste fleet vehicles, as Appendix A was not specifically questioned.

CHAIRMAN

Report to the Cabinet

Report reference: C-041-2023-24

Date of meeting: 5 February 2024

Epping Forest District Council

Portfolio: **Housing and Strategic Health Partnerships (Cllr Holly Whitbread)**

Subject: **HRA Business Plan**

Responsible Officer: Surjit Balu
Interim Director for Housing & Property

Democratic Services: Vivienne Messenger:
email: DemocraticServices@eppingforestdc.gov.uk

Recommendations/Decisions Required

(1) Cabinet notes the Safe and Prudent HRA business plan.
(2) Cabinet approves the HRA Business Plan.
(3) Cabinet receives a yearly performance update, which will include stringent stress testing.
(4) Cabinet notes the opportunity to improve our estates which will improve the life span of our assets and feed into our ongoing work to 'create great places where people want to live'.

Appendix A - Why undertake a Council housebuilding programme
Appendix B - Frequently Asked Questions

Executive Summary:

The HRA business plan has been developed in partnership with the Council's Finance Team and our retained consultant Abovo-Consult. A report on the HRA Business Plan was previously presented to the Overview and Scrutiny on 27th January 2022. A bespoke HRA model is used which enables us to provide a reasonable cashflow projection of the next 30 years. It is based on evidential data from the Council's current systems, a new independent stock condition survey provided by Ridge & Partners and projections for economic assumptions in the social housing sector Furthermore, the plan gives us the ability to stress test. This is vital given key dynamic risks such as the borrowing rate and changes in Government legislation regarding Social Housing.

Officers have taken both a safe and prudent approach when developing the business plan, with a balance between borrowing, developing, and improving the housing stock. The agreed minimum £2m revenue working capital balance is maintained throughout the plan.

All costs have been included in the plan, however some potential income has not been included because at present it cannot be quantified. Examples of this include the ransom strip leading to Parkland and other similar pieces of land in the ownership of the HRA.

The Plan can be amended and updated year on year and during the year, to respond to changes, therefore maintaining a safe and prudent approach.

Context

The abolition of the cap on Housing Revenue Account (HRA) borrowing in the 2018 Autumn Budget has raised a whole range of questions.

What is a realistic and achievable target for local councils to contribute to the development of new affordable housing? What does a sensible and proportionate borrowing strategy look like for the HRA? How do stock holding councils go about setting their own borrowing capacity limits now that the government is not doing it for them?

The HRA does not have a balance sheet of its own (forms part of the Council one) and the value of fixed assets is not based on cost, it is based on existing use value and can be revalued on a regular basis. The business plan makes an estimate of how this might change over time based on the current valuation and new development added. The amount of debt held by the HRA does not relate to the property in the HRA as the majority of the current debt figure was allocated in 2012 as part of self-financing. The self-financing debt settlement figure was calculated based on the net present value of the income and expenditure assumed to the HRA over 30 years to give a level of borrowing that the Government estimated the Council could afford to service via the HRA revenue. It has not been built up from borrowing to buy property.

As there is no longer a debt cap, if there is sufficient revenue to service the loans, and loans can be refinanced if required, then prudential borrowing is allowed without limit. Currently, there is no maximum debt level set by the Council.

The delivery of a sustainable HRA business sets out not only to set the scene for capital expenditure during the period, which in this case is 30 years.

Background

As we move towards our commitment of reaching Net Zero and creating ‘Place’ an emphasis on developing a clear and achievable business plan is required to ensure we can meet our commitments. This is against a backdrop of increasingly challenging budgets and pressures on local councils to drive down costs and improve efficiency. In 2015 the government introduced a 1% reduction in rent each year for 4 years. This would eventually lead to a 12% real term reduction in average rents by 2020/21. This was during a period where Housing Associations in particular, were making large surpluses.

Whilst Central Government returned to allowing increases in social and affordable rents by CPI + 1% for a period of 5 years from April 2020, the global pandemic, together with the Worldwide effects of war in the Ukraine saw inflation rise to 10.1% in September 2022. As a measure to manage the country’s finances and lessen the impact on the cost of benefits, the Chancellors’ Autumn Statement of November 2022 imposed a maximum increase in social and affordable General Needs rents of 7%. Whilst Supported Housing rents were not restricted, the Council took the decision to raise all rents by 7% in 2023-24.

In addition to the restriction on social rents, the Government maintained a freeze on the Local Housing Allowance (LHA) rates for a further year in 2023-24. This would not normally have an impact on Council rents, however, the Council’s policy is to charge new affordable rents at the lower of 80% of the market rent or the relevant LHA rate. Where in future years, an existing tenant’s affordable rent would exceed the LHA rate by virtue of the annual rent increase in April, the rent is capped at the LHA rate. This policy has meant that some tenants’ rents have not risen at all annually, and more affordable rents have been limited by the LHA rate as a result of the 7% increase in 2023-24. Many of these properties will be the newer stock in Epping Forest.

In the Autumn Statement in November 2023, the Chancellor announced that from April 2024, LHA rates would be allowed to rise. The new rates have not yet been announced as the calculation is one which involve “re-pegging” the rate to the 30th percentile of local rents. It would also seem that this is likely to be a one year rise with the potential to fix again from April 2025.

The five year period for the current Rent Regime agreed in 2020, comes to an end in March 2025. The Autumn Statement in November 2023 was silent on the social rent increase for 2024-25 and DLUHC and the Regulator (RSH) have confirmed that the maximum increase on rents in 2024-25 is CPI + 1%, based on September 2023 CPI of 6.7%, giving a maximum increase of 7.7%.

Going forwards, for rents beyond April 2025, there will need to be a period of Government consultation and the prudent view of the sector is to use CPI increases only, until it is clear what the intention is. Any change in Government will also affect the social housing rent discussions.

The council, during the first couple of years of rent reduction were able to absorb costs, as such did not make any significant changes to services. Subsequently a decision was made to stretch the life cycles of both the internal components and the block replacement/ upgrade programme.

As a measure to manage the reduction in rents from April 2016, the Council chose to extend the life cycle of components within properties and replace them over a longer period. The reduction was only ever going to be a temporary measure, the delays in spend on the housing stock would need to be made up during subsequent years. Delayed lifecycle replacement usually leads to disproportionate levels of responsive repairs, whilst still leaving the need to invest in full replacement. During this period the council house building continued, this had a positive impact on the HRA account. The number of suitable areas to develop efficiently is now limited and the cost of building works has increase significantly as a result of the global impact on inflation and available materials and labour.

What is ‘decent home standard’?

The Government believes everyone should have the opportunity to have a decent home. This means it should be warm and weatherproof with reasonably modern facilities and that each are a key element of any thriving, sustainable community. To help achieve this, it introduced the "decent homes" standard to help social housing providers improve the conditions of their homes. For a property to be labelled a decent home it must meet certain criteria. It has nothing to do with location, floor level or size. Instead, it focuses on the health and wellbeing of the people who live in them.

The detail around the decent home standard is complicated and relates to several criteria. In simple terms it is a nationally recognised standard which all social housing providers use when assessing and planning for upgrades to housing stock.

The allowances for expenditure within in the self-financing settlement in 2012 were based upon the Decent Home Standard at that time. Since then issues such as cladding and Net Zero Carbon have been introduced which stretch the resources of the HRA. Income in the HRA continues to be limited by Government guidance via the Regulator of Social Housing.

Council Housing Building

The Epping Forest District Council HRA includes a Council house building programme.

Members agreed to begin a development programme, following a paper which was presented to Scrutiny Committee on 25th October 2011. This included a discussion around what the benefits are in building inhouse. As such, Committee noted the advantages in both financial terms and in terms of maintaining control of and developing our stock, therefore providing the best possible service for residents.

The initial programme was based around a significant number of garage sites. In 2019 a further review of sites was undertaken with a corresponding feasibility study which included a financial appraisal. At this point officers purchased ProVal (a tool used to appraise development schemes using cashflows over time) and started to use a baseline target of 3.2% for the return over 30 years, this was prudent as it made sure that any future council house building was going to add value to the business plan.

Whilst the return on individual development scheme appraisals is a strong indicator of the ability of the cashflows to repay over time, it is equally important to test the schemes within the business plan as a whole. The combination of the requirements of the existing stock investment together with borrowing to build now to receive future rentals must be affordable. There should also be sufficient capacity in the workforce to deliver once borrowing has taken place.

During 2020/21 Phase 5 of the development programme was presented to Council House Building Cabinet Committee. This included a move towards driving further efficiency, by prioritising sites which produced a higher NPV, therefore benefiting the business plan financially.

Major Works

It is well understood that properties have a finite life cycle. To maximise the life span of our blocks, it is vital that we carry out regular improvement works. The process of improving properties is worked out using life cycles, there is an industry average for all components for buildings.

Our residential assets are reaching the point where major investment is required. Choosing not to invest would lead to a situation where the asset could become dangerous and losses in income through increased voids. Furthermore, it will lead to a disintegration of quality of life for our residents.

Stock condition survey – Capital replacements

In 2022, the Council took the decision to engage Ridge and Partners to undertake a 50% sample survey of the housing stock to determine the true picture of investment required. A 50% sample is a substantial test and the results are cloned to represent the whole stock. The results of the survey were provided in Autumn 2023 and provide the cashflow for expenditure on capital investment in the existing stock.

Prior to this, EFDC had not carried out a stock condition survey for 10 years, although some information was available and for 2022-23 and 2023-24 the data allowed us to prepare a medium-term financial plan. This covers both the planned works and capital investment required in our stock.

The business plan for 2024-25 includes the results of the new stock condition survey.

To further improve our data and understanding of the Council's housing stock, Ridge and Partners have again been engaged to carry out stock condition surveys for a proportion of stock that was not previously surveyed. The intention is for work to commence in the new financial year April 2024 and, this will be carried out using learning and data to help the council to prioritise stock/areas for surveying. The aim is to increase the amount of properties being surveyed and so, improve confidence levels for investment decisions.

Asset Management Strategy

Following a quality-led procurement process, the Council has appointed a specialist Consultancy to assist us with the development of our housing asset management strategy.

The asset management strategy will enable EFDC to target resources so they achieve the best long-term outcomes for our tenants and leaseholders. As well as being financially viable, we want the homes EFDC provide to be places people want to live and want to stay.

The strategy is being *co-created* and involves engagement with our tenants. This will ensure that, through consultation, the strategy will appreciate EFDC's current position, our capabilities, and our aspirations for the homes we provide. By also including stakeholders in the strategy development, it will create the buy-in and traction needed to achieve the objectives of the strategy.

Sector Risk Profile

This year's Sector Risk Profile focuses on the Regulatory Standards, particularly the risks on delivering the outcomes required of the economic standards. The Social Housing (Regulation) Act has given the Regulator greater powers to set consumer standards and proactively regulate these from April 2024.

Key areas of focus within the sector risk profile include:

- Strategic Direction
    - Setting of clear strategic direction and priorities
    - Delivering quality services to tenants
    - Value for money
    - Performance and scrutiny

- Macroeconomic risk and viability
    - Noting difficult and uncertain economic environment
    - Mitigation plans to ensure continued delivery of strategic objectives

- Stock decency
    - Regulator has greater powers to ensure providers are providing homes that are decent, safe and well-maintained, and that tenants receive quality landlord services and are treated with fairness and respect.

- Tenant safety
    - Keeping tenants safe is a fundamental responsibility for any landlord. Providers must ensure that they comply with all statutory health and safety legislation. The regulator's review of damp and mould following the tragic death of Awaab Ishak highlighted the importance of providers holding accurate, up-to-date, and robust stock data in ensuring tenant safety. Providers must ensure that risks to tenant safety are identified and mitigated, including stock surveys that are sufficiently robust

- Service delivery and accountability
    - The provision of good quality housing services to their tenants is core to the role of a provider. Providers need to ensure that strong governance is in place to oversee service delivery and maintain compliance with consumer standards. In particular, they must ensure that the organisation has robust and accurate data on performance, including tenant satisfaction measure data for 2023/24.

In summary, the sector is facing increased regulation and scrutiny, and the Regulator for Social Housing will begin an inspection regime from April 2024 for social landlords. The importance to invest in Council stock and make well informed decisions is more important than ever.

A link to the sector risk profile is as below:
Sector risk profile 2023 (accessible version) - GOV.UK (www.gov.uk)

Report

Epping Forest DC Current HRA BP Assumptions (November 2023)

1. CPI and RPI Rates

The underlying economic assumption of increases for CPI and RPI for future years are set at the same rates within the model. Where assumptions of income or cost are assumed to vary from these, real additions or increases are added and explained in the notes below.

Global Assumptions

CPI

From Year		%
2	01-Apr-24	6.70%
3	01-Apr-25	2.00%
4	01-Apr-26	2.00%

2. Stock and Rent

Opening stock on 1 April 2023 for the HRA included 6,383 dwellings excluding guest rooms and warden accompt / offices and Norway House. There were 196 Affordable Rented and 6,187 Social Rented dwellings.

HRA Business Plan | Epping Forest DC HRA

Stock Assumptions

Import Stock & Rents

Stock Description	Affordable Rent Bedsit	Affordable Rent One Bed	Affordable Rent Two Bed	Affordable Rent Three Bed	Affordable Rent Four Bed	Social Rent Bedsit	Social Rent One Bed	Social Rent Two Bed	Social Rent Three Bed	Social Rent Four Bed	Social Rent Five Bed	Social Rent Six+ Bed	Supported Bedsit	Supported One Bed	Supported Two Bed	Supported Three Bed	Hostel
Tenure Type	Affordable Rent	Affordable Rent	Affordable Rent	Affordable Rent	Affordable Rent	Social Rent	Social Rent	Social Rent	Social Rent	Social Rent	Social Rent	Social Rent	Supported	Supported	Social Rent	Social Rent	Supported
Repairs & Maintenance Archetype	Main Stock	Main Stock	Main Stock	Main Stock	Main Stock	Main Stock	Main Stock	Main Stock	Main Stock	Main Stock	Main Stock	Main Stock	Main Stock	Main Stock	Main Stock	Main Stock	Main Stock
Opening Stock Numbers	Units	Units	Units	Units	Units	Units	Units	Units	Units	Units	Units	Units	Units	Units	Units	Units	Units
Current Stock Numbers	0	32	81	82	1	220	1,785	1,709	1,791	142	2	0	85	429	16	0	8

The 52-week average rent per unit type per week on a 52-week basis is shown below. Rents are currently allowed to rise by a maximum of CPI + 1% until April 2024 and then the expectation is that rents will be limited to CPI increases only.

Rent Assumptions	Affordable Rent Bedsit	Affordable Rent One Bed	Affordable Rent Two Bed	Affordable Rent Three Bed	Affordable Rent Four Bed	Social Rent Bedsit	Social Rent One Bed	Social Rent Two Bed	Social Rent Three Bed	Social Rent Four Bed	Social Rent Five Bed	Social Rent Six+ Bed	Supported Bedsit	Supported One Bed	Supported Two Bed	Supported Three Bed	Hostel
	£ / unit / wk	£ / unit / wk	£ / unit / wk	£ / unit / wk	£ / unit / wk	£ / unit / wk	£ / unit / wk	£ / unit / wk	£ / unit / wk	£ / unit / wk	£ / unit / wk	£ / unit / wk	£ / unit / wk	£ / unit / wk	£ / unit / wk	£ / unit / wk	£ / unit / wk
Current Average Rent	£0.00	£176.50	£223.38	£265.23	£322.19	£86.16	£97.21	£111.61	£127.04	£141.31	£152.99	£0.00	£88.99	£97.44	£116.52		£103.55
New Letting Average Rent	£0.00	£176.50	£223.38	£265.23	£322.19	£90.93	£102.69	£118.53	£140.34	£154.31	£161.35	£0.00	£94.91	£103.77	£125.35		£103.55

It should be noted that 2024-25 is what is known as a “53 week year” in that there are 53 rent collection days (Mondays) and the tenant is charged at the same rate for the 53rd week as the rest of the year. This phenomenon occurs once every 5 or 6 years and it is entirely coincidental that 2024 is a leap year – this does not effect the number of Mondays in a year.

Epping Forest DC has a policy which limits the setting and the future increase of Affordable Rented property to the Local Housing Allowance (LHA). It was expected that LHA rates will be frozen until April 2025, however, the Government are allowing the rates to increase in 2024-25. At this time the LHA rates are unknown, so for prudence, the business plan assumes that the rates will be fixed at least for a further year, then will rise by CPI. This means that in the plan, Affordable Rents are expected to rise by less than the maximum allowed if they reach the imposed limit. The affordable 4 bed properties for example would not increase in rent at all and the other affordable rents would rise by an average of 3% overall rather than 7.7%.

3. Voids and Bad Debt Rates

Void loss is assumed to be 1.4% of the Council's social and affordable dwelling rent per annum. For Norway House this is assumed to be 50% per annum.

Bad debts are assumed to be 0.26% of the rental income which in 2024-25 is the equivalent of around £109k.

4. Development Schemes

The following development schemes are included in the plan:

HRA Business Plan | Epping Forest DC HRA
Development Schemes

Summary of Inputs

Scheme Names	New Build Units Developed Units	Acquisition Units Developed Units	**Total Units Developed Units**	Scheme Costs £	Sales Receipts £	External Grant £	Use of RTB 141 Receipts - Capital £
4.3 Pick Hill (Waltham Abbey)	0	0	**0**	0	0	0	0
4.3 Pentlow Way (Buckhurst Hill)	7	0	**7**	-999,038	0	0	399,615
4.3 Woollard Street (Waltham Abbey)	8	0	**8**	-596,140	0	0	238,456
4.4 Chequers Road Site B (Loughton)	8	0	**8**	-3,217,810	0	0	1,287,124
4.4 Ladyfields (Loughton)	16	0	**16**	-4,513,919	0	0	1,805,568
	0	0	**0**	0	0	0	0
Ph 5 Beechfield (B)	0	0	**0**	0	0	0	0
Ph 5 Burney Drive	2	0	**2**	-604,161	0	0	241,664
Ph 5 Castell Road	4	0	**4**	-1,306,569	0	0	522,628
Ph 5 Fairfield/Millbank	0	0	**0**	0	0	0	0
Ph 5 Hornbeam Close Site A (Buckhurst Hill)	0	0	**0**	0	0	0	0
Ph 5 Hyde Mead (Nazeing)	0	0	**0**	0	0	0	0
Ph 5 Pyrles Lane A (Loughton)	0	0	**0**	0	0	0	0
Ph 5 Pyrles Lane B (Loughton)	0	0	**0**	0	0	0	0
Ph 5 St Peters Avenue, Shelly, Ongar	23	0	**23**	-11,800,000	0	6,100,000	0
Ph 5 Parking / EV points	0	0	**0**	0	0	0	0
	0	0	**0**	0	0	0	0
Qualis Acquisitions	60	0	**60**	-16,044,549	0	60,000	6,150,870
	0	0	**0**	0	0	0	0
Mason Close	10	0	**10**	-2,650,328	0	0	1,060,131
Valley Hill	8	0	**8**	-1,889,780	0	0	755,912
Princess of Wales site	15	0	**15**	-5,500,000	0	0	2,200,000
LAHF Units	0	2	**2**	-529,000	0	268,100	0
Give away 1-4-1	0	0	**0**	0	0	0	0
24 Western Avenue = purchase	0	1	**1**	-725,000	0	0	290,000
	0	0	**0**	0	0	0	0
	0	0	**0**	0	0	0	0
	0	0	**0**	0	0	0	0
	0	0	**0**	0	0	0	0
	0	0	**0**	0	0	0	0
	0	0	**0**	0	0	0	0
	0	0	**0**	0	0	0	0
	0	0	**0**	0	0	0	0
	0	0	**0**	0	0	0	0
	0	0	**0**	0	0	0	0
	0	0	**0**	0	0	0	0
	0	0	**0**	0	0	0	0
	0	0	**0**	0	0	0	0
	0	0	**0**	0	0	0	0
	0	0	**0**	0	0	0	0
	0	0	**0**	0	0	0	0
Unidentified	0	0	**0**	0	0	0	0
Total	**161**	**3**	**164**	**-50,376,294**	**0**	**6,428,100**	**14,951,968**

Most of the schemes are being funded from reserves of RTB 1-4-1 receipts that would need to be repaid if not used. The interest rate on returning receipt after 5 years is 4% above the Bank of England base rate. The current base rate is 5.25% which would give rise to interest repayments based on 9.25% per annum at present.

RTB 1-4-1 receipts have been assumed for all identifiable schemes to the point at which the current estimate of receipts brought forward and generated are used up. Thereafter, where there are no schemes, the Council may seek to find another developing RP and give the receipts to that development, usually in return for equivalent nomination rights.

From 1 April 2021, the proportion of a scheme funded by 1-4-1 receipts was increased from 30% to 40%. The Council now have 5 years to spend the receipts rather than 3 as per the former arrangement. The receipts can also now be used to fund the development of shared ownership and First Homes as well as social and affordable rented properties. There is a limit from April 2022 on the number of "acquisitions" per annum that can be funded from 1-4-1 receipts to ensure that the receipts fund new development by the Council. This is no less than 20 per year. "Acquisitions" are expected to include the purchase of street properties, former RTB's and purchases of new build on developments that are not on the Council's land – this would include S106 purchases for example or purchasing of newly built properties on a developer's market sale site.

Based on the estimate of RTB sales for future years, the estimated sales and discount values and the Council's requirement to pool (pay over to Government) a share of the receipts, the table below sets out the expected generation and use of the 1-4-1 receipts in the plan. This is the proportion of the receipt that can only be used for new development / acquisition of property. It is only generated when the Council has received enough receipts to cover its liabilities to pay to Government and to compensate the business plan for the loss of income through excess sales.

In March 2023, the Government allowed Councils to keep all of the receipts generated from RTB sales in the year 2022-23, rather than asking for the Treasury Share to be pooled (paid to HM Treasury). At the same time, they also allowed the same provision for 2023-24. This was designed to help Council's deliver more homes, but only likely to cover the additional costs of building arising from inflation. This amounted to £688k in additional receipts being retained in 2022-23, and subject to the number of sales in 2023-24 would be the same again this year.

However, the ability to retain the receipts does come with restrictions. The receipts not pooled as the Treasury Share must be used in the same way as the RTB 1-4-1 receipts and returned within 5 years (plus interest) if not used. They can only be used for development and again up to 40% of a scheme and cannot be combined with other Government grant funding.

The table shows the opening balance of £14.564 m at 1 April 2023, the new receipts, and the subsequent use for development. As there is only development in the plan assumed for 5 years so far, the plan shows that receipts generated from year 6 would be repaid to the Government with interest from year 11.

HRA Business Plan | Epping Forest DC HRA
RTB Balances

Year	Year	Opening Balance £'000	New RTB 141 Receipts £'000	Treasury Share £'000	RTB Receipts for Replacement Homes: RTB 141 Receipts used for Dvpt £'000	RTB 141 Receipts given to another RP £'000	RTB Receipts Repaid £'000	**Closing Balance £'000**	Interest £'000	Interest Paid to Gov £'000	Closing Balance Check
1	2023/24	14,564	0	688	-3,673	0	0	**11,579**	618	0	OK
2	2024/25	11,579	115	0	-4,526	0	0	**7,168**	403	0	OK
3	2025/26	7,168	360	0	-4,461	0	0	**3,067**	148	0	OK
4	2026/27	3,067	389	0	-1,272	0	0	**2,184**	60	0	OK
5	2027/28	2,184	418	0	-1,020	0	0	**1,581**	43	0	OK
6	2028/29	1,581	447	0	0	0	-301	**1,728**	38	-127	OK
7	2029/30	1,728	477	0	0	0	-115	**2,090**	44	-46	OK
8	2030/31	2,090	507	0	0	0	-360	**2,237**	50	-145	OK
9	2031/32	2,237	537	0	0	0	-389	**2,385**	53	-156	OK
10	2032/33	2,385	568	0	0	0	-418	**2,535**	57	-168	OK
11	2033/34	2,535	598	0	0	0	-447	**2,686**	60	-180	OK
12	2034/35	2,686	630	0	0	0	-477	**2,839**	64	-192	OK
13	2035/36	2,839	661	0	0	0	-507	**2,994**	67	-204	OK
14	2036/37	2,994	693	0	0	0	-537	**3,149**	71	-216	OK
15	2037/38	3,149	725	0	0	0	-568	**3,307**	74	-228	OK
16	2038/39	3,307	757	0	0	0	-598	**3,466**	78	-241	OK
17	2039/40	3,466	790	0	0	0	-630	**3,627**	82	-253	OK
18	2040/41	3,627	823	0	0	0	-661	**3,789**	85	-266	OK
19	2041/42	3,789	857	0	0	0	-693	**3,953**	89	-279	OK
20	2042/43	3,953	0	0	0	0	-725	**3,228**	83	-292	OK
21	2043/44	3,228	0	0	0	0	-757	**2,470**	66	-305	OK
22	2044/45	2,470	0	0	0	0	-790	**1,680**	48	-318	OK
23	2045/46	1,680	0	0	0	0	-823	**857**	29	-331	OK
24	2046/47	857	0	0	0	0	-857	**0**	10	-345	OK

The Council will over time identify further development schemes to add into the plan to utilise the receipts. The receipts forecast at current rates would require a scheme of around £1.25 million per year – with 60% of that being funded by additional borrowing.

The receipts are not grant and will only be available if properties continue to sell via RTB, which also has the effect of reducing the existing stock. It would not be prudent to assume schemes too far into the future so as not to raise expectations.

5. Other Income

Other income in 2023-24 consists of:

Income	Amount
Non-Dwelling Rent	£31k
Garages	£905k
Service Charges	£2.793 m
Contribution from GF	£383k
Total	£4.112 m

Income from 2024-25 onwards is assumed to maintain the current budgets and most charges are assumed to rise by CPI/RPI only going forwards. Contributions from the General Fund are largely to support functions that are related to salary costs and therefore in 2024-25 are limited to a 3% rise rather than 6.7% (CPI/RPI).

Capital receipts, which may only be used to fund the capital programme and not revenue include the sale of land at Acres Avenue in 2023-24 of £230k, and at Lower Alderton of £450k. There are also grants for LAHF property purchases and refurbishment of £188k.

If the General Fund considers that it needs to use capital receipts from the sale of HRA land or appropriates assets from the HRA to sell, it would need to make a compensating reduction to the value of HRA debt to reflect the loss of the asset.

