

## **Final Budget Proposals 2022/23**

### **GENERAL FUND & HRA REVENUE**

#### **1. Background and Introduction**

- 1.1 The Cabinet approved an updated Financial Planning Framework (FPF) 2022/23 to 2026/27 at its meeting on 13th September 2021, which is the first step in preparing the 2022/23 budget.
- 1.2 The first major milestone in the FPF was reached on 11th October 2021, with Cabinet receiving and considering an updated Medium-Term Financial Plan (MTFP) for 2022/23 to 