Management Costs (excluding Repairs and Maintenance Revenue Costs)

Management Costs for 2023-24 include:

Cost	Staffing	Non-Staffing	Total
Supervision & Management General	£3.878m	£5.012m	£8.890m
Service Costs (S&M Special)	£0.281m	£0.503m	£0.784m
Community Centres (S&M Special)	£0.001m	£0.083m	£0.084m
Grounds Maintenance (S&M Special)	£0.014m	£1.647m	£1.661m
Elderly Services (S&M Special)	£0.528m	£1.474m	£2.002m
Homelessness (S& M Special) incl. Norway House	£0.352m	£0.187m	£0.539m
Rents, Rates & Other	-	£0.645m	£0.645m
Leaseholders	-	£0.336m	£0.336m
Total	**£5.054m**	**£9.887m**	**£14.941m**

Staffing costs are assumed to rise by 3% in 2024-25 and thereafter by 2%.

Non-staffing costs are assumed to rise by 3.5% in 2024-25 and then 2% thereafter (CPI/RPI).

Housing Asset Management (HAM) Project costs of £230k in 2023-24 will reduce to £85k in 2024-25, then stop. Every 3 years from 2025-26, £231k is included for keeping the stock condition survey up to date via independent sampling.

In addition, from 24-25 onwards net savings on non-staffing budgets have been included totalling £274k.

6. Repairs & Maintenance

The budget for day-today responsive, void, and cyclical works carried out mainly by Qualis is £10.585 million (approx. £1,639 per unit) for 2023-24.

The breakdown of this includes:

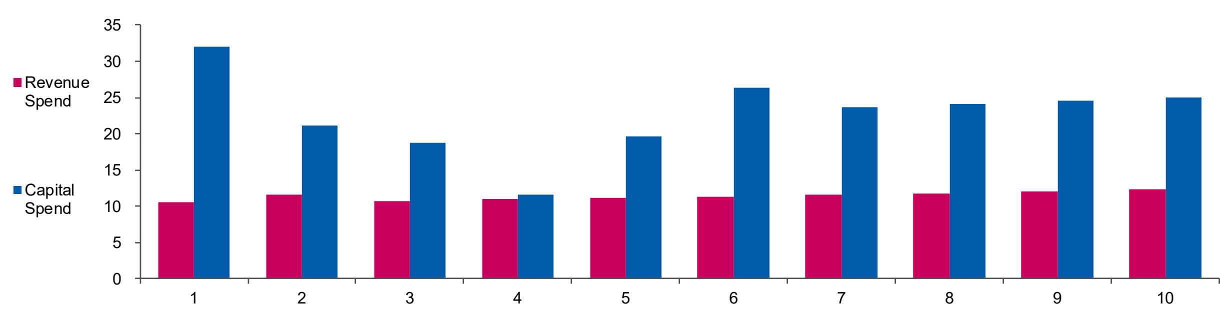
- Revenue maintenance works via Qualis £9.377m
- Annual electrical testing £1.050m
- Inspection of water tanks £0.105m
- Inspection of asbestos £0.053m

  Total £10.585m

An additional £271k is added in 2024-25 to Qualis repairs budget, but a target to reduce the Qualis repairs budget by £974k (at today's prices) is still included from 2025-26 onwards. This should aim to align with a programme of works based on the stock condition survey. Repairs and maintenance costs are assumed by CPI/RPI in all years. This gives an average spend per unit for 2024-25 of £1,793.

Summary Per Unit of Repairs

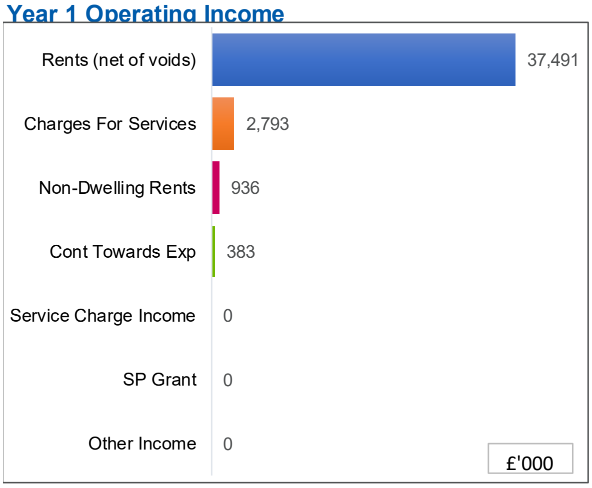
Revenue / Capital Repairs



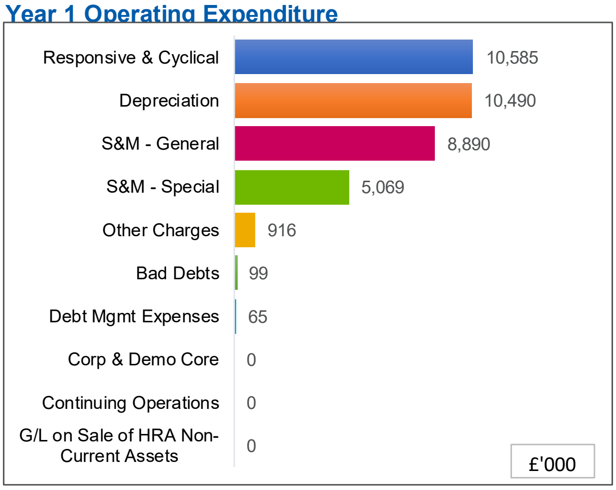
Year	1	2	3	4	5	6	7	8	9	10
Revenue	1,639	1,793	1,647	1,681	1,705	1,733	1,771	1,810	1,849	1,890
Capital	4,949	3,263	2,878	1,778	2,987	4,036	3,618	3,694	3,772	3,856

Operating Income and Expenditure Summary

Year 1 Operating Income



Year 1 Operating Expenditure



7. Capital Works

The capital programme for 2023-24 reflects the estimated outturn position predicted against the budget set for the year. The programme for this year includes £5.981m of works estimated to be carried out on the Limes Avenue and Copperfield estates. These works were identified as urgently required and should be completed this year. The total expected spend on major works (excluding new build development and non-stock related capital spend) is £31.996m

To give the Council more comfort over the value of works that are required to the existing stock and to aid the accurate population of the new Housing Asset Management system, Ridge and Partners were instructed in 2022 to undertake a substantial sample survey. 50% of the properties were surveyed to establish their condition and to forecast over 30 years a profile of expenditure that should be future-proofed. The data is cloned initially to reflect the entire stock and will be used to put together an asset management programme for procuring works in an efficient manner. The cost of the update surveys every 3 years thereafter is included in management costs.

The survey was undertaken and Ridge's report was prepared in accordance with the direction, recommendations and intent of the following guides:

- Collecting, Managing and Using Housing Stock Condition Information – A Good Practice Guide, DETR 2000;
- Housing Transfer Manual, DLUHC;
- Stock Condition Surveys, second edition, RICS;
- A Decent Home- The definition and guidance for implementation, June 2006; and
- HHSRS Operating Guidance, ODPM February 2006.

The commission required Ridge to provide and updated 30 year re-investment profile showing

- A whole stock cost analysis, by category of expenditure (survey plus desktop);
- Indicative Housing Health and Safety Rating System (HHSRS) data; and
- A Decent Homes analysis.

The Executive Summary states that
"*The survey has identified that the housing stock is in a reasonable state of repair, but in need of re-investment. The stock requires continued expenditure over a 30 year planning term in order to maintain all properties up to a good, tenantable standard."*

On completion of the survey and extrapolated results, the report showed that a total of £329,427,876 is required to be spent over 30 years, which is the equivalent of £1,711 per unit per annum. The costs are based at third quarter 2022, and Ridge have advised that the costs should be uplifted by 5.75%. This means that at 2023-24 prices, the total cost is £348,364,374 over 30 years or £1,809 per unit.

The summary of the works including the 5.75% inflationary uplift is as follows:

Reporting Category	Total Cost years 1 - 30	Average Cost Per Unit 30 Years	Average Cost Per Unit Per Annum
Future Major Works	£315,503,815	£49,151	£1,639
Improvements	£6,961,798	£1,085	£36
Contingent Major Repairs	£16,257,532	£2,533	£84
Unsurveyed Block Allowances	£9,641,229	£1,502	£50
Total	**£348,364,374**	**£54,271**	**£1,809**

Ridge's report also notes that "*8.05% of the stock (517 dwellings) is deemed "currently non-decent" in accordance with the June 2006 Decent Homes Standard definition (up to 2023). Ridge recommends that all works forecast by the survey are undertaken, in which case the Decent Homes Standard (part of the Homes Standard) will be automatically delivered as a by-product of an effective planned works programme*."

The profile of works is not based on an annual sum of equal amounts. The profile of spend over 30 years takes into account the lifecycle replace of each element within a property, based on its condition and potential length of useful life at the date of the survey. The replacement lifecycle may occur more than once in a 30 year business planning period.

The survey only covers the works for Decent Homes and as such there are areas of expenditure that have been included in the business plan that were not in the survey, but that are still required for compliance, disabled adaptations, structural works environmental works, urgent works that have been promised to tenants and are part way to completion and works towards achieving net carbon zero.

The works include (at 2023-24 prices):.

- Limes Avenue and Copperfield - £5.981 million in 2023-24
- Broadway - £4.1 million in over 2023-24 to 2025-26
- Sheltered Refurbishments - £1.79 million over 5 years from 2023-24 (repeated after 15 years
- Emergency Alarm Upgrade - £763k over 2023-24 and 2024-25 (repeated after 18 years)
- Norway House improvements and lifecycle costs £1.77m over 30 years
- Net carbon zero works £17.6 million over 11 years from 2023-24
- Fire Compartmentation works £500k per annum
- Structural works £800k per annum
- Asbestos works £271k per annum
- Environmental and tother minor works £235k per annum
- Disabled adaptations £1m per annum
- Professional fees for capital administration £687k per annum

Prices are assumed to rise in line with the CPI/RPI rates assumed in the economic assumptions.

Over the next five years, the capital works expected are (inclusive of inflation):

Year	Major Works & Improvements (new SCS from 24-25) £'m	Non-SCS Additional Works £'m	New Build Development £'m	Other Capital Spend £'m	Total £'m
2023-24	£17.317m	£14.649m	£9.963m	£0.983m	£42.912m
2024-25	£12.380m	£8.684m	£11.523m	£0.500m	£33.087m
2025-26	£8.722m	£10.061m	£15.294m	£0.500m	£34.576m
2026-27	£4.525m	£7.072m	£7.113m	£0.510m	£19.220m
2027-28	£12.184m	£7.406m	£6.483m	£0.520m	£26.594m
2028-29	£19.080m	£7.336m	0	£0.531m	£26.947m
Total	**£74.208m**	**£55.208m**	**£50.376m**	**£3.544m**	**£183.336m**

8. Other Capital Spend

In addition to the capital spend required to maintain the stock, there are budgets included for other capital items:

2023-24Service enhancement costs (Housing Asset Management) - £729k
2023-24 Homes Fit for Human Habitation Scheme (HFFHH) – £254k
2024-25 HFFHH - £154k
2025-26 HFFHH - £154k
2024-25 and 2025-26 ~Contingency £346k then onwards £500k per annum

9. **Depreciation**

Depreciation is calculated on owned stock based on £1,626.61 per unit, giving a charge to the HRA of £10.490 million in 2023-24 and this rises by 2% per annum.

Depreciation is treated as a charge or deduction from the HRA revenue balances which is transferred into the Major Repairs Reserve. The Major Repairs Reserve is a pot of money that can only be used to fund capital works or repay debt. Whilst it can be used for any capital works in the HRA, it is principally designed to fund major works improvements to the existing stock. Any shortfall in funding of the capital programme can be funded from additional contributions from the HRA revenue reserve if the balance is above £2 million, or from additional borrowing.

10. Reserves, Funding and Loans

The following reserves exist for the use of the HRA as at 1 April 2023:

HRA Revenue Reserve	£4.551m (revenue or capital use)
Major Repairs Reserve	£8.486m (capital use only)
RTB 1-4-1 Receipts	£14.564m (only use for development)

The minimum HRA balance required by the Council is £2 million.

The HRA has loans totalling £154.556 million at 1 April 2023, which has reduced by £34.877m over the past two years through repayment of debt, utilising funds set aside for repayment and historic debt owed by the General Fund to the HRA.

The Major Repairs Reserve (MRR) has a significant balance of £8.486 m on 1 April 2023. The plan assumes that the capital programme for 2023-24 will use these balances plus the depreciation value transferred from the HRA to the MRR, together with grants, RTB 1-4-1 receipts where possible for development scheme, other usable RTB receipts and revenue balances to fund the capital programme to minimise borrowing. This will in turn minimise the use of revenue reserves used to pay interest charges.

Sale of council houses under the Right to Buy (RTB) after considering the tenant's discount generates receipts which are shared in proportions set by legislation between the Council and the Government. The following shares of income can arise:

- Treasury share – up to 75% of the receipt up to a limit set by local authority (paid to HM Treasury)
- Local Authority share - up to 25% of the receipt up to a limit set by local authority (retained by the Council for any capital purpose)
- £1300 per unit for admin fees
- Allowable debt – a calculation of a value designed to compensate the HRA business plan where sales exceed the number assumed in the self-financing settlement in 2012. This sum is the equivalent of the additional debt taken on for those excess units sold and could be used to pay off debt (retained by the Council for any capital use)
- Any remaining receipts is the 1-4-1 RTB receipt for replacement homes only.

The Council resolved that the HRA should be allowed to keep the admin fees and the 1-4-1 receipts, and 30% of the allowable debt compensation. The remaining 70% and 100% of the LA share is kept by the General Fund.

The business plan shows that the capital programme including development and other capital spend can be funded as follows:

		Capital Expenditure						Financing									
Year	Year	Major Works & Imps £'000	Other Capital Spend £'000	New Build Development Costs £'000	Demolition Costs £'000	Other Fixed Assets £'000	**Total Capital Expenditure £'000**	External Grant £'000	Homes England Grant £'000	RTB 141 Receipts £'000	Arranged Borrowing £'000	Other RTB Receipts £'000	Other Capital Receipts £'000	MRR £'000	RCCO £'000	Revolver Borrowing £'000	**Total Financing £'000**
1	2023/24	31,966	983	9,963	0	0	**42,912**	268	0	3,673	0	670	350	18,976	2,128	16,846	**42,912**
2	2024/25	21,064	500	11,523	0	0	**33,087**	0	0	4,526	0	67	180	10,700	2,499	15,114	**33,087**
3	2025/26	18,783	500	15,294	0	0	**34,576**	2,093	0	4,461	0	66	199	10,914	2,667	14,176	**34,576**
4	2026/27	11,597	510	7,113	0	0	**19,220**	2,033	0	1,272	0	65	212	11,132	3,098	1,408	**19,220**
5	2027/28	19,590	520	6,483	0	0	**26,594**	2,033	0	1,020	0	64	212	11,355	3,379	8,532	**26,594**
6	2028/29	26,417	531	0	0	0	**26,947**	0	0	0	0	16	212	11,582	3,202	11,937	**26,947**
7	2029/30	23,664	541	0	0	0	**24,205**	0	0	0	0	16	212	11,813	3,362	8,803	**24,205**
8	2030/31	24,118	552	0	0	0	**24,670**	0	0	0	0	16	130	12,050	4,126	8,348	**24,670**
9	2031/32	24,580	563	0	0	0	**25,143**	0	0	0	0	16	111	12,291	2,781	9,944	**25,143**
10	2032/33	25,081	574	0	0	0	**25,656**	0	0	0	0	16	93	12,537	2,897	10,114	**25,656**
11	2033/34	25,121	586	0	0	0	**25,707**	0	0	0	0	16	0	12,787	2,811	10,093	**25,707**
12	2034/35	18,681	598	0	0	0	**19,279**	0	0	0	0	16	0	13,043	2,388	3,831	**19,279**
13	2035/36	19,359	609	0	0	0	**19,968**	0	0	0	0	16	0	13,304	3,683	2,966	**19,968**
14	2036/37	19,819	622	0	0	0	**20,440**	0	0	0	0	16	0	13,570	2,729	4,126	**20,440**
15	2037/38	20,331	634	0	0	0	**20,965**	0	0	0	0	16	0	13,841	2,442	4,666	**20,965**
16	2038/39	20,718	647	0	0	0	**21,364**	0	0	0	0	16	0	14,118	2,938	4,293	**21,364**
17	2039/40	21,827	660	0	0	0	**22,487**	0	0	0	0	16	0	14,401	3,133	4,938	**22,487**
18	2040/41	22,244	673	0	0	0	**22,917**	0	0	0	0	16	0	14,689	2,991	5,222	**22,917**
19	2041/42	22,669	686	0	0	0	**23,355**	0	0	0	0	16	0	14,982	4,616	3,742	**23,355**
20	2042/43	23,736	700	0	0	0	**24,436**	0	0	0	0	0	0	15,282	3,769	5,385	**24,436**
21	2043/44	24,073	714	0	0	0	**24,787**	0	0	0	0	0	0	15,588	3,497	5,702	**24,787**
22	2044/45	24,194	728	0	0	0	**24,923**	0	0	0	0	0	0	15,899	3,920	5,104	**24,923**
23	2045/46	24,658	743	0	0	0	**25,401**	0	0	0	0	0	0	16,217	4,005	5,179	**25,401**
24	2046/47	25,131	758	0	0	0	**25,889**	0	0	0	0	0	0	16,542	3,718	5,629	**25,889**
25	2047/48	25,614	773	0	0	0	**26,387**	0	0	0	0	0	0	16,873	5,787	3,727	**26,387**
26	2048/49	25,522	788	0	0	0	**26,311**	0	0	0	0	0	0	17,210	4,731	4,370	**26,311**
27	2049/50	30,354	804	0	0	0	**31,158**	0	0	0	0	0	0	17,554	4,469	9,135	**31,158**
28	2050/51	30,941	820	0	0	0	**31,761**	0	0	0	0	0	0	17,905	4,927	8,929	**31,761**
29	2051/52	31,540	837	0	0	0	**32,377**	0	0	0	0	0	0	18,263	4,868	9,245	**32,377**
30	2052/53	32,151	853	0	0	0	**33,004**	0	0	0	0	0	0	18,629	5,862	8,513	**33,004**

The financing of the expenditure assumes that known grants, 1-4-1 RTB receipts allocated to development schemes, other RTB capital receipts generated (i.e. the Council's share before 1-4-1 receipts are calculated), other capital receipts including shared ownership 1st tranche sales and leaseholder contributions and the balance on the Major Repairs Reserve are used first.

Having exhausted the capital reserves, the plan then assumes that the HRA will contribute revenue to fund the works as a Revenue Contribution to Capital Outlay (RCCO) to minimise the remaining amount which is assumed to be borrowed. The amount of revenue contributed is limited by the plan to ensure that the minimum balance on the HRA reserve each year is £2 million.

If there is still a shortfall, then the plan assumes there will be borrowing (Revolver Borrowing) – this is currently a forecast and not actual loans. The assumption is that this borrowing would be at 5.2% in 2023-24, 4.80% in 2024-25, 3.40% in 25-26 and 2.8% from 26-27 onwards and would-be long-term debt, repaid beyond 40 years.

From years 2023.-24 to 2027-28 in the first-place shows that significant borrowing will be required (£56.076 million) mainly to fund the development but also to fund the urgent works required and the new forecast of works required to existing properties. The new stock condition survey provides a profile which still indicates that borrowing will be required every year to maintain the housing stock to a good tenantable standard.

11. Financing Summary

An upper limit of £400 million of HRA borrowing has been set internally The table below summarises the position on the loans and the HRA surplus carried forwards over 30 years.

The opening debt is £154.556m.

Revolver borrowing drawn down is the amount required to fund the capital programme in the plan where other capital receipts and revenue are insufficient in the year. The plan does not have sufficient reserves to fund the repayment of 4 x £30 million of loans in years 15 to 19 so it is assumed that these are refinanced each year as they fall due. Total debt in year 30 is £374.574 million.

The HRA surplus runs very close to £2 million in every year as it uses balances to minimise the borrowing over time.

HRA Business Plan | Epping Forest DC HRA
Financing Summary

Year	Year	Opening Loan Balance £'000	Loan Drawdowns £'000	Loan Repayments £'000	Drawdown of Revolver £'000	Repayment of Revolver £'000	**Closing Loan Balance £'000**	**HRA Surplus c/f £'000**
1	2023/24	154,556	0	0	16,846	0	**171,402**	**2,974**
2	2024/25	171,402	0	0	15,114	0	**186,516**	**2,510**
3	2025/26	186,516	0	0	14,176	0	**200,692**	**2,214**
4	2026/27	200,692	0	0	1,408	0	**202,100**	**2,109**
5	2027/28	202,100	0	0	8,532	0	**210,632**	**2,091**
6	2028/29	210,632	0	0	11,937	0	**222,568**	**2,085**
7	2029/30	222,568	0	0	8,803	0	**231,371**	**2,091**
8	2030/31	231,371	0	0	8,348	0	**239,720**	**2,097**
9	2031/32	239,720	0	0	9,944	0	**249,664**	**2,100**
10	2032/33	249,664	0	0	10,114	0	**259,778**	**2,104**
11	2033/34	259,778	0	0	10,093	0	**269,871**	**2,107**
12	2034/35	269,871	0	0	3,831	0	**273,703**	**2,111**
13	2035/36	273,703	0	0	2,966	0	**276,669**	**2,114**
14	2036/37	276,669	0	0	4,126	0	**280,795**	**2,118**
15	2037/38	280,795	30,000	-30,000	4,666	0	**285,461**	**2,122**
16	2038/39	285,461	30,000	-30,000	4,293	0	**289,754**	**2,125**
17	2039/40	289,754	30,000	-30,000	4,938	0	**294,692**	**2,129**
18	2040/41	294,692	30,000	-30,000	5,222	0	**299,914**	**2,133**
19	2041/42	299,914	33,656	-33,656	3,742	0	**303,655**	**2,137**
20	2042/43	303,655	0	0	5,385	0	**309,040**	**2,130**
21	2043/44	309,040	0	0	5,702	0	**314,743**	**2,113**
22	2044/45	314,743	0	0	5,104	0	**319,846**	**2,095**
23	2045/46	319,846	0	0	5,179	0	**325,025**	**2,076**
24	2046/47	325,025	0	0	5,629	0	**330,654**	**2,057**
25	2047/48	330,654	0	0	3,727	0	**334,382**	**2,047**
26	2048/49	334,382	0	0	4,370	0	**338,751**	**2,047**
27	2049/50	338,751	0	0	9,135	0	**347,887**	**2,047**
28	2050/51	347,887	0	0	8,929	0	**356,815**	**2,047**
29	2051/52	356,815	0	0	9,245	0	**366,060**	**2,047**
30	2052/53	366,060	0	0	8,513	0	**374,574**	**2,047**

Key Targets and Outputs

The business plan results shown in chart form below show that peak debt is in year 30 at £374.574 million. The minimum HRA balance of £2 million is maintained over 30 years, with the lowest balance of £2 million in year 5 if there is no more development.

Targets for interest cover and loan to value are not currently set in the plan. Councils are starting to use these indicators as measures of health of the plan.

Interest cover = HRA Net Operating Surplus / Interest Charges
– i.e. how many times the annual surplus could cover the annual interest charge. The minimum interest cover is 0.94 times in year 1. This has arisen due to the limit on rent increases of 7% in the face of rising costs. Borrowing is at higher rates of interest due to the Bank of England's mechanism to control inflation. Borrowing is due to take place to deliver the capital programme and new development. New development will in turn provide a future rental stream which can be seen then returns the interest cover to above 1.25 times.

Select Covenant Interest Cover

Year	Mvt	Base	Live	Target	Met/Breach
		ratio	ratio	ratio	
1		0.94	0.94	1.25	Breach
2		1.25	1.25	1.25	Breach
3		1.34	1.34	1.25	
4		1.46	1.46	1.25	
5		1.51	1.51	1.25	
6		1.46	1.46	1.25	
7		1.47	1.47	1.25	
8		1.54	1.54	1.25	
9		1.35	1.35	1.25	
10		1.35	1.35	1.25	
11		1.31	1.31	1.25	
12		1.26	1.26	1.25	
13		1.40	1.40	1.25	
14		1.29	1.29	1.25	
15		1.25	1.25	1.25	
16		1.31	1.31	1.25	
17		1.33	1.33	1.25	
18		1.32	1.32	1.25	
19		1.50	1.50	1.25	
20		1.41	1.41	1.25	
21		1.37	1.37	1.25	
22		1.41	1.41	1.25	
23		1.42	1.42	1.25	
24		1.38	1.38	1.25	
25		1.61	1.61	1.25	
26		1.50	1.50	1.25	
27		1.46	1.46	1.25	
28		1.49	1.49	1.25	
29		1.48	1.48	1.25	
30		1.56	1.56	1.25	

Loan to Value = Total Loans / Housing Fixed Assets
– i.e. the proportion of fixed asset value that covers the debt. The maximum loan to value estimated in the plan is 22% in year 10. This falls in the year where new there is significant works planned between years 6 to 10 in the plan..

Should the target for borrowing be forecast to be breached, or borrowing becomes unaffordable, the HRA may need to look to:

a) Reduce the revenue services it provides.
b) Reduce the volume of development to stem borrowing.
c) Sell HRA assets to provide capital receipts to fund the plan.

Reason for decision:

Although stock holding councils no longer must summit a Housing Revenue Account Business Plan, it is still prudent to produce one as it acts as a planning tool for both financial and personnel resources.

Options considered and rejected:

To not meet Decent Homes Standard was considered, however that would lead to increased revenue spend in the future and the life span of the asset would be minimised.

To stop development. This we lead to a net loss of stock due to the RTB, in addition there would not be a compounded increase in income, which may impact the investment in stock in the future.

To not invest in the urgent works and continue to repair on an adhoc bases. This would lead to a long-term deterioration of stock leading, to an increase in cost of revenue repairs and risk the intervention of the Regulator if the Consumer Standard is not met.

Consultation undertaken:

The Finance Team have been consulted and agree. Consultation has taken place with the relevant officers in EFDC.

Scrutiny Comments:

The report was presented to Communities Scrutiny on 16th January 2024.

Communities Committee commented and recommended the HRA Business Plan for approval to Cabinet

Committee requested that an annual performance update, including stringent stress testing, be proposed for the work programme for scrutiny in the next municipal year, and noted the opportunity to improve the Council's estates, which would improve the life span of our assets and feed into our ongoing work to 'create great places where people want to live'.

Resource implications:

The paper clearly indicates both the Capital and Revenue requirements for the HRA business plan. There are no additional resource implications.

Legal and Governance Implications:

The legal and governance implication are highlighted within the sector risk profile update.

Additional legislation is also referenced in Appendix B – FAQs Point 3.

Safer, Cleaner, Greener Implications:

The plan already includes development using a 'Fabric First Approach' Furthermore the stock condition survey will enable officers to plan for carbon neutrality

Background Papers:

No additional papers

Impact Assessments:

An Impact Assessment has been undertaken and is available on request.

Risk Management:

The risks of not approving the business plan are highlighted in the report.

<u>Appendix A</u> - Why undertake a Council Housebuilding Programme

The main reasons for the Cabinet deciding in principle to introduce a new Housebuilding Programme were that:

(a) The Council's HRA land could be developed for much-needed affordable housing

(b) The Council would receive the associated New Homes Bonus (NHB) – equivalent to around £6,700 per property over the six-year NHB period, to use for any Council purpose.

(c) The land and constructed buildings would be retained as a Council asset - rather than transferring the land to a housing association at a subsidised price, for the housing association to develop the affordable housing.

(d) The Council would benefit from the net rental income in the future once the development loan has been covered.

(e) It may be possible for the Council itself to receive the benefit of capital grant funding from the Homes and Communities Agency.

(f) The Council would have greater control over the future use of the affordable homes.

(g) The cost of construction would be less than for a housing association, since the Council can recover the cost of VAT for fees from Her Majesty's Revenue and Customs (HMRC), which housing associations cannot; and

(h) It would enable the Council to increase its housing stock, instead of continuing to reduce the stock through the Right to Buy, and thereby slowly reduce the associated unit costs of managing and maintaining the Council's housing stock.

<u>Appendix B</u> – Frequently Asked Questions

Housing Revenue Account Business Planning - Frequently Asked Questions

1. What is the HRA?

The HRA is the Housing Revenue Account. This is a ring-fenced account which has been in existence since the 1930's. All Councils with more than 199 units of social rented stock are required to account for annual income and expenditure on those properties separately from the General Fund. The HRA is bound by legislation which defines what can and cannot be charged to the HRA.

2. What does the "ring-fencing" mean?

"Ring-fencing means:

- Operation of a separate income and expenditure account
- Operation of a separate HRA reserve
- HRA reserve cannot go into deficit
- There are separate rules in relation to capital and debt financing

3. What changes in legislation have affected the HRA?

- **1989 Local Government and Housing Act** – ring-fenced HRA with capital and borrowing controls and a redistributive Housing Subsidy System (this was controlled by Central Govt, and the opposite of running a "business-like" service)
- **HRA Resource Accounting 2001** – introduced a Major Repairs Allowance (spend on capital) and a Major Repairs Reserve
- **Rent Restructuring from 2002 onwards** – moving existing social rents towards a comparable rent across England based on capital values, bedroom numbers and wage levels
- **Local Government Act 2003** – Prudential Code – replaced capital controls
- **2006 – 2012** – work to move to Self-Financing HRAs
- **2012 – abolition of the Housing Subsidy System** and introduction of the self-financing debt settlement with a debt cap
- **2018 – abolition of the HRA Debt Cap**

Effectively a journey towards increasing freedom and flexibility – within the context of a legislatively controlled accounting framework.

4. What is the HRA Business Plan?

The HRA business plan can include a written plan for the future of the housing stock and estates, but in terms of the finances, the business plan is a set of assumptions about income and expenditure over 40 years. Starting from the base information that we know about the housing stock and budgets now, the assumptions allow us to estimate future cashflows arising from Council housing given economic forecasts. A survey of the stock gives us a reliable idea about how much investment is needed to keep the stock in a decent condition. The remaining amounts after accounting for day-to-day budgets need to be enough to allow the Council to pay interest on its loans and/or repay its HRA debt.

The Council uses Abovo-Consult's Fortress HRA Business Planning and Stress-Testing Model to forecast its 30-year business plan and combines both capital and revenue funding to produce a holistic view.

5. Where do the assumptions about future inflation come from?

The underlying estimates of Consumer Price Inflation (CPI) and Retail Price Inflation (RPI) for the next 5 years are taken from the estimates of the Office for Budgetary Responsibility (OBR) published figures based at quarter 2.Inflation on staffing costs is provided by the Council's annual estimates for the Council as a whole.

6. What income is included in the HRA?

Revenue income comes from:

- tenants' weekly rents on homes and garages
- charges for services and facilities
- miscellaneous land and property rents such as shops, land, hardstanding.

The HRA also received contributions from the General Fund toward expenditure incurred where a share of costs relates to the wider residential area.

Within statute it can also include sums directed by the Secretary of State that are income in accordance with the Code.

Revenue income may be used to finance revenue expenditure in the HRA, and may also be used to finance capital expenditure, thus reducing the amount of borrowing that would otherwise have been required.

7. What is Capital Income?

Capital income either arises from the sale of Council Housing land and property or from grants given to support the financing of new development or other capital projects. Capital income can only be used to finance future capital spend it cannot be used to fund revenue expenditure in the HRA.

Examples are Right to Buy sales receipts, income from equity sales in shared ownership properties, grants from Homes England, sales of land in the HRA and contributions to works from leaseholders.

Money borrowed is also capital income.

8. How are social rents calculated?

Social rents are usually historic rents that have been moved towards a formula based "target" rent since 2002. Many rents will have converged with the formula or target rent, but others may not yet have done so.

The social rent formula aimed to allow rents to converge to a formula rent originally by 2013. The formula rent is calculated for each property by local authority area with an allowance for the size of the property (number of bedrooms), its capital value compared to the national average and an affordability adjustment by comparing wages in an area to the national average. Capital values were set in 1999. The formula is a weighted average figure by property taking into account 30% of the value in relation to the value and 70% in relation to the wage effect.

Each year, the formula rent is increased, regardless of whether the actual rent is increased or decreased. Originally, the increase was RPI + 0.5%, but in 2015, this was amended to CPI + 1%.

"Target Rents" can be set at up to formula + 5% for General Needs properties and formula + 10% for Supported housing. This is known as "flexibility" or "tolerance". Whatever figure is chosen for the rent be it the formula or formula + flexibility is known as the "target rent".

From 2002 to 2015, actual rents were allowed to rise by RPI + 0.5% + a max of £2 per week so that they converged towards the target. Convergence in year was terminated form April 2015, making it impossible to converge existing tenants to target rents.

The flexibility cannot be introduced once a property has been let for the first time.

9. How are affordable rents calculated?

Affordable rents can be set for properties that are developed or purchased using grant for the purpose of affordable housing – this includes the use of Right to Buy 1-4-1 receipts.

Affordable rents are set at first and subsequent re-lets by taking the market rent for a similar property including any service charges and then setting the rent at a maximum of 80% of that figure. Service charges cannot be added on to the affordable rent separately after calculating the 80% of a non-serviced market rent. It may often be the case that the market rate does not cover the actual cost of services provided, but this is a risk that must be considered at the time of taking the grant support. The market rent will set the value that people are prepared to or ae able to pay, the reduction to 80% of that value is designed to make the property affordable at the time of letting to a social tenant.

The Council has its own policy of setting affordable rents at the minimum of the calculated value and the relevant Local Housing Allowance.

10. How can rents be increased?

Social rents including affordable rents from 2020 are regulated by the Regulator of Social Housing (RSH) in the same way as Housing Associations. Rents must be set in line with the Rent Standard and breaches must be reported to the RSH.

The Rent Standard states that social rents (i.e. those set by reference to the "formula rent") that are less than or equal to the formula rent + allowed flexibility may increase by a maximum of the CPI (based on September in the year prior to the April increase) + 1%. The rate of CPI in September 2021 was 3.1%, so the maximum allowable increase in rents in April is 4.1%. This increase can be assumed for up to the next two financial years and then further guidance will be required.

Social rents that are less than the formula or "target" rent may be increased in a rent year to that target if the property is re-let to a new tenant. The Rent Standard also applies to affordable rents (i.e. those set by reference to 80% of the market rent) and the same principle applies. Affordable rents can increase by a maximum of CPI + 1% until 31 March 2025.

On re-let, an affordable rent must always be referenced back to the market rent for a similar property including service charges and a rent set at a maximum of 80% of the market rent. Market rents can go up and down.

The Council has its own policy which limits an affordable rent to the Local Housing Allowance (LHA) for the area that the property is within. If the affordable rent is below the LHA, but an increase of CPI + 1% would mean that it will be above the LHA, then the LHA rate is the rent that will be set. Note that since April 2020, LHA rates have been frozen and no increase is expected within the next two years.

The Government can intervene at any time and have done so in the past. Between 2016 and 2020, rents were cut by 1% per annum in cash terms (about 12% in real terms).

11. How are service charge fees calculated?

Some properties receive services that are specific to their property. This is more usually for flats and blocks of properties. Examples are warden / sheltered unit support charges, communal area heating and lighting charges, water and sewage charges and repairs recharges.

The cost of these services are recharged to the tenants who specifically benefit rather than every tenant. The charges made in total must not exceed the cost of those services to the HRA each year.

12. What expenditure can be counted as revenue expenditure in the HRA?

The HRA can be charged with the costs of:

- Repairs and Maintenance
- Supervision and Management
- Rents, rates, taxes and other charges,
- Depreciation and impairment of non-current assets (e.g. homes, garages, shops)
- Debt Management Costs including interest on loans
- Sums directed by the Secretary of State that are expenditure in accordance with the Code.

13. What can be counted as capital expenditure?

The key principle is that everything is revenue unless you can prove its capital!

There are three “routes” for qualification as capital and a large cost does not mean its capital.

- Spending which creates a non-current asset
- Spending which meets a definition specified in regulations made under the Local Government Act 2003 (does not create a non-current asset)
- If Secretary of State makes a direction that spending can be treated as capital (does not create a non-current asset).

14. What is an asset?

An asset is:

- An item held for use by the authority
- Used more than one financial year
- Its cost must be reliably measured
- The authority must gain future economic or service benefits form its ownership

15. What is a stock condition survey?

A stock condition survey provides an independent view of the profile of expenditure that will be needed to maintain the Council’s housing stock and estate assets at a particular standard (minimum is the Decent Homes Standard) over 40 years. The profile will not give the same amount of money every year as it takes into account the lifecycle of elements within the homes such as kitchens, bathrooms, roofs, etc.

The information is used in the business plan to indicate how much money should be spent each year with inflation added on and provide budgets for the capital programme

The information can also be used to procure programmes of work more efficiently from having accurate data about the work required. It can also be used to consider options for stock other than maintenance to achieve value for money.

16. What happens if the Council does not maintain its existing stock?

The Council must maintain its stock to at least the Decent Homes Standard (DHS). The DHS is not a high standard but ensures that a property is kept warm and weathertight with functioning kitchens and bathrooms.

Failure to invest in properties at the right time can lead to an increase in unlettable properties which leads to a loss of rental income. Less rental income leaves less money to invest in the properties without borrowing.

Failure to maintain a roof for example can lead to other issues such as damp and mould and eventually an increasing number of "spin-off" repairs. Money spent on additional repairs reduces the money available in the HRA to maintain or improve the service and develop new homes.

17. What money can be used to finance the capital programme?

The capital programme can be financed from the following sources:

- Grants specifically for major works and/or development projects
- Shared ownership sales receipts on staircasing of existing S/O units or new build first tranches
- Capital receipts from the sale of land in the HRA
- Major Repairs Reserve funds
- Income set aside in earmarked reserves for example for new build (if the programme contains the type of expenditure agreed for the reserve)
- Receipts arising from RTB sales specifically for the replacement of homes – if and only if development / acquisition is in the plan
- Other allowable receipts that can be retained from RTB sales
- Revenue contributions to capital outlay (RCCO) from the HRA
- Borrowing

18. How much can the HRA borrow?

When self-financing was introduced for the HRA, the Council was given a debt cap, or maximum borrowing allowed of £185.457 million.

In 2018, the Conservative Government removed the debt cap for all Councils and allowed them to borrow as long as the borrowing is prudent. The HRA business plan is a method by which Council can estimate how much the HRA can afford to borrow and when it is required.

19. What is the value of loans in the HRA now?

In March 2012, at the start of self-financing, the Council had a zero debt. However, the debt settlement allocated £185.457 million to the Council, which meant it had to borrow this sum from PWLB to pay to the Government to start self-financing. The £185.457 million was made up six loans ranging from 10-year repayment to 30-year repayment terms at rates from 3.46% to 3.5%. The loans at the time were on preferential low rates available only on a specific day to Councils needing to borrow for self-financing settlements.

The £185 million was not based on the cost of the housing stock, but was a calculated value to work out how much debt the Council could afford based on what income it expected to receive and expenditure it needed to make over 30 years from 2012. This was a Government calculation.

In March 2021, the HRA borrowed £4 million to fund its capital programme giving a total loan value of £189.433 million at 31 March 2021

20. Where does the HRA borrow from?

HRA debt does not have to be supported by actual loans, it can also be financed internally. The HRA Capital Financing Requirement (CFR) is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness, or the underlying borrowing need.

The HRA normally borrows within the Council's overall treasury management policy as borrowing relates to the Council as a whole.

Loans are available at short notice from the Government via the Public Works Loan Board (PWLB). PWLB loans can be short terms or for very long periods (> 50 years) and rates of interest are set by the Government. Loans can also be taken from the external funders and also the HRA can borrow internally from the General Fund, if there are spare cash resources available.

21. What is the risk to the Council in borrowing?

The HRA no longer has a limit on how much it can borrow. Borrowing needs to be prudent which means that there is sufficient income over time to service the debt.

Borrowing in the HRA is not backed by a charge over the homes, so there is no risk of the properties being repossessed by a bank. The HRA is not obliged to set aside a Minimum Revenue Provision each year to build up to repay a debt (unlike the General Fund). The business plan over 30 years gives a good estimate of whether the debt taken on is sustainable or not.

Loans at present are at low interest rates and PWLB loans are available to Councils for very long periods of time. Loan repayment terms on PWLB are usually "bullet payments" which means interest is paid annually on the full amount loaned for the period of the loan and the amount borrowed is paid at the end of the loan period.

Borrowing to fund new development for example should provide an income stream with which to repay the loan. Development requires upfront expenditure to deliver cashflows over the future. The self-financing assumptions did not assume any development, so the income from existing homes is really only enough to cover the management and maintenance and debt relating to those homes.

22. How is interest calculated and charged to the HRA on debt?

There are several ways that Councils account for HRA borrowing and this can affect the time and the amount of loan that is repaid and similarly the interest charged.

Some Councils have a single "pot" of borrowing which includes many loans all with differing rates and repayment dates. They calculate the amount of debt that the HRA is responsible for and work this out as a percentage of the total loan pot. They then work out what the average interest rate across the whole pot of debt is and make a charge to the HRA equivalent to the HRA's proportion of the interest each year. As new loans are taken out or old loans repaid, the interest on the pot will change each year, but can be estimated fairly accurately.

Alternatively, the Council can have two pots – one pot of debt for General Fund borrowing and a separate one for HRA borrowing. The interest charged to the HRA will be based on the annual interest on the loans in its own dedicated pot rather than a hybrid calculation across all debt in the Council.

Epping Forest takes the latter approach with individual loans accounted for in the HRA with interest rates for each loan and set repayment dates.

23. When do loans need to be repaid by in the HRA?

Whilst there is no requirement in the HRA for a Council to become debt free over time, the Council's loans to PWLB and external funders do have repayment dates. If there is insufficient cash at the time of repayment, then the loan can usually be refinanced. This is a matter for the Council's treasury management strategy.

Unlike the General Fund, the HRA is not required to set aside a Minimum Revenue Provision (MRP) each year to meet debt repayments.

There are several methods by which Councils use HRA funds to repay debt:

- Annual set aside, payment to GF – the HRA pays over an annual proportion of its total debt each year to the General Fund. The General Fund then uses this money either to pay down debt as it falls due, uses it to pay off other loans or to reduce the need to borrow at the time. The HRA assumes that its debt is reduced and it also pays a reduced interest charge as a result.

- Annual set aside, held in a reserve for repayment of debt – the HRA pays over an annual proportion of its total debt into an earmarked account to be used to repay debt as it falls due. As the loan is due for repayment, the money in the reserve is used to repay the debt. The HRA does not assumes that its debt is reduced and it also pays the same amount of interest as it would have done without set aside. Setting aside HRA balances in this way means that they can no longer be used to fund revenue activities and can only be used for capital.

- Allow HRA balances to build up to allow the repayment of the loan as it falls due. The revenue is then paid at the loan repayment date to the Council to extinguish the debt. Balances remain available to meet revenue issues over time. Interest charges assume that debt is repaid on the repayment date.

It should be noted that whilst long term loans can be repaid early, there is usually a financial penalty incurred should this happen. The penalty reflects the loss of interest to the lender that I would have assumed it would get together with an allowance for having had cash at an earlier date than expected. Where there is a cost this is known as a "premium", in the event of a saving (i.e. if interest rates allow) then this is known as a "discount".

If there are insufficient funds, the HRA can refinance a loan at the point of repayment. This may result in a lower rate of interest then the original loan.

24. How much of the receipt from a Right to Buy Sale can the Council keep?

The proportion of annual Right to Buy sales receipts (after discount) that the Council and/or HRA can keep depends on how the cumulative sales receipts since April 2012 compare to that expected in the self-financing calculation.

For each sale, the Council can keep £1,300 to pay for the administration of the sale.

Each year, the Treasury expects to receive an agreed sum from RTB sales and this is sum is shared or allocated to Councils based on their RTB sales pre 2012. There is a proportion of the receipt that the Council may keep for each sale – this is known as the LA share. Other parts of the receipts in the year depend on whether the Treasury's share has been reached or not.

If the Council regularly sells more properties than the self-financing debt settlement assumed, then it will be compensated for effectively having taken on more debt than it should have. The income from rents (after management and maintenance costs) from homes is assumed to be used to pay HRA debt off. If the number of sales is more than expected, then the net income will be lower than expected leaving less revenue to pay off debt. In this case, the Council can keep part of the receipts to help it plug this gap.

If after accounting for the administration fee, the LA share, the Treasury Share and the Allowable Debt, there are still some receipts left, then these are known as 1-4-1 Replacement Receipts and these must be used to finance the cost of replacing homes, or returned to the Government for redistribution.

25. What are RTB 1-4-1 receipts and how can they be used?

RTB 1-4-1 receipts are a share of the sales receipts arising from RTB sales. They are generated when the number and values of sales exceed set limits for the Council each year. These receipts were originally designed to help fund replacement of additional social homes lost as a result of an increase in 2012 in the level of discount offered to tenants wishing to buy their own home. The expectation was that the money could replace the additional sales on a 1-4-1 basis.

RTB 1-4-1 receipts can only be used to fund:

- New build development of homes in the HRA
- Acquisition of homes in the HRA
- Development by another Registered Provider

Unused receipts after a time limit are returned to Government with interest at 4% above the bank base rate.

From 1 April 2012 to 31 March 2020, the 1-4-1 receipts could only be used to finance up to 30% of a purchase / scheme – the rest needing to be financed from revenue / borrowing. From 1 April 2021 the proportion is 40%. This cannot be combined with any grant income.

From 1 April 2012 to 31 March 2020, the 1-4-1 receipts had to be spent within 12 quarters of it being earned. Quarterly reporting was required. From 1 April 2021, the time allowed is 5 years from the year in which the receipts arise.

Originally, receipts could only be used to fund social and affordable rented properties in the HRA. From 1 April 2021, they can be used to fund shared ownership and First Homes (discounted market sales) tenures.

26. Does the HRA have to account for depreciation on assets?

Yes, depreciation is a cash charge to the HRA which moves an allowance from HRA reserves to the Major Repairs Reserve each year. It is designed to reflect the need to finance the replacement of components within homes over time

There are several options for calculation:

- Straight line based on property value;
- Linked to major repairs expenditure needs (e.g. using a survey);
- Componentised approach – each component in a house e.g. doors & windows, kitchen, bathroom, electrics, boiler, roof have replacement lifecycles ranging from 15 years top 60 years depending on the item.

The sum charges to the HRA is transferred into the Major Repairs Reserve (MRR). If the amount of depreciation charged to the HRA based on the calculations of past costs is insufficient to meet the longer term capital spending estimates, a Council can "top up" the figure from the HRA reserves. Adding further sums into the MRR means it can only be spent on capital expenditure or repayment of loans.

27. What is the Major Repairs Reserve used for?

Councils with an HRA must have a Major Repairs Reserve (MRR). The Major Repairs Reserve is used to build up capital sums that can be used to finance the capital programme and repayment of housing debt.

The income to the reserve is based on the depreciation charge made to the HRA. It can also be "topped up" with further HRA contributions. The funds in the MRR are capital.

A minimum balance can be set on the MRR, but most Councils utilise the balance on the MRR each year to fund the capital programme alongside other capital receipts, revenue contributions and borrowing.

The MRR is used less now as a means of building up reserves as within self-financing it is possible to forecast the use of revenue income to fund the capital programme.

28. What is the minimum level of HRA reserve allowed?

The HRA reserve must not either fall into negativity or be budgeted to do so.

An annual HRA budget can be set to spend more than the income received in the year (e.g. to fund capital or loan repayments from HRA reserves) but this "deficit" will be taken from the reserve to leave the overall reserve total positive after doing so.

The Council can set its own minimum level of working capital that it doesn't want to fall below.

29. What is the interest cover ratio used for?

Interest cover is the number of times that the annual interest charge could be paid out of the annual net income (income – revenue spend) – or operating surplus. This figure is before any loan repayments or interest have been made.

For example, if the annual net income to the HRA is £2 million and the interest charges are £750,000, then the interest cover is £2million / £750k which is 2.67 times.

The ratio is used to measure how affordable debt is in the HRA via its ability to pay interest on the loans. A prudent minimum interest cover is 1.25 times.

Borrowing to build new homes may reduce the interest cover during the building phase as interest is increased. However, as the properties begin to generate rental income, the net income will rise (new homes need less maintenance) and thus the number of times that the operating surplus will cover the interest charged will increase.

This is being used as a measure of affordability rather than the actual level of debt held.

30. What is the loan to value measure used for?

Loan to value measures the proportion of the value of the Council's housing stock that is covered by loans. This measure is used by housing associations but is less meaningful to Councils at the present time. The value of the Council's housing stock is not what it cost, it is valued at its existing use value as a social home – this can be revalued and thus change the figure.

Housing associations are required to allow the bank to take a charge over their assets in return for borrowing money. The bank would want to know whether the loans they have provided are greater than the value of the properties in case the housing association cannot meet its repayments.

Councils do not have this requirement when borrowing, but Councils have not until recently been involved in large development programmes. The debt cap pre 2018, meant that Council debt as lower by comparison than housing association debt.

Agenda Item 9

Report to the Cabinet

Report reference: C-039-2023-24

Date of meeting: 5 February 2024

Epping Forest
District Council

Portfolio: Housing and Strategic Health Partnerships (Cllr Holly Whitbread)

Subject: Home Ownership Strategy 2023/24 to 2028/29

Officer contact for further information:

Surjit Balu, Interim Director for Housing
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Democratic Services Officer: Vivienne Messenger:
email: DemocraticServices@eppingforestdc.gov.uk

Recommendations/Decisions Required:

Recommendation 1 – To consider and comment on the Draft Home Ownership Strategy 2023/24 to 2028/29

Report:

Introduction

This report introduces the **Home Ownership Strategy 2023/24 to 2028/29**, attached as Appendix A to this report.

The Council has not previously had a formally agreed Home Ownership Strategy and it is good practice within the social housing sector to have such a strategy that covers:

- The sale of council residential properties
- The calculation of and collection of service charges from our leaseholders
- The provision information to solicitors
- Supporting Section 20 consultation for planned works where needed.

The Requirement for a Home Ownership Service

The Right to Buy is governed by the Housing Act 1985 (as amended) and gives certain tenants the right to buy their home with a discount based on their length of tenancy. Most tenants of secure and fixed term tenancies will qualify for the Right to Buy, a few categories of property (e.g., our Independent Living Schemes) are exempt.

The legislation sets out deadlines for responding to Right to Buy applications and for key stages of the process and this Strategy and our Home Ownership Team ensure:

- Ensuring adequate procedures exist in order to fulfil all statutory and council requirements
- EFDC meets legislative requirements
- That we provide applicants with accurate information to aid their decision-making
- That we ensure all activities regarding leasehold properties follow the property lease and current legislation
- That we provide a full and prompt service to applicants and existing leaseholders
- That we calculate service charges using accurate information
- That we apportion any charges fairly between leaseholders and the Council.

<u>Background</u>

Between 1 April 1977 and 1 April 2023, the Council received 12,314 applications to purchase council stock under the Right to Buy legislation, from which 6,492 properties were sold. [These figures also include properties that were sold on a voluntary basis over the same period, however, this is no longer council policy.}

The maximum discount has been increased regularly the current maximum discount for the district as of April 2023 is £96,000. Leasehold properties qualify for up to 70% discount and freehold (houses and bungalows) up to 48% from the sale price, subject to the current maximum of £96,000.

The table below shows the number of RTB applications and completions over the last decade and is taken from the Strategy (pages 5 and 6):

Financial year	No. of RTB applications	Of which completed
2010 - 2011	27	9
2011 - 2012	23	7
2012 - 2013	73	13
2013 - 2014	88	53
2014 - 2015	68	46
2015 - 2016	98	20
2016 - 2017	82	46
2017 – 2018	71	42
2018 – 2019	49	23
2019 - 2020	46	22
2020 - 2021	45	14
2021 – 2022	33	30
2022 - 2023	26	16
Total	729	341

As at 31st March 2023, the Home Ownership Team manage service charge accounts for 1089 leasehold properties. Each of the 1089 properties have an ongoing service charge account and a major works service charge account, amounting to 2,178 accounts in total being managed by the Home Ownership Team.

The work of the Home Ownership Team and administration process is supported by an IT module/system. The team also works closely with Housing, Property, and legal teams to investigate applications, prevent fraud and ensure due process is robustly followed.

Options considered and rejected: None

Consultation undertaken:

The Strategy has been formulated in consultation with representatives of the Epping Forest District Tenants and Leaseholders' Panel and sets out how the Home Ownership process will be delivered over the next five years.

The Strategy was formally presented to EFDC Tenant and Leaseholder Panel on 5th December 2023. The panel were supportive of strategy and noted this as being a good piece of work, The Panel made no specific amendments to the strategy.

Scrutiny Comments:

The Committee were advised that difference between the number of applications for right to buy and those sold was due to a variety of factors, including specific requirements and timescales associated with the process and failure to secure a mortgage.

W Marshal advised the Committee that the question of right to buy had been raised by tenant's representative at national level.

Resolved:
The Committee considered, commented, and commended the report to Cabinet.

Resource implications:

The team consists of 4.4 FTE including the Team Manager.

There are no additional resource requirements within the scope of this report.

Legal and Governance Implications, Relevant Statutory Powers:

The legislative requirements are set out in Section 3 of the Strategy.

Corporate Plan Implications:

The Strategy aligns with the higher-level Corporate Plan strategic aims and the Housing Strategy 2023-2027 key priorities: Stronger Communities, Stronger Place and Stronger Council.

Background Papers: None

Risk Management: N/A

Equality:

An Equality Impact Assessment for the Home Ownership Strategy 2023/24 to 2028/29 has been completed and is available on request.

Key Decision: (if required): None.

Epping Forest District Council

Home Ownership Strategy

2023/24 to 2028/29

Housing and Property Services

Epping Forest District Council

Contents

1. Aims and objectives

1.1. The purpose of the Home Ownership Strategy is to administer the sale of council residential properties, and to manage the calculations and collection of leasehold service charges, in an efficient and effective manner.

1.2. The Home Ownership Team will also provide detailed information to Solicitors acting for homeowners who are selling their leasehold property on the open market, where the council are the freeholders. The team will support Section 20 consultation for planned major works on Council owned blocks, including regeneration sites. In addition, the Team will ensure accurate calculation for service charges for HRA stock where a service to the block is provided.

1.3. This aim will be achieved by:

- Ensuring adequate procedures exist in order to fulfil all statutory and council requirements
- Monitoring performance against those requirements
- Providing applicants with accurate information to aid their decision-making
- Following best practice relating to all aspects of the management of public services
- Ensuring that all activities relating to leasehold properties follow the terms of the lease and current legislation
- Calculating service charges using accurate information and apportioning as necessary any charges fairly between the leaseholders and the Council
- Continually reviewing all aspects of the procedure and implement improvements wherever possible
- Consultation with customers and the Epping Forest Tenants and Leaseholders' Panel.

1.4. This Strategy aligns with the higher-level Corporate Plan strategic aims and the Housing Strategy 2023-2027 key priorities:

Strategic aim one: Stronger Communities

Strategic aim two: Stronger Place

Strategic aim three: Stronger Council

The Council will provide for an efficient Home Ownership Service in order to meet its objectives to create stronger communities, stronger place and a stronger council.

The Housing Strategy Priorities that this strategy specifically helps deliver are:

Priority 2: Ensuring quality, safety, and high standards

Priority 3: Promoting health, wellbeing, and independence

Priority 4: Facilitating economic growth and regeneration

Priority 5: Protecting and enhancing the environment

1.5. We believe that providing this essential service, of coordinating the Right to Buy process along with the day-to-day management of leaseholders, is a key part of delivering sustainable communities and improving the quality of life of our residents.

2. Introduction

2.1. This Strategy gives direction to the Home Ownership Service and links to the strategic framework of our council. It will convey clear and consistent messages about our service ethos to staff, tenants, leaseholders and other stakeholders.

2.2. This Home Ownership Strategy draws upon the previous Home Ownership Housing Service Strategy 2015. This revised strategy takes into account changes in levels of discount and the levels of applications and completions.

2.3. The Home Ownership process deals with all aspects of any request to purchase. From initial enquiries, through to the completion of formal applications:

- The identification of the actual property to be sold
- The verification of the tenants making the application
- The property valuation
- Progressing to the completion of the sale and the transfer of ownership of the property to the former tenants, either on a freehold or leasehold basis.

2.4. This Home Ownership Strategy has been formulated in consultation with representatives of the Epping Forest District Tenants and Leaseholders' Panel and sets out how the Home Ownership process will be delivered over the next five years.

3. Related documents / legislation

3.1. Related documents include:

- Corporate Plan
- The Housing Strategy
- The Resident Involvement Strategy
- Conditions of Tenancy
- Tenant Handbook
- Leaseholder Handbook
- Associated processes and work instructions.

3.2. Statutory requirements - Right to Buy and leasehold legislation is contained within the Housing Act 1985, Part V, (sections 118 – 188 inclusive) as amended. The main provisions include:

- Right to Buy qualifying criteria
- Procedure and timescales for the service of statutory notices
- Valuation of properties
- Calculation of discounts
- Appeal procedures
- Long term leases of properties.

3.3. Further leasehold legislation is contained in the Commonhold and Leasehold Reform Act 2002 which deals principally with the rights of leaseholders:

- Commonhold
- Leasehold enfranchisement
- Right to Manage
- Changes to consultation
- Demand for rent
- Forfeiture of lease

- Service charge improvements
- First-Tier Tribunal (Property Chambers) powers
- Consultation under Section 20 of the Housing Act 1985
- Long term contracts
- Major works
- Service and Administration Charges, Leaseholders; Rights and Obligations.
- Human Rights Act 1998 (Articles 6, 8 and 14) - Appeal procedures
- Data Protection Act 1998 and GDPR 2018 - Protection and use of personal data
- Health and Safety at Work Act 1994 - Responsibilities of the Council as employees in respect of Health and Safety Issues
- The Landlord and Tenant Act 1985 - Provisions relating to tenancies and leases.
- The Housing Act 2004 - Incorporated changes to the Right to Buy
- Housing and Regeneration Act 2008 - Incorporated changes to the Right to Buy.

4. Background

4.1. Since the introduction of the Right to Buy (RTB) in 1980, it has been necessary for the Housing Service to provide staff to support and coordinate the RTB function and leaseholder management process.

4.2. Each time a flat or maisonette is sold under the Right to Buy it becomes a leasehold property which is added to our portfolio to manage. Leaseholder stock is continually increasing.

4.3. Between 1 April 1977 and 1 April 2023, the Council received 12,314 applications to purchase council stock under the Right to Buy legislation, from which 6,492 properties were sold. These figures also include properties that were sold on a voluntary basis over the same period, however, this is no longer council policy.

4.4. The number of sales fluctuates each year and often depends on the financial climate and the maximum level of discount allowed. In April 2012 the Government increased the maximum RTB discount threshold from £34,000 to £75,000. This increase in discount saw applications significantly increase.

4.5. Since this time the maximum discount has been increased each year in line with inflation and the current maximum discount for the district as of April 2023 is £96,000. The housing market, the cost of living and particularly the impact on the availability of mortgages led to applications levelling off. EFDC district is a high value area for properties and changes in the housing market impact on the level of RTB applications being received. Our target time for acknowledging receipt of applications is 7 working days, and the statutory requirement is to admit or deny the right to buy in 28 days.

4.6. Performance Statistics

The table below shows the number of RTB applications and completions over the last decade:

Financial year	No. of RTB applications	Of which completed
2010 - 2011	27	9
2011 - 2012	23	7
2012 - 2013	73	13
2013 - 2014	88	53
2014 - 2015	68	46
2015 - 2016	98	20

2016 - 2017	82	46
2017 – 2018	71	42
2018 – 2019	49	23
2019 - 2020	46	22
2020 - 2021	45	14
2021 – 2022	33	30
2022 - 2023	26	16
Total	729	341

4.7. The Home Ownership Team currently manage service charge accounts for 1089 leasehold properties as of 31 March 2023. This requires the ongoing provision of leasehold services, the calculation and collection of annual ongoing service charges plus service charges for any planned major works along with all associated queries relating to those issues. Each of the 1089 properties have an ongoing service charge account and a major works service charge account, amounting to 2,178 accounts in total being managed by the Home Ownership Team.

4.8. In addition to service charge forecasts, the Home Ownership Service must assess final accounts and provide these to lessees by no later than 30th September each year, and within 18 months of the costs being incurred. If we do not meet these requirements, we cannot recover the costs.

4.9. Current Structure and Resource

The Home Ownership Team consists of 4.4 full time equivalents who together coordinate all activities involved with the sale of council housing stock, the calculating and issuing of all service charge accounts in respect of both ongoing service charges and major works charges and all activity in respect of sales of leasehold properties on the open market.

One full time member of staff manages the team. One full time equivalent concentrates on all aspects of Right to Buy. 2.4 full time equivalent team members deal with all activities relating to leasehold management, sales on the open market and ongoing and major works service charges.

In addition to the above the Home Ownership Team are responsible for de-pooling of all HRA service charges for all council owned blocks where services are provided. A part-time officer has been added to the team to undertake this ongoing annual project.

The Councils vision of regeneration across the district is underway. The first site being Limes Farm Estate. An experienced Section 20 Officer, 1 full-time equivalent (which is funded by each regeneration contract), has joined the Home Ownership Team on an annual contract basis to support such major works projects. Section 20 Consultation with leaseholders is a legal requirement and therefore forward planning is necessary to ensure compliance with legislation. Compliance ensures the Council has a legal right to recharge associated costs to leaseholders. Any breach of Section 20 consultation could remove this right and result in a large financial loss to the Council. Section 20 Consultation has statutory requirements which run over many months.

4.10. Staff from other services provide additional support and scrutiny in respect of sales such as the Corporate Fraud Team, Corporate Support Services, GIS Team, Legal and Finance. The valuations obtained on each property are provided by an outside body.

4.11. The cost of administering the leasehold service is recharged to the leaseholders.

5. Client Consultation, Information and Involvement

5.1. The way in which leaseholders will be consulted, informed and involved with regard to the Council's Strategy on Home Ownership is as follows:

- Consultation with the Epping Forest Tenants and Leaseholders' Panel
- Though the delivery of the Resident Involvement Strategy
- A Resident Involvement Officer promotes our services
- Statutory consultation procedures are adhered to when carrying out major repairs or improvements to a block of flats/maisonettes where there are leasehold properties
- Information published on the Council's website, which includes the Tenants' Handbook and the Leaseholders' Handbook
- Each RTB applicant is signposted to the Government's online booklet about the implications of purchasing a property
- Satisfaction surveys of every RTB applicant, sent a week after the offer notice.

6. General principles

6.1. An IT system-based module for leasehold management was introduced which allowed a reduction in the amount of paperwork and stopped duplication. The system has allowed greater efficiencies and the provision for leaseholders to pay their service charges via Direct Debit. The system provides an audit trail in all areas and any replacement housing management system will allow for further improvements.

6.2. Staff will ensure that the prospective purchaser or leaseholder is responded to promptly and accurately. Where an immediate response is not possible, staff will advise when they will be able to respond or provide details of which service will be able to provide the necessary information.

6.3. In addition, Housing Management staff provide some details relating to both property and the purchaser, and Property Assets staff provide on-going information relating to properties sold on a leasehold basis. The Home Ownership team manager is the authorised signatory on right to buy claims along with other Officers with delegated Authority. The Council continues to be responsible for any external or structural work related to leasehold dwellings and the details of the cost of that work must be passed to the leaseholder by the Home Ownership Team.

6.4. By law, each leaseholder has to be fully consulted on all major works. Annual service charges are calculated on an estimated basis and charged each month. At the end of the financial year the actual charges are calculated, and accounts raised accordingly. This section carefully monitors the calculation and collections of charges, in respect of the leaseholders.

6.5. Procedures will be monitored and reviewed regularly to ensure timescales are met and targets achieved and to implement improvements, wherever possible. Also, to ensure that all procedures fulfil all statutory and council requirements.

6.6. At all times it is essential to ensure accuracy of Right to Buy and leasehold calculations. Throughout this process, staff are mindful of the possibility of fraud, both with regard to the actual sale of the property and also fraud that may have been perpetuated in connection with Housing Benefits or Council Tax. Due to the increased level of Right to Buy discount achievable we have increased our fraud investigation processes surrounding this scheme to protect the public purse from fraudulent applications.

7. Action plan

7.1. In order to maintain and progress towards our strategic aim of providing an efficient and effective Home Ownership Service an action plan is outlined below:

No.	Action	Deadline	Target/ success measure	Officer accountable
1	Signpost all Leaseholders to the online Leaseholders' Handbook. Hard copy on request.	Ongoing	Leaseholders have continual access to current version.	Home Ownership Officer
2	Inform all new leaseholders they can participate in the Tenants and Leaseholders' Panel.	Ongoing	Information about the Panel communicated to new leaseholders.	Home Ownership Team Manager Tenant Participation Officer
3	Inform tenants annually of their RTB. Housing News	Ongoing	Include annual item in tenant newsletter.	Home Ownership Team Manager Housing Strategy Team Manager
4	Provide a clear summary of leaseholders' rights and responsibilities with service charge bills.	Ongoing	Summary distributed.	Home Ownership Team Manager Home Ownership Officer
5	Ensure strong processes are in place with Corporate Fraud Team.	Ongoing	Processes checked and adjusted regularly.	Home Ownership Team Manager Fraud Team Manager
6	Based on the tenant and leaseholder satisfaction survey in 2023/24 assess the need for further home owner satisfaction work.	Q3 2024/25	Consider the benefits of work to identify improvements in our services for home owners	Home Ownership Team Manager Housing Strategy Team Manager

8. Targets (PIs)

8.1. The performance for RTB for 2022/23 together with the proposed key targets for the following five years is detailed in the table below:

Key Targets and Performance				
Performance indicator	2022/23 Actual	2022/23 Target	2023/24 Target	2024/25 Target
Average time to respond to RTB 1 (Leasehold, in days). (Acknowledge RTB).	3	7 working days	7 working days	7 working days
Average time to respond to RTB 1 (Freehold, in days). (Acknowledge RTB).	3.64	7 working days	7 working days	7 working days
Average time to accept RTB application (RTB 2) (Leasehold, in days) (Admit or Deny RTB) Legislative requirement - 28 days.	25	28 days	28 days	28 days
Average time to accept RTB application (RTB 2) (Freehold, in days) (Admit or Deny RTB) Legislative requirement - 28 days.	26	28 days	28 days	28 days
Percentage of formal RTB applications formally denied or admitted within statutory timescales.	100%	100%	100%	100%
Service Charge estimates to be sent to lessees by 1st March each year	100%	100%	100%	100%
Final accounts sent to lessees by 30th September each year (and within 18 months of cost incurred)	100%	100%	100%	100%

8.2. In view of the legislative targets involved, continual monitoring is essential. The OHMS integrated computer system allowed more detailed and frequent reports for the RTB and leasehold service charges. This should ensure that the provisions of this Strategy. OHMS will be replaced by the Civica housing management system which aims to automate the reporting even further.

8.3. Legislated changes, and indeed the rumour of changes, can lead to uneven levels of demand which require management response to avoid the development of any backlog. Therefore, monitoring of workload is essential to ensure customers' demands are met and legislative timescales adhered to.

Review and monitoring

8.4. This Home Ownership Strategy will be reviewed by the Council's Communities Select Committee following five years of operation in consultation with our Tenants and Leaseholders' Panel. Any proposed changes will be referred to the portfolio holder and, if necessary, the Council's Cabinet. However, an earlier review will be undertaken if required, especially in the light of any significant changes in legislation or council policy.

Version control

Version no.	Date	Details of changes included in update	Author
1	June 2020	First draft	Home Ownership Team Manager
3	Sept 2020	Final draft	Home Ownership Team Manager
4	August 2023	Revised Draft	Home Ownership Team Manager
5	September 2023	Revised Draft	Home Ownership Team Manager
6	September 2023	Draft for officer circulation	Home Ownership Team Manager
7	October 2023	Final for AGP and Tenant & Leaseholder Panel	Home Ownership Team Manager
8	December 2023	Final for Scrutiny Committee	Home Ownership Team Manager

Housing and Property Service
Epping Forest District Council
Civic Offices, High Street, Epping, Essex CM16 4BZ

www.eppingforestdc.gov.uk/housing

December 2023

Report to the Cabinet

Report reference: ***C-040-2023-24***

Date of meeting: ***5 February 2024***

Epping Forest District Council

Portfolio: Housing and Strategic health Partnerships (Cllr Holly Whitbread)

Subject: Independent Living for Older People Strategy, 2023 to 2028

Officer contact for further information: Surjit Balu, Interim Director for Housing (sbalu@eppingforestdc.gov.uk)

Democratic Services Officer: Vivienne Messenger:
email: DemocraticServices@eppingforestdc.gov.uk

Recommendations/Decisions Required:

1. To comment upon and consider the Independent Living for Older People in Epping Forest Strategy 2023/24 to 2028/29 as in Appendix A

2. To comment upon and consider approve the Annual Delivery Plan, summarised within the appendices of the strategy document

Executive Summary:

The Strategy gives direction and a framework to the Independent Living Service for modernising housing services for older people and, the independent living schemes that we provide.

The Strategy aims to make best use of assistive technology to help older people remain independent for as long as possible.

Report:

1. Background

What is Independent Living? - The Council's independent living is accommodation for people who are over the age of 60. It is suitable for those who are capable of living on their own but feel more secure with the support of an Independent Living Officer and access to digitally enabled services e.g., Telecare services.

Independent Living Schemes can be the ideal solution for older people who want to keep their independence, without the worry of maintaining a large property. As people age, some older people appreciate living in a smaller, easier to manage self-contained accommodation with added security and the opportunity to make new friends and socialise.

Epping Forest District Council is the largest social landlord in the district providing homes for 11% of households. Housing Associations provide just over 3% of residential premises in the district.

EFDC currently manages 12 Independent Living schemes providing a total of 463 homes, mostly one-bed homes, mainly occupied by single people.

Between the 2011 and 2021 census the population of Epping Forest increased by around 10,300 to around 135,000. The population of people aged over 65 has increased in the same period from 22,550 to 26,269 (around 1.4%), with the biggest increase being in those aged 65 to 74 years.

In response to the changing demographics, needs and aspirations of our older population, and furthering a piece of consultancy carried out in 2022, it is timely and appropriate for EFDC to develop a strategy for our older people service.

The Strategy also contains a high-level delivery Annual Delivery Plan which is to be further developed in 2024.

2. Key Objectives of the Strategy

1. Work towards providing aspirational accommodation for older people
2. Make best use of assistive technology to help older people remain independent for as long as possible
3. To keep the delivery model under review
4. Engage with residents to improve the quality, suitability and desirability of our Independent Living schemes
5. Carry out options appraisals for poorly performing stock in the Asset Management Strategy
6. Future housing provision for older people to be reflected in the Asset Management Strategy and stock condition survey.

3. Priorities and Delivery of the Strategy

The Independent Living for Older People in Epping Forest Strategy aligns with the Councils Housing Strategy.

The strategy contains a series of high-level priorities detailed on pages 5 and 6, these are summarised below. The strategy also contains a more detailed Annual Delivery Plan (Appendix 2, Pages 14 and 15) which, will be continually monitored and, reviewed annually to ensure the objectives of the five-year Strategy are met.

<u>Priorities – to support strategy objectives:</u>

Priority 1: Increasing the supply of affordable housing
Refurbishments of our independent living schemes and changing underused lounges into homes.

Priority 2: Ensuring quality, safety, and high standards
Upgrade our emergency alarm system and procure a new monitoring provider.

Priority 3: Promoting health, wellbeing, and independence
To keep our delivery model for supporting residents under review.

Priority 4: Facilitating economic growth and regeneration
To undertake an options appraisal for poorly performing stock.

Priority 5: Protecting and enhancing the environment
Continue to promote and hold an annual Flowers in Bloom competition.

4. Consultation undertaken:

The Strategy has been formulated in consultation with representatives of the Epping Forest District Council Tenants and Leaseholders' Panel and, sets out how the strategy will delivered over the next five years.

The Strategy was formally presented to EFDC Tenant and Leaseholder Panel on 5th December 2023. The panel were supportive of strategy and noted this as being a good piece of work.

Specific comments from the Panel and, through 'chatterbox' sessions at EFDC's Independent Living Schemes include the following, and have been incorporated into the draft strategy:

- We (EFDC) should be clear about how often the support model will be reviewed. We have added, under the section 'Our delivery model' on page 7, a commitment to review the delivery model at least every two years.
- We should include reference to the move to a "stay-put" policy in respect of fire safety evacuation as recommended by both the fire service and through the Fire Risk Assessment (FRA). This will be the approach following completion of fire protection compartmentalisation work. An additional sentence has been included in the paragraphs under Priority 2 on page 5.
- Residents were also keen to see refence to bicycle storage on Independent Living Schemes, this has been added.

5. Scrutiny Comments:

The Committee:

- Welcomed the Strategy
- Were advised that WIFI was not currently available in communal areas, though we are rolling it out in 2 schemes shortly.
- Suggested that preparation for the implications of digital and BT PSTN switch off and the impact for individual resident's telephone lines should be considered, and that a wider older person strategy could be revisited.
- Were happy to see the residents have been listened too and Independent Living officers have returned to the schemes a minimum of two days per week.

Resolved:
The Committee considered, commented and commended the report to Cabinet

6. Resource implications:

There are no additional resource requirements within the scope of this report.

7. Legal and Governance Implications, Relevant Statutory Powers: None

8. Corporate Plan Implications:

The Strategy aligns with the higher-level Corporate Plan strategic aims and the Housing Strategy 2023-2027 key priorities: Stronger Communities, Stronger Place and Stronger Council.

9. Background Papers: None

10. Risk Management: N/A

11. Equality:

An Equality Impact Assessment for the Independent Living for Older People Strategy 2023/24 to 2028/29 has been completed and is available on request.

12. Key Decision: (if required): None.

Independent Living for Older People in Epping Forest 2023/24 to 2028/29

A housing strategy for older people in Epping Forest

FOREWORD and VISION – from portfolio holder

People living longer is a well-known national trend, and the need for suitable housing plus care and support are therefore also increasing. In Epping Forest life expectancy is 84.1 years, higher than the national average (82.8) (based on 2021 census). The incidence of dementia in the district is also higher than the national average, 2.1% versus 0.71 (source ONS; based on people registered with GPs). The demand for independent living is increasing and the need for more specialist housing is an even more pressing issue.

That is why we need this strategy. Our vision is for everyone aged over 60 in Epping Forest to have a choice of quality, accessible and practical housing, plus the care and support services required to remain independent for as long as possible. This will be delivered through a combination of private sector development, redevelopment of independent living schemes, working with our residents and public sector creativity. These choices must be within the financial reach of all current and future older people in the district so they have the information they need to plan for where they would like to live at different stages of their later lives.

We aim to modernise our housing services for older people and the independent living schemes that we provide. We will also make the best use of assistive technology to help older people remain independent for as long as possible.

Cllr Holly Whitbread Housing and Strategic Health Partnerships Portfolio Holder

INDEX

Responding to a changing population

Epping Forest District Council (EFDC) is the largest social landlord in the district providing homes for 11% of households. The Council's portfolio of 6,465 properties includes general needs houses flats and bungalows, disability adapted properties, independent living accommodation for older and vulnerable people and hostels for homeless households. Housing Associations provide just over 3% of residential premises in the district.

The Council currently manages 12 Independent Living schemes providing a total of 463 homes, mostly one-bed homes, mainly occupied by single people, and three schemes have a high proportion of bedsits. The total number of specialist homes for older people across the district is around 1,300 in 40 schemes. Between the 2011 and 2021 census the population of Epping Forest increased by around 10,300 to around 135,000. The population of people aged over 65 has increased in the same period from 22,550 to 26,269 (around 1.4%), with the biggest increase being in those aged 65 to 74 years.

Review and Intelligence

In 2022 the Council reviewed the performance and sustainability of our sheltered housing, now re-named as Independent Living following a change in the service delivery model. Based on intelligence and population changes, the need in Epping Forest District Council is estimated at around 720 additional units of housing for older people and, 210 units of housing with care (extra care) in the district.

In reviewing service provision and stock, headline findings include:

- People expect their homes to be somewhere they can socialise with family and friends.
- The need to review our current delivery model to allow for a more flexible support service.
- Many of the EFDC schemes are over 50 years old and have lacked investment to modernise them.
- Some schemes currently have low levels of demand.
- All the schemes show positive financial performance, contributing surpluses to the Council.
- The need to explore options for underused facilities such as the second lounges at 3 independent living schemes.
- Review of the planned investment programme.
- Consideration of redeveloping schemes with studio accommodation.

EFDC Key Objectives

1. Work towards providing aspirational accommodation for older people
2. Make best use of assistive technology to help older people remain independent for as long as possible
3. To keep the delivery model under review
4. Engage with residents to improve the quality, suitability and desirability of our Independent Living schemes
5. Carry out options appraisals for poorly performing stock in the Asset Management Strategy
6. Future housing provision for older people to be reflected in the Asset Management Strategy and stock condition survey.

OUR PRIORITIES

Priority 1: Increasing the supply of affordable housing

Undertaking refurbishments of our independent living schemes to make them more desirable to older people occupying 2/3 bedroom properties, downsizing will free up more of our affordable accommodation for families. It is the quality of homes and service that will encourage tenants to downsize, freeing up much needed family homes.

Priority 2: Ensuring quality, safety, and high standards

In consultation with our residents, upgrade our emergency alarm system and procure a new monitoring provider to ensure we continue to make the best use of assistive technology. In addition, we will adopt a 'stay put' policy as recommended by the Fire and Rescue Service and our Fire Risk Assessor.

Our Independent Living accommodation will be a focus in the Asset Management Strategy (to be finalised early in 2024). This will ensure quality, safety and our high standards continue to be met.

Priority 3: Promoting health, wellbeing, and independence

To ensure our delivery model provides support to those residents that need it, helping them remain independent for as long as possible. To facilitate more social events to help with social isolation and improve general health and well-being. Explore the options for wi-fi in the communal lounges of our independent living schemes and support digital inclusion of our residents.

Priority 4: Facilitating economic growth and regeneration

To undertake an options appraisal for poorly performing stock with a long-term view to redevelop schemes with studio accommodation.

Priority 5: Protecting and enhancing the environment

Continue to promote and hold an annual Flowers in Bloom competition to help improve residents' health and wellbeing and enhance the environment in which they live.

What is independent living?

Independent Living Schemes can be the ideal solution for older people who want to keep their independence, without the worry of maintaining a large property. As people age some older people appreciate living in a smaller, easier to manage self-contained flat, with added security and the opportunity to make new friends and socialise.

The Council's independent living is accommodation for people who are over the age of 60. It is suitable for those who are capable of living on their own but feel more secure with the support of an Independent Living Officer and access to digitally enabled services e.g., Telecare services.

We appreciate that older people have different needs, which is why the Council have two kinds of independent living accommodation within the district. An independent living scheme is one block of flats. Grouped dwelling schemes are similar, but the properties are not all together in one block.

One-bedroom flats are the most common type of independent living, although there are still some studio apartments, and one-bedroom bungalows which benefit from their own garden. There are usually some communal facilities, such as a communal lounge, laundry room and a guest room for visiting friends and relatives.

An Independent Living Officer visits residents that need advice and support to remain independent. All the Council's Independent living properties benefit from an emergency alarm system so residents can call for help 24 hours a day, seven days a week. Rents are similar to normal council rents but a 'delivery charge' is included for the support provided by the Independent Living Officer and emergency alarm service.

The advantages of living in our independent living schemes include but are not limited to:

- Greater security (door entry system and CCTV)

- The support of a visiting Independent Living Officer
- An emergency alarm system, 24 hours a day
- Community activities, for those that wish to join in
- Communal facilities including guest room and laundry facilities.
- Improved well-being
- A hub for the local community.

Delivering this Strategy

Our Delivery Model

Our work with residents and considering local data/intelligence, has identified the need to change the delivery model to one that responds to the support needs of current and future residents.

During 2022, through consultation, our residents told us they wanted a more flexible service, moving away from daily welfare checks as a number of residents are active and go out most days. They also wanted peace of mind knowing that when they need support it will be available to them. In April 2023 we introduced a new delivery model, one that is flexible and needs led. Some residents continue to receive a welfare check, these are now targeted to those that need and want them, allowing independent living officers to spend more time with residents with significant needs. A consultation exercise will be undertaken with residents in our independent living schemes during 2023/24 to ensure the new delivery service is meeting our resident's needs. We will review the delivery model at least every two years.

At the time of introducing our new delivery model we also moved away from the term "sheltered housing" as it infers people need looking after. Residents living in our schemes are independent and so the term *Independent Living* has been adopted with staff having the title *Independent Living Officer*.

Engaging with residents

The voice of our tenants will be at the centre of how we develop our services and invest in their homes. We will continue the meetings and surveys that have successfully engaged residents in the past. We will review how the Sheltered Forum meetings bring together the views of residents and work towards having a tenant representative from Independent Living on the Council's Tenant & Leaseholder Panel.

Engagement with residents links to our Resident Involvement Strategy, putting the customer at the heart of everything we do, empowering them to hold their landlord to account, improving communication with residents and working with the wider community.

Deliver Model Charge Options

All residents in our Independent Living Schemes pay a charge for the service provided by the Independent Living Officers and the emergency alarm and monitoring service.

The cost is reviewed annually, and we will carry out a deeper dive into what we can and cannot recover via service charges, including what may be covered through Housing Benefits.

Maximise additional accessible accommodation

3 independent living schemes benefit from having 2 communal lounges, Leonard Davis House, North Weald, Jessopp Court, Waltham Abbey and Buckhurst Court, Buckhurst Hill.

Consultation with residents at these schemes was undertaken and they fully support the idea of turning these underused facilities into much needed accessible accommodation. Subject to available funding we plan to undertake one conversion a year until all completed.

Working in partnership with other organisations

To maximise opportunities and life chances for older people, we will work with other teams across EFDC and other organisations. Through engagement with the local Health and Wellbeing Board, specifically the socio-economic action group, we hope that we can increase opportunities for older people through joint working. There may also be options to bid for funds to develop activities for our tenants.

Modernising our Independent Living Schemes

We acknowledge that much of our independent living accommodation and communal areas and facilities require investment. We also acknowledge the demand for and appeal of some of our accommodation is not as it once was, hence, this strategy setting a of direction of travel.

We therefore have a programme of work to meet the needs and expectations of residents, including:

- A programme to **refurbish all our independent living schemes** to ensure they remain attractive and desirable, not only to existing tenants but to those looking to downsize and those who are on our housing waiting list. Our aim to is refurbish one or two schemes a year, two are already completed at time of writing this strategy, until all have been completed.
- The Asset Management strategy will prioritise the future investment in Independent Living Schemes. We will look at data such as the ease of letting Independent Living homes and

satisfaction data from tenants to ensure we take a data led approach to stock investment. Our priority is to provide housing to local people, to reduce the number of void properties and ensuring our independent living scheme are sustainable for the future.

- **Deliver and modernise telecare equipment** to meet Digital Switchover **-** Our independent living schemes currently have an analogue telephone system that is about 18 years old. Plus, technology in emergency alarm systems has moved on. The national analogue network is being switched off in 2025 and we will move our service to digital before that happens. To ensure the alarm systems in our independent living schemes continue to provide a reliable service, and meet the needs of our residents, now and in the future, we will upgrade to a digital system.
- We know that **automatic doors** at the main entrance to an independent living scheme are important to our residents as they aid accessibility for people with disabilities, furthermore, they enhance security and are convenient for people carrying baggage. Automatic door systems also ensure that we comply with the relevant regulations of the Equality Act 2010. Over half of our 12 schemes now benefit from automatic doors and over the life of this strategy we aim to install these at the main entrance of all our independent living schemes.
- People purchase **mobility scooters** for several reasons but in the main they allow people to retain their independence. We provide storage for mobility scooters at some of our schemes. It is also inappropriate for these vehicles to be stored in residents' properties because if they are not looked after or charged properly, they are a significant fire risk. We will develop a programme to ensure that all our independent living schemes have appropriate storage with charging points for these vehicles by 2030. We will investigate opportunities for bicycle storage on our schemes as well.
- As part of future viability assessments, we will also consider whether installation of **charging points for electric vehicles** is appropriate.
- **Digital Inclusion -** We are working with OpenReach to develop options for residents in our Independent Living Schemes to access the internet via broadband services. We will explore the options for communal broadband, undertaking a pilot initially at one scheme and then open out to others schemes if that is successful. We will explore funding support through grants for communal broadband installation and we will look to provide training and possibly some equipment to help residents engage with online services.
- The **Flowers In Bloom** competition was one way to combat the loneliness and isolation that had developed in the Covid lockdowns. This had a detrimental effect on the mental

health and physical health of our residents. As soon as the restrictions started to ease, we looked at ways in which we could get the residents together in a safe environment where they could be at a safe distance from each other but close enough to talk. The Flowers In Bloom competition is fun and exciting and encourages residents to be outside, have some exercise and be socially interactive. We will continue this annual competition as long as residents are interested.

Conclusion

The outline delivery plan is at Appendix 2 to this strategy. It will be developed more fully in 2024 and reported annually to the Tenant and Leaseholder Panel. Progress against the delivery plan and this strategy will be reported to Cabinet in 2028/29 and a revised strategy developed if necessary.

The delivery plan will be used to deliver and assess the impact of this strategy and we will monitor activity against deadlines as well as satisfaction through the annual tenant's survey. Turnover and ease of letting properties and return on investment will also be measured.

GLOSSARY

Affordable housing - Housing that is provided for rent or shared ownership for people who cannot afford to purchase a property on the open market.

Aids and adaptions/assistive technology - Devices and property adjustments for people with restricted mobility or disabilities, to improve their ability to do things around the home.

Corporate Plan - The Council's aspirations for local residents and communities and the principles it will work to.

Digital Inclusion - Being able to use digital devices (such as computers or smart phones and the internet.

The District - The geographic administrative area covered by Epping Forest District Council.

Housing register **-** A waiting list of people who qualify for social housing in the district.

Older person - For the purpose of independent living, an older person is an applicant aged 60 or over.

Public health - Activities coordinated across different organisations to promote good health, prevent disease, and prolong life.

Social housing - Homes for rent and associated services for people whose personal circumstances make it difficult to meet their housing needs in the open market.

Wellbeing - Being comfortable, healthy, and happy. This may include mental health, satisfaction, a sense of meaning or purpose and ability to manage stress.

LINKS AND REFERENCES

The strategy pays due regard to the following:

Epping Forest Corporate Plan 2023-2027

Epping Forest Health and Wellbeing Strategy 2022-2026

The Social Housing (Regulation) Bill

The emerging Asset Management Strategy

Related strategies and policies

The Strategy is linked to the following strategies and policies:

- Housing Strategy 2023-2027
- Resident Involvement Strategy 2022-2027
- Allocations Scheme 2022-2027
- Customer Complaints Policy
- Health Impact Assessment Guidance
- Safeguarding Policy
- Tenancy Policy 2022-2027

APPENDIX 1

NATIONAL CONTEXT

Over the past five years there has been a number of report and studies into the provision of care and other services for older people. Age Concern for example are estimating that around 1.6 million people aged 65 or older have unmet needs for care and support.

The Centre for Ageing Better's report The State of Ageing (The State of Ageing 2022) reviewed national data and their conclusions include that "a financially secure and healthy later life is becoming increasingly unlikely for millions of people". There is also a trend for more and more people to be living alone in mid and later life, which has consequences for housing as well as health and care services.

The King's Fund article What is happening to life expectancy in England? reports that is chances of having a decent old age vary and that the people who are least well-off have the slimmest chance of all. Across England today – depending on where we live and how well-off we are – there are differences of up to ten years in how long we can expect to live and more than 17 years in the time we get in good health without a disabling illness. Almost 1 in 5 homes headed by someone aged 60 or older is in a condition that endangers the health of the people who live there.

In May this year the Department for Levelling Up, Housing and Communities (DLUHC) announced a task force that is to report on how housing for older people can be improved. Their work continues and [KEEP THIS UPDATED UNTIL STRATEGY FINALISED]

The People at the Heart of Care white paper (People at the Heart of Care: adult social care reform white paper - GOV.UK (www.gov.uk)) highlight the importance of housing in helping people to live independently in the community. The Government wants local places to join up housing, health and care services, providing more choice in local communities and creating the local conditions to increase the supply of specialist and supported housing.

APPENDIX 2: ANNUAL DELIVERY PLAN SUMMARY – to be developed in detail n 2024

	Project	Task	Measuring success
1.	Conversion of lounges	Convert unused lounges in IL Schemes to additional Independent Living homes, i.e., accessible flats.	New homes created
2.	Encouraging downsizing	Use marketing and the modernising of our IL schemes to encourage tenants to downsize to independent living options.	2 bed and larger homes becoming available
3.	Review the use of IL schemes with studio style accommodation	Use of local intelligence/data in conjunction with the Asset Management Strategy and the stock condition survey to carry out a viability study at these schemes.	Recommendations for the future of schemes with studio accommodation
4.	Refurbish the communal areas of Independent Living Schemes	Complete 1 to 2 refurbishments per annum	1 to 2 schemes completed per annum
5.	To upgrade all emergency alarm (warden call) systems	Procure new alarm call systems services in advance of Digital Switchover	Installation of new systems in advance of Digital Switchover
6.	To relet the alarm receiving centre contract	Undertake a procurement exercise to establish a new five-year contract	A new contractor in place by the end of 2024
7.	To adapt the IL Delivery service to meet the needs of IL residents, now and in the future	Consult with residents and staff and report to Tenant and Leaseholder Panel	Resident satisfaction with involvement and with the delivery model
8.	Consider the charges for the delivery service	Review what we can charge for	Aspire to the service being cost neutral to EFDC

	Project	Task	Measuring success
9.	Digital engagement	Install wi-fi in the communal lounges of our independent living schemes	Successful installations
10.	Digital engagement	Support residents to become digitally engaged	Resident survey
11.	Continue installing mobility scooter storage at our independent living schemes	Identify all locations where a scooter store can go and develop a programme of installation based on funding and feasibility	Successful store installations where funding exists
12.	Review the need for bicycle storage	We will investigate opportunities for bicycle storage on our schemes as well.	Meeting resident requirements
13.	Identify all schemes where automatic main entrance doors can be fitted and develop a programme of installation	A programme of automatic door installation to be created where the Asset Management Strategy and residents identify a need	Successful installation of automatic doors where funding allows
14.	Develop a programme of scheme activities	Deliver the programme in collaboration with residents	Resident survey
15.	Flowers in Bloom every year	To get more residents involved in the scheme and activities to support their mental and physical health	Annual competition to be run across all schemes

Agenda Item 11

Report to the Cabinet

Report reference: ***C-042-2023/24***

Date of meeting: ***5th February 2024***

Epping Forest District Council

Portfolio: **Cllr C Whitbread, Leader of Council**

Subject: **Fit for the Future – EFDC Transformation Portfolio**

Responsible Officer: **Georgina Blakemore, Chief Executive**

Democratic Services Officer: **V Messenger (democraticservices@eppingforestdc.gov.uk)**

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1. Recommendations/Decisions Required:

1.1 To agree to the creation of a Reserve of up to £3 million for the purposes of investing in the Council's Fit for the Future Portfolio. The Reserve to be created using part of the initial windfall of interest income created from sale of part of the employment land at North Weald. Funding will be taken from the Revenue Budget over a period of two years, as far as delivering a balanced budget allows.

1.2 To agree that funding in 2024/25 of up to £40,000 will be considered as part of the 2024/25 budget process, for the purposes of establishing a post to collectively represent North Essex Councils (appendix A) and to establish a detailed terms of reference for NEC and develop a clear programme of work.

1.3 To agree the council should work with Braintree District Council and Colchester City Council to develop a full business case and proposed approach to delivery for a single shared back office for the corporate services referenced in this report and to approve the release of £180K from the Transformation Reserve to support development of the business case.

1.4 To note that a full governance proposal for the Fit for the Future transformation reserve will be presented in March 2024 Cabinet for agreement.

2. Executive Summary:

2.1 Background

This report provides an outline of the Council's proposed Fit for the Future Transformation Portfolio and associated finance provisions.

Fit for the Future is a focused portfolio of transformation for EFDC over the next 4 years (2024-2027) ensuring that the Council can operate within its financial means and deliver services that residents and businesses need.

This report also updates Cabinet on North Essex Councils (formerly known as NEA) Memorandum of Understanding agreed in December 2022 and seeks approval to form part of the North Essex Councils partnership and commit resources to enable its priorities of Housing, North Essex Economic Board (NEEB) and Shared Services to be delivered.

It also seeks approval to progress to full business case for a single shared back office delivering services for Braintree District Council, Colchester City Council and Epping Forest District Council.

2.2 Reasons for Proposed Decision:

There are several factors driving the need to ensure EFDC are ready for the challenge of delivering local government services in the future. People, money, and future proofing are the main three.

2.2.1 People

Across the sector there are organisational resilience, skills, and experience challenges in many areas – it is no longer the case that Councils are ‘short on planners’ - this challenge extends to all main service areas and is evident at EFDC.

The aim of this transformation is to offer opportunity, training, and development to our future workforce, attracting and retaining talent and benefitting from improved performance therefore service delivery. The future workforce of EFDC will include partnership, sharing and a mixed economy of delivery models.

2.2.2 Money

The challenge of setting a balanced budget this year and next year has been significant. There is nowhere else to look now other than transformational design and ways of working in order to ensure financial stability is retained. This portfolio of transformational work will require upfront investment for a return over a defined time period, look for income generation and will inevitably deliver efficiencies. The windfall interest on the sale receipt from North Weald creates an opportunity to use its benefit to secure a longer-term sustainable budget solution which balances future budget years without the need to resort to annual cuts exercises. Upfront investment to deliver sustainable savings will payback many times over the life of this Medium-Term Financial Plan and beyond.

2.2.3 Future proofing

The period of 2024 to 2027 aligns with the Corporate Plan for EFDC. Fit for the Future will focus on key programmes and projects that will ensure Members can confidently take decisions through robust governance, address the increasing financial challenges, retain access to skills and capacity and deliver Council services to the residents and businesses of Epping Forest District.

2.3 The Portfolio structure

It is proposed that the portfolio structure will mirror the Corporate Plan workstreams – Stronger Council, Stronger Communities and Stronger Place.

The initial Fit for the Future transformation portfolio outline has the following programmes of work in response to the main challenges identified (People, Money, Future Proofing)

Stronger Council:
- Shared Services and Partnership Working
- Future Workforce

Stronger Communities:
- Digital Customer
- Waste and Recycling service development

Stronger Place:
- Economic Growth (including local plan employment sites)
- Council Asset Programme

2.4 Other Options for Action:

The Council could continue to undertake change projects and programmes without the required co-ordination or investment; however, this would result in a lack of targeted outcomes, and increased costs from less-than-optimal delivery.

The partnership work carried out with Braintree District and Colchester City Councils could be ceased, and we return to working in isolation of our North Essex Councils' colleagues, however this would increase risks around organisational resilience and performance making the next 4 year's budget setting more of a reduction exercise than a maximising opportunity.

3. Report:

3.1 Fit for the Future Portfolio

The Fit for the Future transformation portfolio (appendix E) will be the mechanism for EFDC to address the significant challenges it faces over the next four years. The portfolio will reflect the Corporate Plan themes and will focus on work that future proofs the organisation therefore protects frontline service delivery and the district as a place to live, work and play.

3.1.1 Stronger Council Workstream:

Shared Services and Partnership Working
Across North Essex with our partner Councils, we are collaborating to provide a platform for enhanced cooperation across North Essex, to achieve better outcomes for our residents and businesses, by working together rather than separately.

Within Shared Services, we will shape one service delivering to multiple councils with the objective of improving performance to customers, retaining specialisms in second tier Councils and attracting quality people with attractive challenging roles working across Councils efficiently.

Other examples of integrated and partnership working will also be reflected here including our relationships with Health and the integrated care boards, and with Essex county council.

Future Workforce
EFDC organisational design work will focus on the form of and skills within the organisation as the functions EFDC deliver begin to transform into new models of delivery such as shared services, partnership working, contractual relationships and other mixed economy of delivery types.

3.1.2 Stronger Communities Workstream:

Digital Customer
The alignment of customer strategy and digital investment to maximise the customer experience. This will include all contact methods ensuring that complex and urgent customer need is met as a priority and customer satisfaction is on an upwards trajectory.

Waste and Recycling Service Development
Provision of waste and recycling services following the end of the Biffa contract. Focus on the value add of insourcing a service that touches every household across the district. Work with Essex County Council as the strategic waste disposal authority and government as policy and legislative change approaches.

3.1.3 Stronger Place Workstream

Economic Growth (including Local Plan employment sites)
Focus on the creation of skilled jobs for local people on sites that the Council has ownership or partnership influence. Inclusive of the Harlow and Gilston Garden Town, North Weald and other significant sites designated in the adopted Local Plan.

Council Asset Programme
Maximise the opportunity for EFDC assets to contribute to the financial stability, growth, and inward investment of our District.

This outline portfolio will be developed and refined by further engagement with Members and Officers before the end of this current financial year. It should be noted that there is already activity in many of these programmes and this is not a cold start.

3.2 Shared Services agenda

3.2.1 Under the umbrella of the North Essex Councils arrangements described above, Epping Forest District Council, Colchester City Council and Braintree District Council have been working together on a project to explore the potential to share the corporate services listed below:

- Finance
- ICT

- Project Management Office
- Human Resources
- Revenues and Benefits

3.2.2 Our enabling services are essential to the operation of each organisation but the highly trained professional staff required to deliver them are often difficult to recruit and retain. This is a particular challenge when competing with larger organisations than each of the individual Councils. Due to the size of each Council, there is a small number of expert staff with specialisms which creates a lack of resilience.

3.2.3 Sharing services is not new to Epping Forest District Council as the following services are already delivered as shared services:

Name of shared service	**Description of services delivered**
North Essex Parking Partnership	On street parking enforcement for North Essex Councils.
Shared Payroll Service	Operation of payroll for several councils across all of Essex.
Essex Procurement Partnership	Shared to create economies of scale and resilience in purchasing and procurement involving Essex CC, Braintree DC, Castle Point DC and Tendring DC.
Shared Senior Roles	Shared Head of Legal, Chief Internal Auditor, S151 officer, Chief Accountant and Service Directors for Finance, ICT & Transformation

3.2.4 Epping, Colchester and Braintree have been working together to develop a common understanding of the similarities and differences of each service in scope through a process of discovery. This has also allowed common challenges and opportunities to be identified. A summary is shown at appendix B.

3.2.5 Details of how much the 3 Councils spend and the total number of staff employed is shown below:

Service	FTE	Salary
Revs & Bens	126	£4.72m
HR	28	£1.17m
ICT/Programme Management Office	97	£4.6m

Finance	74	£3.8m
TOTAL	**319**	**£14.29m**

3.2.6 From the information derived through discovery, there is now a case to build a detailed business case, proposed model, delivery programme and structure for the creation of a single shared back office.

3.2.7 To develop the business case and commence development of a proposal for the service, a programme team now needs to be put in place as detailed at appendix C. This will include existing staff from each Council but will also require further capacity. This in turn will require an initial investment of £180K from each Council.

3.2.8 When the full business case and proposed structure for a shared back office is developed, this will be considered at a future Cabinet meeting and will require additional investment from the portfolio provision.

3.3 North Essex Councils

3.3.1 Local authorities in North Essex represent a population of over 1 million people, and comprise the following organisations:

Braintree District Council
Chelmsford City Council
Colchester City Council
Epping Forest District Council
Essex County Council
Harlow Council
Maldon District Council
Tendring District Council
Uttlesford District Council

3.3.2 Councils in North Essex have been working together for several years, with a range of formal and informal collaborations, perhaps most notably the North Essex Economic Board.

3.3.3 Other councils in Essex already have a well-established strategic partnership; South Essex Councils (SEC), formerly Association of South Essex Authorities (ASELA), is in place under the governance of a joint committee enabling SEC to take formal decisions collectively and to agree joint delivery arrangements to achieve improved outcomes in South Essex, for example with Homes England.

3.3.4 In December 2022, the Leader of the Council in consultation with Cabinet agreed a Memorandum of Understanding with the other North Essex councils (appendix D) setting up the basis for a new strategic partnership to deliver place leadership across North Essex.

3.3.5 During 2023, Chief Executives from each of the North Essex councils have been meeting regularly to discuss and develop an action plan to deliver the aims in the memorandum of understanding.

3.3.6 At a meeting of North Essex Council leaders on 20 July 2023, it was agreed to formalise the partnership and commit to taking a common report through their relevant governance processes, hence this report.

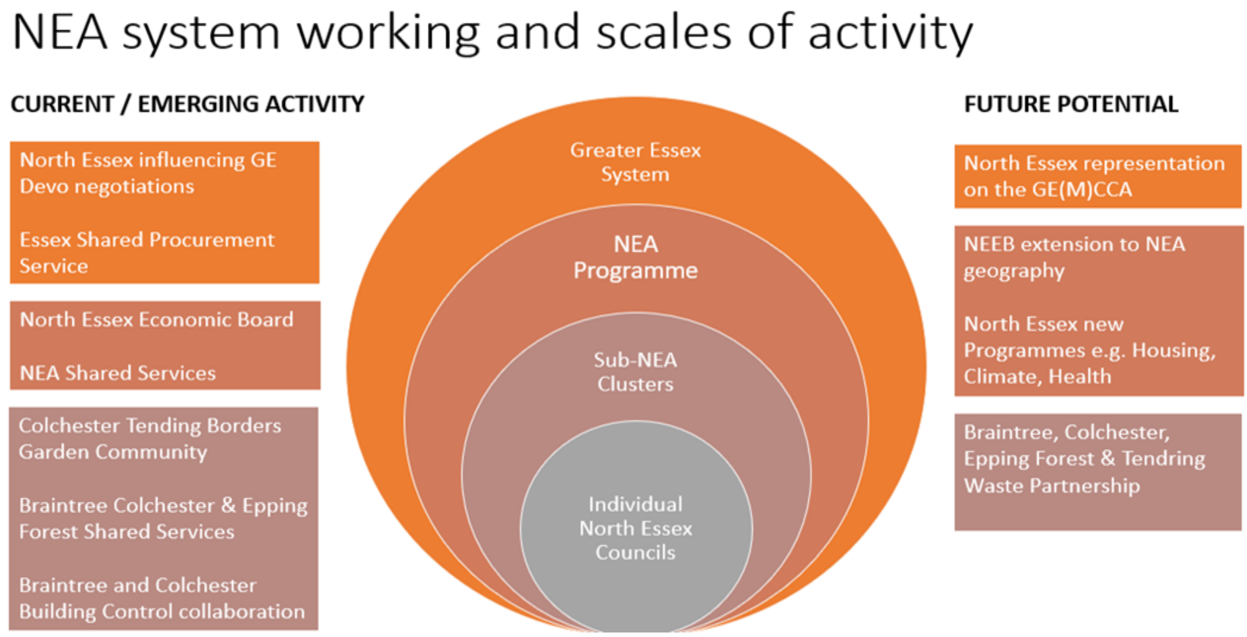
3.3.7 As a result of those discussions, the Leaders of NEC have agreed that:

- NEC will identify common issues and develop shared solutions that add value beyond those any individual council could achieve.
- NEC will convene partnerships that deliver improved outcomes on Economic Growth, through the North Essex Economic Board (NEEB), Finance, Housing, Climate Change, Shared Services and Devolution.
- Within NEC, partnership working will happen at all levels, may involve different groups of NEC councils working together, and collaboration may reach beyond North Essex where this serves to the purpose of NEC.

3.3.8 NEC Leaders have reached a shared understanding of some of the key benefits of joint work, including but not limited to

- Improving shared evidence, data and insights to inform collaboration.
- Enhancing organisational capacity & resilience.
- Improving core service quality, efficiency, and outcomes.
- Delivering key strategic programmes of work together.
- Influencing and supporting responses to legislative changes.
- Provide the basis for district, city and borough nominations to a future Greater Essex Combined Authority.
- Achieving financial security and increased investment.
- Influencing policy through a stronger collective voice – nationally, regionally and within Greater Essex.
- Driving forward new Shared Services opportunities.
- Engaging businesses effectively to support the responsibilities of the LEP across North Essex.

3.3.9 The outcomes listed in paragraph 8 will be achieved at different spatial levels, with the partnership allowing for projects across a subset of councils, all North Essex councils and influence beyond North Essex. The diagram below shows how this will work in practice:



3.3.10 Delivering this ambitious approach to sub-regional working will not be possible without each partner council contributing resources to the NEC programme.

3.3.11 Each constituent council will be required to contribute £20,000 in 2023/24, enabling the partnership to being put in place the resources necessary to take forward NEC work on behalf of all councils.

3.3.12 From 2024/25 it is anticipated that the core costs of North Essex Economic Board membership will be incorporated into overall NEC contributions from 2024/25 for the eight constituent councils, and it is estimated that the total contributions for 2024/25 will be in the region of £40,000. This requirement will need to be considered as part of the 2024/25 budget process.

3.3.13 EFDC Leader of Council is the Chair of North Essex Councils supported by the Vice Chair, Leader of Colchester City Council.

4. Scrutiny Comments

Fit for the Future transformation portfolio will be presented to Scrutiny following further development.

The full business case for shared services will be presented to the Stronger Council Select Committee for scrutiny, prior to being reported to Cabinet.

5. Resource Implications:

The shared Director for ICT and Transformation is leading on formation of the portfolio structure and officer governance. During the course of this work, a more detailed understanding of the resources required for the portfolio will be established.

Our shared services programme (appendix C) has recruited additional capacity as agreed with our partner councils at the Shared Services board and will require additional resources in the coming months.

The windfall interest from the sale of Land at North Weald creates an unbudgeted opportunity to invest in sustainable solutions to the budget challenges mapped out in future years. Simply using the interest to fund existing services and delivery methods, represents a short-term stop gap to the financial challenges facing the Council and will eventually lead to the same structural programmes temporarily adverted. Finding sustainable solutions requires investment but will payback many times.

6. Legal and Governance Implications:

None at present.

7. Safer, Cleaner and Greener Implications:

The North Essex Councils arrangements will allow even closer regional collaboration to deliver key priorities on environment and sustainability.

8. Consultation / Scrutiny Undertaken:

Consultation will be conducted with staff who work in the services discussed in this report and appropriate union engagement will be undertaken.

9. Background Papers:

Appendices
Appendix A – NEC Director Advertisement from MJ
Appendix B – Shared Service objectives and outcomes
Appendix C – Shared Service Programme structure
Appendix D - North Essex Councils Memorandum of Understanding
Appendix E – Fit for the Future Outline Portfolio structure

10. Risk Management:

A full risk register will be created for the Fit for the Future portfolio with clear cross reference to the Corporate risk register.

11. Equality:

At this stage there are no direct implications. When the full business case for a single shared back office is reported to Cabinet, a full Equality Impact Assessment will be conducted and included.

Director, North Essex Councils

A new and exciting post is waiting to be filled by an ambitious individual keen to take on the challenge of driving forward a pioneering local authority partnership.

The North Essex Councils (NEC) partnership of eight districts and Essex CC is seeking a director to provide strong executive leadership and turn its programme plans into reality for the benefit of communities across North Essex.

The local authority partners that make up NEC are the districts Braintree, Colchester, Chelmsford, Epping Forest, Harlow, Maldon, Tendring and Uttlesford and Essex. The partnership, born out of the North Essex Economic Board, was created in 2022.

Cllr Chris Whitbread, NEC chairman, cabinet member for finance at Essex CC and leader of Epping Forest DC, said: "This is a really exciting opportunity for someone to be involved in planning the future of North Essex and shaping our delivery programme. Already progress has been made so there is a lot for the new director to build on but there is also so much more than can be done."

NEC vice-chairman David King, Colchester City Council's leader, said: "The director will build a lasting partnership for the benefit of the million residents in North Essex."

North Essex is a particularly attractive place in which to live and work. It includes both urban and rural areas, major roads and railways, a port and an airport, Stansted, in Uttlesford DC.

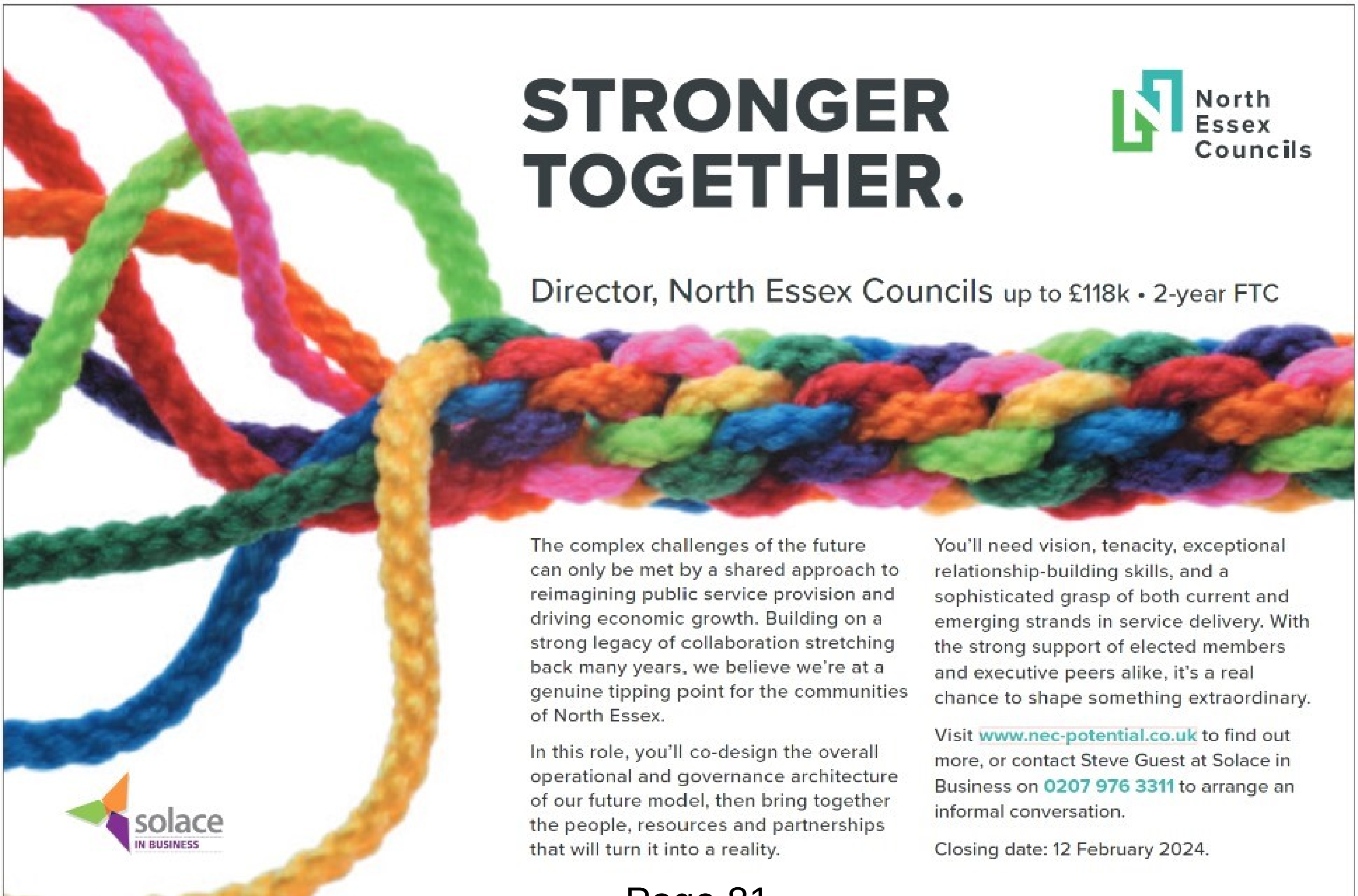
The area has had major population, housing and employment growth in recent years which is set to continue with its proximity to London. The Great Eastern Main Line provides rail services between London Liverpool Street and the East of England while Harwich in Tendring DC is one of the major UK ports for ferry and cruise departures and includes Freeport designation. The growing passenger traffic from Stansted will continue to create additional extra pressures on road and rail infrastructure.

The area has a mixed economy focused on the service sector, including wholesale and retail, business services, tourism, health and education, alongside manufacturing, logistics and construction. Agriculture and its related industries play an important part in the overall economy. There are significant future economic opportunities including in Construction and Retrofit, Clean Energy, Advanced Manufacturing and Engineering, Digital Tech and Life Sciences.

The director will be expected to deliver the work programme as agreed and defined by the NEC partnership, to provide expert policy and strategic advice that translates into real benefits across North Essex and to develop excellent, trustworthy, relationships with all partners. The director will need to work closely with the nine authorities on NEC and develop close relationships with their leaders, chief executives and directors as well as external partners.

The successful candidate will need vision, tenacity, exceptional relationship-building skills, and a good understanding of both current and emerging strands in service delivery to bring partners together, add value to what they do and identify opportunities to reduce costs.

Cllr Whitbread said: "We need someone with energy, strong communication skills and readiness to engage at director level as well as with chiefs and leaders. Delivery is really important. There is enormous potential for our North Essex partnership and we want to be able to speak as one voice on behalf of our people." ■



Challenges, objectives and outcomes

Organisational resilience – We all carry numerous vacant posts and find it difficult to recruit the right staff for the future. Working in partnership we can be more resilient by sharing services, sharing key posts, attracting the right people.

Improving capacity and agility – Specialists posts can be shared rather than a reliance upon agency staff and Suppliers. Peaks and troughs in workload can be dealt with through improved capacity and sharing of common processes and policies.

Staff retention and development – There is the opportunity to develop some bigger/challenging roles across the partnership that will underpin our ability to retain key staff. Investing in staff development will be a key part of service design.

Aligning and developing best practice – The co-design of services will enable us to build upon strengths, significantly improve common pain points and lead to a one-off change in delivery through the alignment towards shared service best practice.

Service efficiency – We will co-design more efficient services by designing out pain points whilst at the same time dealing with frustrations of staff with existing service delivery models .

Shaping our own future in Essex – Three strategically aligned partners can move quickly enough to co-design shared services now. This way we are in control of service delivery models rather than waiting to 'be done to'.

Improve the customer journey – This programme presents us with a step-change (one-off) opportunity to co-design services around Customer needs.

Shared Service Programme Structure

< ---- Shared Service Executive Board ----- >

CEO, Colchester CC

CEO, Braintree DC

CEO, Epping Forest DC

IT Workstream Sponsor (& **Acting Programme Director**)

HR Workstream Sponsor

R&B Workstream Sponsor

Finance Workstream Sponsor

Programme Manager ICT Enabling (Contractor) (working with Interim HoS and Directors on ICT Shared Service)

Programme Manager PMO / Transformation & Programme Mgr (Contractor)

Delivery Lead HR

Delivery Lead Revs & Bens

Delivery Lead Finance

EFDC Partnership Lead & Workstream Analyst

CCC Partnership Lead & Workstream Analyst

BDC Partnership Lead & Workstream Analyst

Corporate Director, BDC

Workstream Steering Groups / Project Boards
for all workstreams – will include service reps/enablers/etc as needed

Partnership Lead & Workstream Analyst Roles support the Delivery leads and Programme Managers and represent each Council at a delivery level. *Programme will also require additional specialist delivery support e.g. Business Analysts

Cross Cutting Roles :

Comms Lead and PA Support

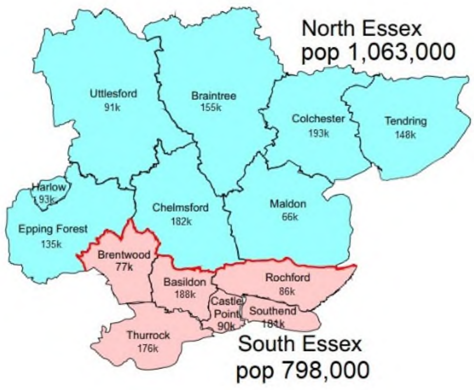
ICT Enabling *(dual role with ICT Shared Service programme manager),* ***PMO*** *likewise*
Other enabling support from Legal, Finance, HR, MOs

Representing Key :

Neutral	Epping/Colchester	Braintree	Colchester	Epping

Association of North Essex Local Authorities
Memorandum of Understanding

Between:
Braintree District Council
Chelmsford City Council
Colchester City Council
Epping Forest District Council
Essex County Council
Harlow Council
Maldon District Council
Tendring District Council
Uttlesford District Council



1. Background

1.1 Together, we are responsible for delivering services to over a million residents, equivalent to the City of Birmingham. The area delivers significant gross value added at over £17bn and supports almost 41,000 businesses.

1.2 This new partnership of North Essex Authorities is well placed to deliver local ambitions, to respond to emerging opportunities and Government policies, as well as being able to promote North Essex as desirable place for living, leisure and to do business in.

1.3 The Authorities have established a good track record of partnership working in various previous collaborations.

1.4 The nine Authorities wish to record their intention to establish the basis of our collaboration through a Memorandum of Understanding (MoU) and to form this new partnership, building on previous joint working successes.

2. Core Purpose and aims

2.1 The core purpose of NEA is to provide for a platform for enhanced cooperation across North Essex, to achieve better outcomes for our residents and businesses, by working together rather than separately. Through our collaborative approach we are best placed to develop and deliver a vision for North Essex, promoting sustainable growth for our economies and communities up to 2050.

2.2 NEA will focus on the strategic opportunities, regardless of individual local authority boundaries, for North Essex to influence and secure the collaboration and investment that will help our individual areas to flourish and realise their full economic, social and environmental potential.

2.3 The aims of NEA will be to:

a. Agree a 2050 vision for North Essex.
b. Provide strong and collective place leadership and a voice into Government.
c. Increase the ability of all authorities to cope with public spending restrictions and increased demands on services.
d. Influence Government powers and attract Government funding to North Essex.
e. Raise the profile and reputation of North Essex as a desirable place for living, leisure and to do business in.
f. Improve transport and digital connectivity, securing funding for strategic infrastructure.
g. Provide sufficient new homes to meet the needs of a growing and ageing population.
h. Attract investment and stimulate economic growth, focusing on key sectors and the low carbon economy.
i. Increase productivity by improving educational attainment and access to skills relevant to our future labour market.
j. Enable North Essex to respond and adapt to Climate Change
k. Support wellbeing and healthy life expectancy by tackling the wider determinants of health with our health partners and the voluntary and community sector.
l. Develop innovative approaches to funding to deliver shared objectives, including developing joint bids where appropriate.
m. Work together to help harness the energy, know-how and assets of local communities.

3. Principles of collaboration

3.1. Working together on strategic priorities irrespective of local authority boundaries.

3.2. Creating collective scale, resilience, and impact for the benefit of our residents and businesses.

3.3. Tackling problems and issues that we cannot solve individually.

3.4. Collaborating to gain something, without losing something (including local identities).

3.5. Governance arrangements proportionate to our shared ambition.

3.6. Opportunities to discharge certain functions jointly, and pooling of resources, should be considered where this can have collective and measurable impact.

4. Term and Termination

4.1. This MoU shall commence on the date of the signature by each Authority and shall expire if NEA dissolves, with its area of influence reducing should any individual signatory authority withdraw

5. Variation

5.1. The MoU can only be varied by written agreement of all the Authorities, save for any individual authority withdrawing

6. Charges and liabilities

6.1. Except as otherwise provided, the Parties shall bear their own costs and expenses incurred in complying with their obligations under this MoU.

7. Status

7.1. This MoU cannot override the statutory duties and powers of the parties and is not enforceable by law. However, the parties agree to the principles set out in this MoU.

Fit for the Future Portfolio Outline

Stronger Council	Stronger Communities	Stronger Place
Shared Services and Partnership Working	Digital Customer	Council Asset Plan
Future Workforce	Waste & Recycling Service Development	Economic Growth (including local plan employment sites)

Agenda Item 12

Report to the Cabinet

Report reference: C-043-2023/24
Date of meeting: 5th February 2024

Epping Forest District Council

Portfolio: **Finance & Economic Development – Cllr. John Philip**

Subject: **Quarter 3 Budget Monitoring Report 2023/24**

Responsible Officer: **Andrew Small (01992 564278)**

Democratic Services: **Vivienne Messenger (01992 564243)**

Recommendations/Decisions Required:

1. **The General Fund revenue position at the end of Quarter 3 (31st December 2023) for 2023/24, including actions being undertaken or proposed to ameliorate the position, where significant variances have been identified, be noted *(including Appendix A).***
2. **The General Fund capital position at the end of Quarter 3 (31st December 2023) for 2023/24 be noted *(including Appendix B).***
3. **The Housing Revenue Account revenue position at the end of Quarter 3 (31st December 2023) for 2023/24, including actions proposed to ameliorate the position, where significant variances have been identified, be noted.**
4. **The Housing Revenue Account capital position at the end of Quarter 3 (31st December 2023) for 2023/24 be noted *(including Appendix C);* and**
5. **The wider position on Financial Performance and Risk at the end of Quarter 3 (31st December 2023) be noted.**

Executive Summary:

This report sets out the 2023/24 General Fund and Housing Revenue Account budget positions, for both revenue and capital, as at 31st December 2023 ("Quarter 3"). It also considers a range of other Financial Performance and Risk indicators alongside the budget position.

In terms of General Fund revenue expenditure – at the Quarter 3 (Q3) stage – a budget underspend of £0.584 million, with projected net expenditure of £17.057 million against an overall budget provision of £17.641 million, is forecast. This is a much-improved position compared to previously forecast overspends of £1.523 million and £1.307 in Q1 and Q2 respectively.

The major factor reflected in the Q3 forecast is an underspend (or surplus) on Net Financing Costs of £1.443 million. This position is underpinned by a surplus of £0.968 million on Net Interest Payable following the disposal of land at North Weald Airfield in December 2023 (approved by Cabinet 13th March 2023). The associated capital receipt received by the Council is generating additional interest receipts, whilst at the same time allowing the repayment of short-term borrowing upon maturity; overall, the Q3 forecast represents a 'positive swing' of £1.356 million compared to in Q2 (£1.007 million Interest Receivable + £0.349 Interest Payable) in the forecast Net Interest Payable position.

In contrast, a substantial budget pressure on Planning Applications continues (as reported in Q1 and Q2), with income now expected to be £1.026 million compared to the budget assumption of £1.976 million (representing a shortfall of £0.950 million/48%). Additional income from Planning Applications was expected to follow from the adoption of the Local Plan in March 2023, but it would appear that the economic situation is depressing the number of Planning Applications coming forward. This remains a substantial challenge for the 2023/24 budget, despite the Government recently sanctioning a 35% increase in statutory fees.

Further significant General Fund budget variances (both positive and negative) are explained summarised in Paragraphs 2.1 to 2.3 of the report.

The Funding position on the General Fund at the Quarter 3 stage remains mixed, with surplus income of £755,000 now expected from Business Rates, partly due to an anticipated back-dated Tariff adjustment. But a shortfall of £180,000 is also anticipated on the payments that the Council receives from preceptors as part of the Essex Council Tax Sharing Agreement (CTSA).

Members attention is also drawn to the Council's draft Balance Sheet position as at 31st March 2023, which is showing an unallocated General Fund Reserve (contingency balance) of £3.219 million. This is significantly below the Council's formally adopted contingency balance of £4.0 million. However, if the year-end forecast spending and funding position in this report is accurate – notwithstanding any other reserve adjustments – the balance will rise to £4.533 million (i.e. back up above the adopted contingency balance).

The Housing Revenue Account is projected to record a small budget overspend of £0.342 million; partly due to the same challenges facing the General Fund (especially the impact of inflation on staffing), but also – and to a larger extent – the increasing costs of major void repairs.

If the overall forecast materialises, the HRA Balance will end the year at £4.255 million (the adopted minimum contingency balance in the HRA Business Plan is £2.0 million).

Turning to capital spending:

- *General Fund Capital Programme* – spending in the first 9 months was £20.035 million, with a forecast outturn of £43.789 million, which – if this materialises – would lead to an underspend of £33.059 million. Re-profiled spend within Commercial and Technical (£19.902 million) is the most significant variance; and

- *Housing Revenue Account Capital Programme* – spending in the first 9 months was £11.685 million, with a forecast outturn of £29.883 million, which – if this materialises – would lead to an underspend of £40.848 million. Slippage on Housing Development is the biggest factor.

And finally, wider Financial Performance and Risk. The Quarter 3 position is mixed, reflecting some improved performance (especially on the Payment of Invoices) over the medium-term, but also some areas (such as Business Rates Collection) short-term performance that are slightly off target. As noted in Quarters 1 and 2, the Collection of Sundry Debts remains a challenge. Compliance with Prudential and Local Indicators is not giving any cause for concern.

Reason for Decision:

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

1) Background and Introduction

1.1 The Council's budget for 2023/24 (both General Fund and Housing Revenue Account) was approved by full Council on 28th February 2023. This report updates the Cabinet on how the Council's services have performed against their budgets in the first three months of the financial year, and projects forward to the anticipated outturn for the end of the financial year.

1.2 This is the third update for 2023/24 and includes the General Fund and Housing Revenue Account positions, for both revenue and capital, as at 31st December 2023 ("Quarter 3").

2) General Fund Revenue Budget

Net Expenditure

2.1 The General Fund ***net expenditure*** position for 2023/24, at the Quarter 3 stage – summarised by service area – is presented in ***Appendix A***. The headline is a forecast budget underspend of £0.584 million, with projected net expenditure of £17.057 million against an overall budget provision of £17.641 million. The table below summarises the position by service.

GF Net Expenditure Budget 2023/24 (Quarter 3)			
Description	**Budget 2023/24**	**Q3 Forecast Spending (31/03/24)**	**Variance**
	£000's	**£000's**	**£000's**
Chief Executive	655	612	(43)
Commercial & Technical	2,060	2,114	54
Community & Wellbeing	1,478	1,080	(398)
Corporate Services	9,085	8,640	(445)
Customer Services	2,158	2,483	325
Finance & Audit	2,069	2,112	43
Housing & Property	1,846	1,662	(184)
Place	280	230	(50)
Planning & Development	723	1,758	1,035
Strategy, Delivery & Performance	821	698	(123)
Qualis	(2,852)	(2,516)	335
HRA Recharges	(4,984)	(4,674)	310
Financing	4,302	2,859	(1,443)
Totals (Net Expenditure)	**17,641**	**17,057**	**(584)**

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 (£1,034,467 forecast Overspend)*** – the emerging risk of an income shortfall on Planning Applications was highlighted in the Quarter 1 report, with a forecast shortfall of £277,000 (over 14% of budget) at that stage. Unfortunately, there has been no sign of the hoped for recovery in Quarter 2 with a shortfall of £935,000 (47% of the £1.976 million budget provision) now anticipated. This is now the Council's most significant cost pressure in 2023/24. The Quarter 3 position has not improved unfortunately with a shortfall of £950,000 (48% of budget) now anticipated. In addition, also as reported in previous Quarters, there is an overspend expected on Regulatory Services (of £315,240) mainly driven by a shortfall in income from Building Control Fees (of £317,490), with Building Control applications significantly lower compared to normal volumes (private sector applications are also similarly down). Tough economic conditions are thought to be responsible for reduced activity across the sector. In contrast, Planning Service are carrying a number of staff vacancies which are behind a projected underspend of £167,501.

- ***Customer Services (£325,200 forecast Overspend)*** – Members may recall a late accounting adjustment that was required to the 2022/23 Management Accounts (reported to Cabinet 30th May 2023) due to an upturn in detected Housing Benefit Overpayments (HBOs), partly as a consequence of the rollout of the DWP Housing Benefit Accuracy Award ("HBAA"); the HBAA required the Council to conduct additional testing on Housing Benefit assessments (leading to an increase in detected errors). The potential impact for 2023/24 (the budget was set before the outturn for 2022/23 was known) is still being examined by Finance officers, but the current (Quarter 3) forecast includes an assumed year end (negative) adjustment of £250,000 in respect of this item for 2023/24.

- ***Qualis Income (£335,078 forecast Overspend)*** – the drawdown of Qualis loans has gathered pace in 2023, albeit slightly less so than assumed in the budget. However, on-lending margins are considerably lower than originally envisaged within the Loan Agreements due to much higher interest rates on Council borrowing (although margins have eased slightly on the most recent advances with Qualis now paying a higher rate (6.5%) on Development Loan advances; and

- ***HRA Recharges (£310,000 forecast Overspend)*** – the annual net recharge from the General Fund to the HRA is forecast to be £310,000 lower than anticipated in the Budget, predominantly due to higher-than-expected interest rates.

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

- ***Financing (£1,442,733 forecast Underspend)*** – a Capital Receipt received in December 2023 pertaining to a land disposal at North Weald Airfield is now driving an expected surplus of £967,930 on Net Borrowing costs (in sharp contrast to a forecast deficit of £387,690 at the Quarter 2 stage). In addition, Members may recall the inclusion of a Corporate Contingency of £712,880 in the budget to cover any emerging shortfall in income from Qualis loan margins; at the Quarter 3 stage, it is assumed that a total of £335,078 will be required from the Contingency, with the remaining £377,802 reflected as a surplus within projected General Net Expenditure.

- ***Corporate Services (£445,460 forecast Underspend)*** – the most significant variance in the Corporate Services directorate relates to ICT, where an underspend of £353,939 is forecast for the year. There are a wide range of individual small budget variances that combine to create the overall position. The most notable variance relates to an anticipated saving of £101,030 on Staff costs due to staff vacancies within the service. Also noteworthy is an anticipated underspend of £81,000 on the budgeted cost "Azure" as the migration of servers to the Cloud has progressed more slowly than expected. Other factors include projected underspends on Microsoft software licenses (£37,210) and the expected cost of the (delayed) new Finance system (£33,160)

- ***Community & Wellbeing (£397,709 forecast Underspend)*** – a forecast underspend on this directorate is primarily driven by an expected underspend of £246,688 on Homelessness following receipt of a substantially larger Government Grant than was assumed in the budget (the budget had assumed a grant of £532,000, but the actual grant received was £831,000, thus generating an initial surplus of £299,000). Part of the grant (£117,000) has been reallocated to a Housing Subsidy cost centre to compensate for Subsidy loss on the provision Bed and Breakfast accommodation (resulting in a net benefit to the Homelessness cost centre of £182,000).

- ***Housing & Property (£183,890 forecast Underspend)*** – the Accommodation service activity, with a forecast underspend of £100,160, is the most significant factor here, with the underlying variance being an expected saving of £102,410 in electricity costs (energy costs have not quite reached the peak feared at the time of preparing the budget); and

- ***Strategy, Delivery & Performance (SDP) (£122,853 forecast Underspend)*** – the most notable variance in the SDP service relates to shared services, whereby an estimated saving of £90,000 is expected to accrue due to the sharing of some management staff costs with partner authorities.

2.4 Members should also note that the Pay Award for 2023/24 has now been settled (comprising a fixed sum of £1,925 to all pay grades, equating to around 5.0% on average) with the full cost reflected in the projections. The residual risk (of a higher award), as highlighted in the Quarter 2 report, has therefore passed, with no *additional* cost to the Council, although the Pay Award was higher overall than the original budget assumption of 4.0%. The additional cost to the Council (approximately £220,000) has been built into the 2024/25 draft budget proposals.

Funding

2.5 The General Fund ***funding*** position for 2023/24, at the Quarter 3 stage is summarised in the table below.

GF Funding Position 2023/24 (Quarter 3)			
Source Description	**Budget Assumption 2023/24**	**Q3 Forecast (31/03/24)**	**Variance**
	£000's	**£000's**	**£000's**
Council Tax	(8,899)	(8,899)	0
Business Rates	(5,766)	(6,521)	(755)
Collection Fund Adjustments	(645)	(645)	0
Council Tax Sharing Agreement (CTSA)	(615)	(435)	180
Revenue Support Grant	(129)	(129)	0
New Homes Bonus	(78)	(78)	0
2023/24 Services Grant	(129)	(135)	(6)
Other Grants (Non-Specific)	(929)	(924)	5
Contribution to/(from) Reserves	(451)	709	1,160
Total Funding	**(17,641)**	**(17,057)**	**584**

2.6 The funding position for the General Fund in Quarter 3 is mixed. As previously reported, the Business Rates forecast is very positive; a Quarter 1 projected year-end surplus of £646,000 has now risen to projected surplus of £755,000 based on Quarter 2 figures (the latest available at the time of preparing this report). The Council's Business Rates base was revalued as at 1st April 2023, which resulted in a 14.0% uplift in value compared to the previous revaluation (1st April 2017). This is double the national average of 6.9%. The resulting increase in Business Rates revenue is however subject to a range of complex adjustments as part of the Business Rates Retention (BRR) system. A relatively cautious funding assumption was therefore assumed in developing the 2023/24 budget.

2.7 In contrast, a shortfall of £180,000 is anticipated on CTSA payments from the preceptors, which reflects the late decline in Council Tax collection performance in 2022/23 reported to Cabinet on 30th May 2023 (the budget was prepared on the basis of previous performance expectations). See Paragraph 3.1 below for a discussion on the forecast Contribution of £0.709 million *to* Reserves.

3) General Fund Reserves

General Fund Reserve (contingency balance)

3.1 The positive outlook of £0.584 million on net expenditure summarised and explained in paragraphs 2.1 to 2.4, and the funding position presented in paragraphs 2.5 to 2.7 above means that – if the forecasts materialise as presented – the Council will not need to contribute £0.263 million *to* the General Fund (unallocated) Reserve, which was an embedded assumption in setting the budget. Instead, there will be a contribution of £0.709 million *to* the Reserve (as presented in the table in Paragraph 2.5 above). This reflects both the projected underspend and the utilisation of the Collection Fund Deficit Reserve in closing the 2022/23 Accounts, which removed a previously assumed source of additional contingency funding (impact £335,078 in Quarter 3). In addition, an assumed transfer of the remaining balance on the "Commuted Sums" Reserve (of £604,736) has been transferred into the General Fund Reserve; these are historic dormant funds, and a review has identified that alternative (duplicate) provision exists elsewhere in the General Fund budget, so are no longer required for their originally intended purpose. The forecast impact on the General Fund Reserve is presented in the table below.

Movement on General Fund Reserve: Quarter 3 2023/24	
Description	**£000's**
General Fund Balance 31st March 2023 (pre-audit)	(3,219)
Transfer In ("Commuted Sums" Reserve)	(605)
Contribution from/(to) Reserves 2023/24 (Q3 forecast)	(709)
General Fund Balance 31st March 2024 (Q2 forecast)	**(4,533)**

3.2 Members are reminded that the Council's unallocated General Fund Reserve is a contingency balance and, following the Section 151 Officer's recommendation in accordance with Section 25 of the Local Government Act 2003, the Council approved the maintenance of a minimum balance of £4.0 million in February 2023.

Earmarked Reserves

3.3 In addition to the General Fund Net Expenditure budget (£17,641,020 for 2023/24), the Council also incurs further expenditure on a range of other projects and facilities funded from Earmarked Reserves (which are 'topped up' from third party sources – including grants – and internal appropriations). Activity has been relatively subdued so far this year and – at the Quarter 3 stage (31st December 2023) – the Council has received £1.201 million and spent £1.142 million, leaving a balance of £3.145 million. The Movement on General Fund Earmarked Reserves is summarised in the table below.

Movement in General Fund Earmarked Reserves (April to December 2023)					
Description	**Opening Balance 01/04/23**	**Income**	**Expenditure**	**Transfers (in)/out**	**Q3 Balance 31/12/23**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**
District Development Fund (DDF)	(224)	0	9	0	(215)
Community Projects	(435)	(421)	337	0	(519)
Other Reserves:					
All Weather Pitch	(137)	0	0	0	(137)
Dig. Innovation Zone (DIZ)	(127)	(90)	63	0	(153)
Garden Town	(410)	0	117	0	(293)
Homelessness	(256)	(310)	196	0	(371)
Insurance	(150)	0	0	0	(150)
Invest to Save	(114)	0	0	0	(114)
Museum	(110)	0	0	0	(110)
New Burdens	(112)	0	71	0	(41)
North Weald Inland Port	(617)	(100)	176	0	(541)
Prosperity Fund	(33)	(120)	57	0	(96)
Staff Benefits Fund	(31)	(13)	14	0	(30)
Other Ongoing Projects	(330)	(146)	102	0	(374)
Totals	**(3,086)**	**(1,201)**	**1,142**	**0**	**(3,145)**

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

3.4 The Community Projects Reserve comprises 20 different project categories and continues to be the Council's most 'active' reserve. "Essex & Herts Digital Innovation Zone" (DIZ) funding has now been stripped out of the DDF Reserve for added transparency (with partner contributions of £90,0000 now clearly visible). The remaining balance on the DDF Reserve is now fully allocated following the funding of one-off (staff) Severance costs of £260,025 at the end of 2022/23 (approved by Cabinet 30th May 2023).

4) Housing Revenue Account (revenue)

4.1 The Housing Revenue Account (HRA) revenue position for 2023/24, at the Quarter 3 stage, is summarised in the table below. As at 31st December 2023, a £0.342 million overspend is forecast for the year end, with projected net Operating Income of £1.068 million compared to an overall budget provision of £1.410 million.

HRA Budget 2023/24 (Quarter 3)			
Description	**Budget 2023/24**	**Forecast Spending (31/03/24)**	**Variance**
	£000's	**£000's**	**£000's**
EXPENDITURE			
Supervision & Management (General)	7,140	6,841	(299)
Supervision & Management (Special)	5,007	4,668	(339)
Rents, Rates, Taxes & Insurances	507	521	14
Repairs & Maintenance	11,232	12,981	1,749
Management & Maintenance	**23,886**	**25,011**	**1,125**
Capital Charges	9,137	9,137	0
Treasury Management Expenses	65	30	(35)
Provision for Bad/Doubtful Debts	99	120	21
Total Expenditure	**33,187**	**34,298**	**1,111**
INCOME			
Dwelling Rents	(37,419)	(37,745)	(326)
Non-Dwellings Rents	(930)	(807)	123
Charges for Services & Facilities	(1,473)	(1,463)	10
Contributions from General Fund	(383)	(383)	0
Total Income	**(40,205)**	**(40,398)**	**(193)**
Net Cost of Services	**(7,018)**	**(6,100)**	**918**
Interest on Receipts and Balances	(8)	(361)	(353)
Interest Payable on Loans	5,616	5,393	(223)
Net Operating Income	**(1,410)**	**(1,068)**	**342**
Appropriations:			
Direct Revenue Contributions to Capital	1,364	1,364	0
(Surplus)/Deficit for Year	**(46)**	**296**	**342**

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

HRA Budget Reconciliation 2023/24: Quarter 3	
Description	**Value (£000’s)**
(Surplus)/Deficit for Year (approved by full Council 28/02/23)	**(364)**
Brought forward project budgets from 2022/23:	
Stock Condition Survey	254
“More than Bricks and Mortar” Estate Improvement Scheme	64
Total Budget Additions (@ Quarter 3)	**318**
(Surplus) / Deficit for Year (updated Budget 2023/24 @ Quarter 3)	**(46)**

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

- ***Repairs and Maintenance (£1.749 million forecast Overspend)*** – there are numerous items contributing to this variance, the most significant of which relates to higher than anticipated Void costs on several properties with further major works anticipated during the remainder of the year (£1.468 million).

- ***Interest on Receipts and Balances (£0.353 million forecast Underspend)*** – the HRA is credited (from the General Fund) with interest based on its average revenue balances held throughout the year. A recent (since the budget was set) sharp increase in SONIA (“Sterling Overnight Index Average” interest rate), plus future expectations of sustained higher interest rates, is leading to significantly higher than expected interest receipts.

- ***Supervision & Management (Special) (£0.339 million forecast Underspend)*** – there are numerous items contributing to this underspend, the most significant is the Estates Improvement scheme “More than Bricks and Mortar” (£0.098 million) whereby delays have occurred in progressing some aspects of the project due to delayed land agreements with Parish Councils and Essex Highways. Lower than expected costs relating to neighbourhood clearances is also forecast (£0.055million).

- ***Supervision & Management (General) (£0.299 million forecast Underspend)*** – there are numerous items contributing to this underspend. The most significant (at £0.162 million) relates to in-year salary savings from vacancies during a re-structure within the Tenancy and Estates team.

- ***Dwelling Rent (£0.326 million forecast Underspend)*** – improvements in void turnaround times is leading to rental income levels exceeding budget; and

- ***Interest Payable on Loans (£0.223 million forecast Underspend)*** – HRA capital spending was lower than expected in 2022/23, thereby reducing the need for additional borrowing; this has reduced the associated interest payable in this – the 2023/24 – financial year.

4.4 Members should note that the current HRA Business Plan includes the assumed maintenance of a minimum balance of £2.0 million in the HRA reserve; as at 31st March 2023, the balance was £4.551 million, which reflected an underspend on HRA Net Operating Income of £0.388 million in 2022/23 (reported to Cabinet on 30th May 2023).

Movement on HRA Balance: Quarter 3 2023/24	
Description	**£000's**
HRA Balance 31st March 2023 (pre-audit)	(4,551)
2022/23 Roll Forward (Para 4.2)	318
2023/24 Budget (Surplus) – full Council 28th February 2023	(364)
2023/24 Net Operating Income Forecast Variance Q3 (Para 4.1)	342
HRA Balance 31st March 2024 (Q3 Forecast)	**(4,255)**

5. General Fund Capital Programme

5.1 The General Fund Capital Programme for 2023/24 as at 31st December 2023 is summarised – at a service level – in the table below. A more detailed analysis – at a scheme level – is included in ***Appendix B***. The updated Programme budget totals £76.849 million. Spending in the first 9 months was £20.035 million, with a forecast outturn of £43.789 million, which – if this materialises – would lead to an underspend of £33.059 million.

General Fund Capital Programme 2023/24 (Quarter 3)					
Description	**Budget 2023/24 (Updated)**	**Spending (@ 31 December 2023)**	**Remaining Budget (@ 31 December 2023)**	**Forecast Spending (31/03/24)**	**Variance (Under) / Over**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**
Commercial & Technical	31,008	3,454	27,554	11,106	(19,902)
Corporate Services	4,191	210	3,981	729	(3,462)
Customer Services	148	32	116	38	(110)
Housing (General Fund)	653	89	564	129	(524)
Place	839	0	839	162	(677)
Qualis Loans	40,010	16,250	23,760	31,625	(8,385)
Total Expenditure	**76,849**	**20,035**	**56,814**	**43.789**	**(33.059)**
Capital Financing:					
Capital Grants	1,133	766	367	1,133	0
Capital Receipts	1,007	369	638	802	(205)
Borrowing	74,709	18,900	55,809	41,854	(32,854)
Total Financing	**76,849**	**20,035**	**56,814**	**43,789**	**(33,059)**

5.2 A General Fund Capital Programme budget of £57.562 million was approved by Council in February 2023. Subsequent updates, including unspent rolled forward balances from 2022/23, have resulted in an updated budget of £76.849 million at the Quarter 3 stage. The table below reconciles the movement.

General Fund Capital Budget Reconciliation 2023/24: Quarter 3	
Description	**Value (£000's)**
General Fund Capital Budget 2023/24 (full Council 28/02/23)	**57,562**
Unspent Budgets from 2022/23 Rolled Forward	17,625
UK Shared Prosperity Fund (added projects) Cabinet (18th July 2022, Ref. C-008-2022/23)	53
Rural Prosperity Fund (added projects) Cabinet (6th February 2023, Ref. C-033-2022/23)	109
Investment Property Acquisition Fund (added investment) Cabinet (30th May 2023, Ref. C-006-2023/24)	1,500
UPDATED General Fund Capital Budget 2023/24 (@ 31/12/23)	**76,849**

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

5.4 There are three dominant areas of underspending/slippage on the General Fund Capital Programme at the Quarter 3 stage:

- ***Qualis (£8.385 million forecast Underspend)*** – as described in Paragraph 2.2, the drawdown of Qualis loans has been slower than envisaged at the time of preparing the Capital Programme, primarily due to planning delays on development sites and financial viability reassessments on some sites in the light of changing market factors

- ***Commercial and Technical (£19,902 million forecast Underspend)*** – There are three main projects driving this underspend as follows:

    - Waste Vehicle Fleet Replacement - a Budget allocation of £9.220 million was profiled for the final quarter of 2023/24 so that delivery of the new fleet could take place by October 2024. However – following a financial and operational review – it has been concluded that a contract hire arrangement would be the best approach to procuring the vehicle fleet and would also best suit the operational needs of the service. The Budget is therefore no longer required.

    - Epping Leisure Centre - the Budget allocation for this scheme in 2023/24 was £12.170 million. Forecast spending is now £4.50 million, which – if this materialises – would lead to an underspend of £7.670 million. The project was initially delayed due to the late completion of the nearby multi-story carpark. However, an updated construction timetable has now been received and used to establish cashflows and the general phasing of the works. Construction is now due to start in the final quarter of 2023/24; any unspent budget in 2023/24 will be rolled forward into 2024/25; and

    - Waste Management Depot – the Budget allocation for this scheme in 2023/24 is £4.167 million. Forecast spending is now £2.0 million, which if this materialises would lead to an underspend of £2.167 million. Construction of the new facility is due to commence in the next few months and be completed by October 2024. The underspend will therefore be re-profiled into 2024/25; and

- ***Corporate Services (£3.462 million underspend)*** – the most significant area of capital underspending relates to the ICT Strategy, which has a Budget allocation of £3.927 million for 2023/24. The projected outturn is £0.662 million, which if this materialises, would lead to an underspend of £3.265 million. The current ICT Strategy is under review to consider possible changes to service needs in relation to potential shared services, and a further evaluation has led to some current projects, including several earmarked for completion this year, being paused whilst the wider corporate need is being considered, including ICT log management. A cloud-based GIS system will be completed by the end of this financial year, and Phase 1 of the new telephony system is now complete with phase 2 implementation planned for 2024/25. The replacement system for M3PP, the new Finance system, and a cloud-based information@work system have commenced but are unlikely to complete this year, so have been partially re-profiled into 2024/25. Further schemes including a new Bookings/CRM Portal (£187,000), Customer Portal Improvements (£136,000), an ICT Data Storage solution (£116,000), Workplace Collaboration (£150,000) and a Virtual Desktop Infrastructure (VDI) Solution (£160,000), have been delayed and therefore have been re-profiled to complete in 2024/25.

6) Housing Revenue Account (HRA) Capital Programme

6.1 The Housing Revenue Account (HRA) Capital Programme for 2023/24 as at 31st December 2023 is summarised in the table below. A more detailed analysis – at a scheme level – is included in ***Appendix C***. The updated Programme budget totals £70.731 million. Spending in the first 9 months was 11.685 million, with a forecast outturn of £29.883 million, which – if this materialises – would lead to an underspend of £40.848 million.

HRA Capital Programme 2023/24 (Quarter 3)					
Description	**Budget 2023/24 (Updated)**	**Spending (@ 31 Dec 2023)**	**Remaining Budget (@ 31 Dec 2023)**	**Forecast Spending (31/03/24)**	**Variance (Under) / Over**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**
Housing Development	35,625	1,640	33,985	8,162	(27,463)
Capital Works	23,819	5,594	18,225	14,547	(9,272)
Other Housing Schemes	11,287	4,451	6,836	7,174	(4,113)
Total Expenditure	**70,731**	**11,685**	**59,046**	**29,883**	**(40,848)**
Capital Financing:					
Grants	80	356	(276)	981	901
Capital Receipts	2,786	656	2,130	2,608	(178)
Major Repairs Reserve	9,137	10,673	(1,536)	17,486	8,349
Direct Revenue Contributions	1,364	0	1,364	1,364	0
Borrowing	57,364	0	57,364	7,444	(49,920)
Total Financing	**70,731**	**11,685**	**59,046**	**29,883**	**(40,848)**

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

6.3 There are three significant areas of underspending/slippage on the HRA Capital Programme at the Quarter 3 stage. Thus:

- ***Housing Development (£27.463 million forecast Underspend)*** – there are two elements to note:
    - Qualis Acquisitions (£15.435 million Underspend) – the Budget allocation for this scheme in 2023/24 was £19.435 million. Forecast spending is now £5.0 million, which – if this materialises – would lead to an underspend of £14.435 million. Negotiations are progressing with a view to Qualis purchasing some completed units at the Roundhills and St John's development sites, although this may slip into 2024/25; and
    - Housebuilding (£12.562 million Underspend) – the Programme has a total budget of £15.724 million for 2023/24. The forecast outturn is £3.162 million, which – if this materialises – would lead to an underspend of £12.562 million at year end. Most schemes have encountered planning issues and delays with expected starts now anticipated in either the final quarter of 2023/24 or early 2024/25. However, two schemes – at Pentlow Way and Woollard Street – are progressing well, with completion anticipated between March and May 2024; and

- ***Capital Works (£9.272 million forecast Underspend)*** – there are numerous schemes contributing to this underspend, the two most significant are Kitchens and Bathrooms (£2.150million) and Window, Door, and Roofing Programmed Works (£1.942 million). Both programmes have been under review following the results of the Council's recent stock condition survey; and

- ***Other Housing Schemes (£4.113 million forecast Underspend)*** – the Broadway Regeneration project is the dominant factor, which is driving the variance. It has a total Budget of £2.728 million in 2023/24, of which only a small proportion is expected to be spent (on fees) this financial year resulting in a forecast underspend of £2.624 million. A detailed review of the project has been undertaken and a report presented to Cabinet on 13th March 2023 (C-044-2022/23) approving an increase in the overall project budget to £6.0 million. Consultation with residents and leaseholders is due to commence during the year; followed by any necessary planning consents. The project is expected to complete by 2025/26.

6.4 The HRA Capital Programme is financed from several sources; external sources such as Grants and Capital Receipts are prioritised and applied first, followed by internal resources such as the Major Repairs Reserve and HRA Revenue contributions. The approach minimises the need to borrow and helps protect the HRA from higher interest payments. The forecast underspend on the Programme has an impact on all sources of financing with the most significant being a £49.920 million reduction in the need to borrow in 2023/24.

7) Wider Financial Performance & Risk

7.1 Introduction

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

- *Performance Indicators* – covering the Council's wider financial performance, including how effectively it collects its income and pays its bills, through setting, monitoring, and reporting on a selected range of Indicators.

- *Prudential Indicators* - it is now a requirement of the CIPFA Prudential Code (2021 Edition) that progress against the Prudential Indicators adopted in the Council's Capital Strategy is reported on a quarterly basis. It is good practice to report these alongside updates on the Capital Programme, providing Members with further insight on how the Council manages its capital expenditure, borrowing and commercial and service investments; and

- *HRA Local Indicators* – In accordance with generally accepted good practice across the wider social housing sector, the Council's adopted Capital Strategy also includes two further (optional) 'local indicators', tailored to the risk management requirements of the HRA Business Plan.

7.2 Performance Indicators

Accounts Payable (Payment of Invoices)

7.2.1 The prompt payment of invoices is an important objective for any business but – as a community leader and 'place shaper' – it is even more important that the Council leads by example; suppliers, including many small local businesses, are reliant on the cash flow generated by the services they provide to the Council; being viewed as 'good to do business with' also enhances the Council's reputation. There are also negative cost implications associated with the late Payment of Invoices; it is often symptomatic of inefficient administration processes and penalties for late payment can also be triggered. The Council therefore records and monitors the payment of invoices using a 30-Day Indicator and also measures the time taken to pay invoices. Performance as at Quarter 3 is presented in the table below.

Payment of Invoices 2023/24								
Description	Quarter 1		Quarter 2		Quarter 3		Quarter 4	
	23/24	22/23	23/24	22/23	23/24	22/23	23/24	22/23
Invoices Paid in 30 Days (%)	**88%**	70%	84%	76%	84%	77%		81%
Average Days to Pay an Invoice	**20**	36	25	32	26	31		26

7.2.2 The table above reflects a substantial improvement in the Payment of Invoices over the last 21 months, although performance Quarter 2 and Quarter 3 has dipped slightly compared to Quarter 1. Finance officers are now working directly with Senior Managers and other Budget Holders with a view to getting performance back on track in Quarter 4.

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

Accounts Receivable (Sundry Debt Collection)

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

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

7.2.6 The collection of Sundry Debts was, for many years, an individual service responsibility, although the system has – more recently – been consolidated into a single service function (within the Revenues service). The Council records and monitors the Collection of Sundry Debts using a 60-Day Indicator and also measures the age of outstanding debt. Performance as at Quarter 3 is presented in the table below.

Sundry Debt Collection 2023/24			
Description	**June (Q1)**	**September (Q2)**	**December (Q3)**
Average Age of Outstanding Sundry Debt (Days)	1,576	1,408	1,415
Total Value of Debt Outstanding over 60 Days Old (£M's)	£3.347	£3.214	£3.736

7.2.7 The implementation of the "ASH" Debtors system (which went live in August 2021, with data transferring in December 2021) proved to be a difficult exercise, which led to a number of data anomalies and a work backlog. The situation was further compounded by a shortfall in staff resources. Both factors conspired to the detriment of collection performance but, more recently, progress is being made, with older cases being reviewed, remaining data anomalies addressed, and backlogs eliminated. However, as the table above demonstrates, this is proving challenging and the work that has taken place so far is not yet bearing fruit in terms of the performance indicators. It is therefore an area that is being given higher priority. A further progress update will be provided to Members in the Quarter 4 report.

Local Tax Collection

7.2.8 The prompt collection of Council Tax and Business Rates is essential if the Council is to maximise resources from its major funding sources for the benefit of protecting local services. Experience shows that the longer debts remain outstanding, the harder they are to collect, which ultimately leads to an increase in write-offs; this has a negative impact on the Council's General Fund Reserve and reduces funds available to support Net Expenditure. The table below sets out the Collection Rates achieved for Council Tax and Business Rates in Quarter 3.

Local Tax Collection Rates 2023/24 (Quarter 3)		
	31st December 2022	**31st December 2023**
Council Tax collected (%)	77.11%	77.17%
Business Rates collected (%)	79.75%	77.54%

7.2.9 The table above shows a mixed picture with Council Tax slightly higher compared to the same stage in 2022/23 with Business Rates slightly lower. Local Tax collection statistics were badly affected by the pandemic but have now settled down to more normal patterns (albeit against a difficult economic backdrop), with Council Tax collection back to previous levels with Business Rates just slightly offtrack (although Business Rates collection is more prone to fluctuation, so stronger performance in Quarter 4 is entirely possible).

7.3 Prudential Indicators

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

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

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

Capital Expenditure

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

Description	2022/23 Actual	2023/24 Forecast (Q3)	2024/25 Budget	2025/26 Budget
	£000's	£000's	£000's	£000's
General Fund (GF)	3,949	12,164	19,773*	4,541*
Qualis Investments (GF)	8,000	31,625	22,100*	0*
Housing Revenue Account	15,875	29,883	43,964*	29,326*
TOTALS	**27,824**	73,672	**85,837***	**33,867***

**Capital Strategy budgets unchanged (to be updated in Month 10)*

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

Capital Financing Requirement (CFR)

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

Description	2022/23 Actual	2023/24 Forecast (Q3)	2024/25 Budget	2025/26 Budget
	£000's	£000's	£000's	£000's
General Fund (including Qualis Investments)	159,088	200,942	243,588*	240,679*
Housing Revenue Account	154,475	161,919	202,142*	214,438*
TOTAL CFR	**313,563**	362,861	**445,730***	**455,117***

**Capital Strategy budgets unchanged (to be updated in Month 10)*

7.3.6 The table above shows that there has been little change compared to the CFR budget estimate for 2023/24 included in the Capital Strategy (formulated in January 2023), with a Quarter 3 forecast (as at 31st December 2023) of £363.737 million (compared to the Capital Strategy estimate of £388.9 million).

Gross Debt and the Capital Financing Requirement

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

Description	2022/23 Actual	2023/24 Forecast (Q3)	2024/25 Budget	2025/26 Budget	Actual Debt (31/12/23)
	£M's	£M's	£M's	£M's	£M's
Outstanding Debt (including leases)	281.6	**270.8**	219.0*	216.7*	290.3
Capital Financing Requirement (CFR)	313.6	362.9	445.7*	455.1*	N/A

**Capital Strategy budgets unchanged (to be updated in Month 10)*

Debt and the Authorised Limit and Operational Boundary

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

Description	Q3 2023/24 Maximum	31/12/23 Actual	Operational Boundary 2023/24	Authorised Limit 2023/24	Complied? (Yes/No)
	£000's	£000's	£000's	£000's	£000's
Borrowing	297,598	293,444	443,184	453,184	Yes
PFI and Finance Leases	0	0	0	0	Yes
Total Debt	**297,598**	**293,444**	**443,184**	**453,184**	**Yes**

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

Net Income from Commercial and Service Investments to Net Revenue Stream

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

Description	2022/23 Actual	2023/24 Forecast (Q3)	2024/25 Budget	2025/26 Budget
	£000's	£000's	£000's	£000's
Total Net Income from Service and Commercial Investments	10,428	11,063	12,097*	12,434*
Proportion of Net Revenue Stream	66%	65%	72%*	72%*

**Capital Strategy budgets unchanged (to be updated in Month 10)*

7.3.11 The 65% forecast for 2023/24 compares to an expectation of 69% in the Capital Strategy. This partly reflects reduced income expectations from Qualis loans, including reduced margins as a consequence of rising PWLB borrowing rates. It also reflects a series of reduced rental incentives on new Commercial Property leases (income from these leases will increase as full rentals become payable by tenants). A new rental agreement for the Market at North Weald Airfield (effective from 1st January 2024) provides a further boost.

Proportion of Financing Costs to Net Revenue Stream

7.3.12 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as Financing Costs; the 'standard' CIPFA Prudential Indicator compares this to "Net Revenue Stream" (the amount funded from Council Tax, Business Rates, and general Government grants).

7.3.13 However, the standard definition of Net Revenue Stream does not adequately take account of the circumstances of Epping Forest District Council, which has had – for many years – a major income stream from Commercial Property and – more recently – an additional income stream from Qualis loan margins. Factoring in those two major sources of income produces a more meaningful Prudential Indicator, tailored to the specific circumstances of this Council. The 'local' Prudential Indicator is presented in the table below, alongside the standard CIPFA Indicator (for comparison purposes only).

General Fund Financing Costs	**2022/23 Actual**	**2023/24 Forecast (Q2)**	**2024/25 Budget**	**2025/26 Budget**
	£000's	**£000's**	**£000's**	**£000's**
Financing Costs	3,547	3,880*	8,516**	9,048**
Proportion of Net Revenue Stream (Standard CIPFA Indicator)	22%	23%*	50%**	52%**
Proportion of Net Revenue Stream (Local Indicator)	**13%**	**13%***	**27%****	**27%****

**Capital Strategy budgets unchanged (to be updated in Month 10)*

7.3.14 The position on this indicator has significantly improved as a consequence of the capital receipt received from the land disposal at North Weald Airfield in December 2023 (explained above). Thus, the following changes have occurred in Quarter 3 (compared to Quarter 2):

- Net Financing Costs – down £1.362 million (from £5.242 million in Q2)
- Proportion of Net Revenue Stream (CIPFA) – down 8% (from 31% in Q2); and
- Proportion of Net Revenue Stream (Local) – down 5% (18% in Q2).

7.3.15 Both indicators are now well within the forecasts assumed within the adopted Capital Strategy (2023/24 to 2025/26).

7.4 HRA Local Indicators

7.4.1 The requirement to borrow and the risk associated with HRA borrowing can be distinguished from that of the General Fund. The HRA is underpinned by a large property portfolio (6,442 properties, with a Balance Sheet value of £806.892 million as at 31st March 2023). Accordingly, the different risk profile is reflected within the capital financing rules e.g., the Local Government Act 2003 established the requirement for councils to put aside resources (through making a "Minimum Revenue Provision") to repay debt in later years; it was (still is) a legal requirement that only applies to General Fund borrowing.

7.4.2 Nevertheless, HRA borrowing is not risk free; HRA capital investment plans must be just as prudent, affordable, and sustainable as General Fund capital investment plans. Two local indicators have therefore been developed, which are used to gauge, and provide assurance, around the Council's HRA borrowing plans.

Loan to Value

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

Description	2022/23 Actual	2023/24 Estimate	2023/24 Forecast (Q3)
	Ratio	Ratio	Ratio
Loan to Value	0.19	0.19	0.19
Target Maximum (LTV)	**0.70**	**0.70**	**0.70**

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

HRA Interest Cover

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

Description	2022/23 Actual	2023/24 Estimate (Updated)	2023/24 Forecast (Q3)
	Ratio	Ratio	Ratio
HRA Interest Cover	1.02	1.25	1.13
Target Minimum (IC)	**1.25**	**1.25**	**1.25**

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

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

Reason for Decision:

This report facilitates the scrutiny of the Council's financial position for 2023/24 and will be considered by the Overview and Scrutiny Committee on 23rd April 2024.

Options:

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

Resource Implications:

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

Legal and Governance Implications:

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

Safer, Cleaner, Greener Implications:

There are no SCG implications.

Consultation Undertaken:

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

Background Papers:

Management Accounts 2023/24 (Month 9)

Risk Management

The report is primarily presented for information, although some risk management implications are contained in Section 7. Regular monitoring and reporting of the issues included in this report ensures early warning of significant issues that may place the Council at financial risk. This gives the Cabinet the best opportunity to take actions to mitigate such risks.

Appendix A

General Fund Revenue Budget 2023/24

Quarter 3 Forecast

Epping Forest DC: General Fund Revenue Budget 2023/24							
@ 31 December 2023 (Month 9)							
General Fund							
		Net Expenditure					
Service Area	Activity	Full Year Budget	Budget (M9)	Actual (M9)	Variance	Forecast	Variance
		£'s	£'s	£'s	£'s	£'s	£'s
Chief Executive	Chief Executive Support Services	550,030	412,523	422,455	9,933	516,787	-33,243
	Corporate Activities	73,740	55,305	48,927	-6,378	63,711	-10,029
	Chief Executive Other Activities	31,500	23,625	5,805	-17,820	31,500	-
	Sub-Total	**655,270**	**491,453**	**477,187**	**-14,265**	**611,998**	**-43,272**
Commercial & Technical Services	Car Parking	-548,140	-411,105	-575,940	-164,835	-496,452	51,688
	C&T Community & Partnership	195,250	146,438	144,111	-2,327	195,190	-60
	Contracts & Technical Support Services	2,172,960	1,629,720	1,524,713	-105,007	2,611,215	438,255
	Cost Centres - Contracts & Technical	3,554,670	2,666,003	2,656,111	-9,892	3,481,462	-73,208
	C&T Emergency Planning & Other	-1,830	-1,373	-2,337	-964	-2,360	-530
	Environmental Health	242,010	181,508	128,173	-53,334	187,930	-54,080
	Land Drainage/Sewerage	113,090	84,818	67,244	-17,574	124,260	11,170
	Land & Property	-8,087,160	-6,065,370	-5,765,059	300,311	-8,127,290	-40,130
	Leisure Facilities	-905,880	-679,410	-986,497	-307,087	-1,091,495	-185,615
	North Weald Centre	-515,340	-386,505	-751,335	-364,830	-463,339	52,001
	Parks & Grounds	514,100	385,575	94,501	-291,074	561,281	47,181
	Private Sector Housing	-112,170	-84,128	-211,342	-127,214	-253,022	-140,852
	C&T Regulatory Services	-233,910	-175,433	-181,733	-6,301	-213,364	20,546
	Waste Management	5,672,670	4,254,503	3,693,411	-561,091	5,599,706	-72,964
	Sub-Total	**2,060,320**	**1,545,240**	**-165,979**	**-1,711,219**	**2,113,722**	**53,401**
Community & Wellbeing	Community, Health & Wellbeing	72,060	54,045	-151,426	-205,471	56,805	-15,255
	Cost Centres - Community & Wellbeing	416,790	312,593	299,521	-13,071	397,399	-19,391
	Economic Projects Support Serv	215,050	161,288	75,681	-85,606	105,663	-109,387
	Homelessness	73,360	55,020	-474,845	-529,865	-173,328	-246,688
	Museum, Heritage & Culture	481,030	360,773	453,085	92,312	474,042	-6,988
	Voluntary Sector Support	219,470	164,603	178,890	14,287	219,470	-
	Sub-Total	**1,477,760**	**1,108,320**	**380,905**	**-727,415**	**1,080,051**	**-397,709**
Corporate Services	Business Support	1,667,861	1,250,896	1,060,906	-189,989	1,628,005	-39,856
	Cost Centres - Corporate Support	307,500	230,625	234,117	3,492	352,435	44,935
	Elections	208,860	156,645	134,514	-22,131	198,926	-9,934
	Emergency Planning & Other	79,250	59,438	61,020	1,583	82,643	3,393
	ICT	3,625,730	2,719,298	2,772,310	53,012	3,271,791	-353,939
	Insurance Premiums	719,750	539,813	579,109	39,297	703,480	-16,270
	Corp Serv - Member Activities	370,400	277,800	258,966	-18,834	358,457	-11,943
	Other Support Services	1,886,170	1,414,628	1,275,017	-139,611	1,828,588	-57,582
	Strategy Support Services	219,360	164,520	157,514	-7,006	215,097	-4,263
	Sub-Total	**9,084,881**	**6,813,661**	**6,533,474**	**-280,187**	**8,639,421**	**-445,460**
Customer Services	Cost Centres - Customer Services	2,404,772	1,803,579	1,827,277	23,698	2,365,389	-39,383
	Customer Support Services	1,671,920	1,253,940	1,236,006	-17,934	1,694,985	23,065
	Housing Benefits	-1,175,090	-881,318	-2,983,503	-2,102,185	-852,420	322,670
	Local Taxation	-771,660	-578,745	-125,239	453,506	-752,812	18,848
	Customer Services - Members Activities	27,800	20,850	16,143	-4,707	27,800	-
	Sub-Total	**2,157,742**	**1,618,307**	**-29,316**	**-1,647,622**	**2,482,942**	**325,200**
Finance & Audit	Audit Support Services	304,850	228,638	223,600	-5,037	303,790	-1,060
	Finance Support Services	1,254,140	940,605	737,534	-203,071	1,298,103	43,963
	Finance & Other Activities	509,630	382,223	185,574	-196,648	509,630	-
	Sub-Total	**2,068,620**	**1,551,465**	**1,146,708**	**-404,757**	**2,111,523**	**42,903**
Housing & Property	Accomodation	469,530	352,148	218,531	-133,617	369,370	-100,160
	Cost Centres - Housing & Property	468,550	351,413	296,102	-55,310	451,240	-17,310
	Facilities & Depot Management	525,530	394,148	321,961	-72,186	478,897	-46,633
	Housing & Property Support Services	382,010	286,508	244,802	-41,705	362,223	-19,787
	Sub-Total	**1,845,620**	**1,384,215**	**1,081,396**	**-302,819**	**1,661,730**	**-183,890**
Place	Place - Community & Partnership	34,940	26,205	-62,873	-89,078	38,727	3,787
	Cost Centres - Place	245,260	183,945	157,826	-26,119	191,835	-53,425
	Sub-Total	**280,200**	**210,150**	**94,952**	**-115,198**	**230,562**	**-49,638**
Planning & Development	Cost Centres - Planning Services	2,244,319	1,683,239	1,520,966	-162,273	2,076,818	-167,501
	Local Plan Implementation	807,810	605,858	306,962	-298,896	783,908	-23,902
	Planning & Development	-2,051,570	-1,538,678	-756,804	781,873	-1,053,317	998,253
	Planning Support Services	305,390	229,043	163,096	-65,946	217,770	-87,620
	Regulatory Services	-582,710	-437,033	-252,696	184,336	-267,473	315,237
	Sub-Total	**723,239**	**542,429**	**981,524**	**439,094**	**1,757,706**	**1,034,467**
Strategy, Delivery & Performance	Strategy - Other Activities	83,510	62,633	105,263	42,630	82,570	-940
	Strategy, Delivery & Performance Support Service	737,318	552,989	429,012	-123,977	615,405	-121,913
	Sub-Total	**820,828**	**615,621**	**534,274**	**-81,347**	**697,975**	**-122,853**
General Fund Total		**21,174,480**	**15,880,860**	**11,035,126**	**-4,845,734**	**21,387,630**	**213,150**
	Qualis Income	-2,851,520	-	-	-	-2,516,442	335,078
							-
	HRA Recharges	-4,984,450	-	-	-	-4,674,450	310,000
							-
	Financing						-
	Interest (exc. Qualis):						-
	Interest Receivable	-478,500	-	-	-	-1,679,871	-1,201,371
	Interest Payable	2,807,130	-	-	-	3,040,570	233,440
	Minimum Revenue Provision	1,261,000	-	-	-	1,164,000	-97,000
	Specific Contingency (Qualis)	712,880	-	-	-	335,078	-377,802
General Fund (Net Expenditure)		**17,641,020**	**15,880,860**	**11,035,126**	**-4,845,734**	**17,056,515**	**-584,505**

Appendix B

General Fund Capital Programme 2023/24

Quarter 3 Forecast

General Fund Capital Programme 2023/24: Quarter 3 Forecast										
	2022/23 Budget Outturn (xtract)			2023/24 Budget			2023/24 Budget Progress (@ 31st December 2023 - Q3)			
Scheme	2022/23 Unspent / (Overspent) Balances	(Savings) / Overspends not c/fwd	Balances Rolled Forward into 2023/24	2023/24 Budget Allocation	Q1/Q2/Q3 Changes	2023/24 Budget (Updated)	Actuals to Q3	Remaining Budget	Forecast Outturn 2023/24	Forecast (Uspend)/ Ospend 2023/24
	£'s	£'s	£'s	£'s	£'s	£'s	£'s	£'s	£'s	£'s
Community & Wellbeing										
Joint Museum and Library Facility	770,000	(770,000)	-	-	-	-	-	-	-	-
Sub-Totals	**770,000**	**(770,000)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Commercial & Technical										
Cartersfield Road	1,060,979	-	1,060,979	-	-	1,060,979	662,696	398,283	672,696	(388,283)
Investment Property Acquisition Fund	596,497	-	596,497	-	1,500,000	2,096,497	788,153	1,308,344	1,922,293	(174,204)
Princess of Wales PH - lease acquisition	(695,489)	695,489	-	-	-	-	-	-	-	-
EFDC Shopping Park	-	-	-	-	-	-	(13,616)	13,616	-	-
Centric Parade Redevelopment	-	-	-	-	-	-	22,250	- 22,250	21,925	21,925
CCTV Replacement Programme	69,373	(47,373)	22,000	25,000	-	47,000	35,302	11,698	39,697	(7,303)
CarPark CCTV Systems	13,080	(3,080)	10,000	25,000	-	35,000	22,300	12,700	33,530	(1,470)
Superfast Broadband (REFCuS)	350,000	-	350,000	-	-	350,000	-	350,000	350,000	-
Disabled Facilities Grants (REFCuS)	31,250	(31,250)	-	971,210	-	971,210	766,319	204,891	971,210	-
Home Assist Grants (REFCuS)	20,480	(20,480)	-	30,000	-	30,000	-	30,000	10,000	(20,000)
Civic Offices Café External Access	175,979	(175,979)	-	-	-	-	-	-	-	-
Highway Ranger Vehicle & Equipment	40,000	-	40,000	-	-	40,000	-	40,000	43,000	3,000
Highways - Pavement Widening Scheme	-	-	-	100,000	-	100,000	-	100,000	30,000	(70,000)
Grounds Maintenance	38,295	-	38,295	30,000	-	68,295	16,872	51,423	47,150	(21,145)
Highways (REFCuS)	97,564	(1,500)	96,064	-	-	96,064		96,064	30,000	(66,064)
H2 Taxiway (ex NWA Prep Phase 1)	156,112	-	156,112	-	-	156,112	19,870	136,242	40,000	(116,112)
NWA Vehicles & Equipment	(18,855)	18,855	-	-	-	-	-	-	-	-
NWA Waste Depot	-	-	-	4,167,000	-	4,167,000	12,012	4,154,988	2,000,000	(2,167,000)
Waste Vehicle Fleet Replacement	-	-	-	9,220,000	-	9,220,000	-	9,220,000	-	(9,220,000)
Vehicle Fleet Replacement & OHD Equipment	245,015	-	245,015	-	-	245,015	69,710	175,305	245,015	-
Leisure Centre Energy Saving Schemes	-	-	-	155,640	-	155,640	150,125	5,515	150,125	(5,515)
Epping Leisure Centre (Bakers Lane)	10,857,070	-	10,857,070	1,312,560	-	12,169,630	901,751	11,267,879	4,500,000	(7,669,630)
Sub-Totals	**13,037,350**	**434,682**	**13,472,032**	**16,036,410**	**1,500,000**	**31,008,442**	**3,453,744**	**27,554,698**	**11,106,641**	**(19,901,801)**
Corporate Services										
ICT General Schemes	170,483	-	170,483	93,000	-	263,483	44,356	219,127	67,436	(196,047)
ICT Strategy	2,841,192	-	2,841,192	1,086,000	-	3,927,192	165,990	3,761,202	661,552	(3,265,640)
Civic Offices Accommodation Project (ICT)	(1,341)	1,341	-	-		-		-		-
Sub-Totals	**3,010,334**	**1,341**	**3,011,675**	**1,179,000**	**-**	**4,190,675**	**210,346**	**3,980,329**	**728,988**	**(3,461,687)**
Customer Services										
Council Chamber AV Upgrade	**147,649**	**-**	**147,649**	-	-	147,649	31,785	115,864	38,000	(109,649)
Sub-Totals	**147,649**	**-**	**147,649**	**-**	**-**	**147,649**	**31,785**	**115,864**	**38,000**	**(109,649)**
Housing (Property Services)										
Oakwood Hill Depot Extension	(18,155)	18,155	-	-	-	-	-	-	-	-
Investment Properties (Planned Works)	187,677	(147,831)	39,846	250,000	(77,605)	212,241	7,375	204,866	32,375	(179,866)
202-220 Loughton HR - roof and H & S works	(147,831)	147,831	-	-	77,605	77,605	55,700	21,905	55,700	(21,905)
Operational Properties (Planned Works) (inc EV)	295,732	(18,433)	277,299	86,000	-	363,299	25,719	337,580	40,719	(322,580)
Sub-Totals	**317,423**	**(278)**	**317,145**	**336,000**	**-**	**653,145**	**88,794**	**564,351**	**128,794**	**(524,351)**
Place										
UK Prosperity Fund Projects	-	-	-		161,784	161,784	-	161,784	161,784	-
Climate & Environmental Projects	676,984	-	676,984	-	-	676,984	-	676,984	-	(676,984)
Sub-Totals	**676,984**	**-**	**676,984**	**-**	**161,784**	**838,768**	**-**	**838,768**	**161,784**	**(676,984)**
Qualis										
Regeneration Finance Loans	88,247,500	(88,247,500)	-	40,010,000	-	40,010,000	16,250,000	23,760,000	31,625,000	(8,385,000)
Sub-Totals	**88,247,500**	**(88,247,500)**	**-**	**40,010,000**	**-**	**40,010,000**	**16,250,000**	**23,760,000**	**31,625,000**	**(8,385,000)**
Total Expenditure	**106,207,240**	**(88,581,755)**	**17,625,485**	**57,561,410**	**1,661,784**	**76,848,679**	**20,034,669**	**56,814,010**	**43,789,207**	**(33,059,472)**
Capital Financing Analysis:										
Capital Grants	218,152	(218,152)	-	971,210	161,784	1,132,994	766,319	366,675	1,132,994	-
Capital Receipts	-	-	-	1,007,280	-	1,007,280	368,814	638,466	801,720	(205,560)
Borrowing	105,989,088	- 88,363,603	17,625,485	55,582,920	1,500,000	74,708,405	18,899,536	55,808,869	41,854,493	(32,853,912)
Total Financing	**106,207,240**	**(88,581,755)**	**17,625,485**	**57,561,410**	**1,661,784**	**76,848,679**	**20,034,669**	**56,814,010**	**43,789,207**	**(33,059,472)**

Appendix C

Housing Revenue Account Capital Programme 2023/24

Quarter 3 Forecast

HRA Capital Programme 2023/24: Quarter 3 Forecast													
	2022/23 Budget Outturn (xtract)			2023/24 Budget					2023/24 Budget Progress (@ 31 December 2023 - Q3)				
	2022/23 Unspent/ (Overspent) Balances	Savings	Balances Rolled Forward into 2023/24	2023/24 Budget Allocation	Q1 Changes	23/24 Budget (Updated)	Q2 & Q3 Changes	23/24 Budget (Updated)	Actuals to (Q3)	Remaining Budget	Forecast Outturn 2023/24	Forecast (Uspend)/Ospend 2023/24
Schemes	£'s	£'s	£'s	£'s	£'s	£'s	£'s	£'s	£'s	£'s	£'s	£'s
Housing Development Programme:												
Housebuilding	10,965,260	(1,383,590)	12,348,850	**3,375,500**	-	**15,724,350**	-	**15,724,350**	1,640,109	14,084,241	3,162,252	(12,562,098)
Qualis Acquisitions	10,461,190	-	10,461,190	**8,973,500**	-	**19,434,690**	-	**19,434,690**	-	19,434,690	5,000,000	(14,434,690)
Development Land Purchases	1,850,000	1,383,590	466,410	**-**	-	**466,410**	-	**466,410**	-	466,410	-	(466,410)
				-								
Sub-Totals	**23,276,450**	**-**	**23,276,450**	**12,349,000**	**-**	**35,625,450**	**-**	**35,625,450**	**1,640,109**	**33,985,341**	**8,162,252**	**(27,463,198)**
Capital Works:												
Heating	393,830	144,870	248,960	**1,724,000**	-	**1,972,960**	-	**1,972,960**	540,252	1,432,708	1,626,795	(346,165)
Windows, Door and Roofing	1,224,510	(32,780)	1,257,290	**6,386,110**	(2,137,270)	**5,506,130**	-	**5,506,130**	1,002,169	4,503,961	3,564,468	(1,941,662)
Compliance Planned Maintenance	272,800	203,880	68,920	**1,725,000**	(1,000,000)	**793,920**	-	**793,920**	120,601	673,319	387,160	(406,760)
Kitchens & Bathrooms (inc void allocation)	1,990,160	-	1,990,160	**4,786,000**	-	**6,776,160**	-	**6,776,160**	2,478,224	4,297,936	4,625,512	(2,150,648)
Electrical	226,430	-	226,430	**300,000**	1,381,790	**1,908,220**	-	**1,908,220**	164,393	1,743,827	814,655	(1,093,565)
Net Zero Carbon Works	1,500,000	-	1,500,000	**1,100,000**	-	**2,600,000**	-	**2,600,000**	68,007.54	2,531,992	1,111,000	(1,489,000)
Environmental	266,980	146,980	120,000	**1,118,530**	-	**1,238,530**	-	**1,238,530**	236,615	1,001,915	549,900	(688,630)
Structural works	1,449,170	58,430	1,390,740	**850,000**	(644,520)	**1,596,220**	-	**1,596,220**	302,437	1,293,783	557,033	(1,039,187)
Disabled Adaptations	(20,750)	(20,750)	-	**650,000**	400,000	**1,050,000**	-	**1,050,000**	614,980	435,020	1,104,714	54,714
Asbestos Removal	166,630	166,630	-	**280,800**	-	**280,800**	-	**280,800**	66,156	214,644	133,516	(147,284)
Estate Improvements	45,870		45,870	**50,000**	-	**95,870**	-	**95,870**	-	95,870	72,329	(23,541)
Sub-Totals	**7,515,630**	**667,260**	**6,848,370**	**18,970,440**	**(2,000,000)**	**23,818,810**	**-**	**23,818,810**	**5,593,836**	**18,224,974**	**14,547,081**	**(9,271,729)**
Regeneration Projects:												
Limes Avenue and Copperfield	1,980,510	-	1,980,510	**2,000,000**	2,000,000	**5,980,510**	-	**5,980,510**	3,929,929	2,050,581	5,980,510	-
Broadway	2,728,070	-	2,728,070	**-**	-	**2,728,070**	-	**2,728,070**	2,185.78	2,725,884	104,120	(2,623,950)
Sub-Totals	**4,708,580**	**-**	**4,708,580**	**2,000,000**	**2,000,000**	**8,708,580**	**-**	**8,708,580**	**3,932,114**	**4,776,466**	**6,084,630**	**(2,623,950)**
Other Housing Schemes:												
Service Enhancements (General)	-	-	-	**204,020**	-	**204,020**	-	**204,020**	-	204,020	-	(204,020)
Housing Asset Management Project	188,780	-	188,780	**540,000**	-	**728,780**	-	**728,780**	379,523	349,257	431,610	(297,170)
Service Enhancements (HFFHH)	(31,620)	(31,620)	-	**154,000**	-	**154,000**	-	**154,000**	-	154,000	-	(154,000)
Door Replacement Programme (Leasehold)	311,670	311,670	-	**233,540**	-	**233,540**	-	**233,540**	-	233,540	50,000	(183,540)
Sheltered Block Refurbishments	330,000	-	330,000	**100,000**	-	**430,000**	-	**430,000**	139,489	290,511	140,000	(290,000)
Emergency Alarm Upgrades	360,000	-	360,000	**-**	-	**360,000**	-	**360,000**	-	360,000	-	(360,000)
Sheltered Housing Works	-	-	-	**468,000**	-	**468,000**	-	**468,000**	-	468,000	468,000	-
Sub-Totals	**1,158,830**	**280,050**	**878,780**	**1,699,560**	**-**	**2,578,340**	**-**	**2,578,340**	**519,012**	**2,059,328**	**1,089,610**	**(1,488,730)**
Vehicle Replacements	**(36,270)**	**(36,270)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Expenditure	**36,623,220**	**911,040**	**35,712,180**	**35,019,000**	**-**	**70,731,180**	**-**	**70,731,180**	**11,685,072**	**59,046,108**	**29,883,573**	**(40,847,607)**
Capital Financing Analysis:												
Grants	-	-	-	**80,000**	-	**80,000**	-	**80,000**	355,900	- 275,900	981,360	901,360
RTB Receipts	-	-	-	**1,599,000**	-	**1,599,000**	-	**1,599,000**	656,000	943,000	1,421,500	- 177,500
Other Contributions	-	-	-	**1,187,000**	-	**1,187,000**	-	**1,187,000**	-	1,187,000	1,187,000	-
Major Repairs Reserve	-	-	-	**9,137,000**	-	**9,137,000**	-	**9,137,000**	10,673,172	- 1,536,172	17,486,000	8,349,000
Direct Revenue Contributions	-	-	-	**1,282,000**	82,000	**1,364,000**	-	**1,364,000**	-	1,364,000	1,364,000	-
Borrowing	36,623,220	911,040	35,712,180	**21,734,000**	(82,000)	**57,364,180**	-	**57,364,180**	-	57,364,180	7,443,713	(49,920,467)
Total Financing	**36,623,220**	**911,040**	**35,712,180**	**35,019,000**	**-**	**70,731,180**	**-**	**70,731,180**	**11,685,072**	**59,046,108**	**29,883,573**	**(40,847,607)**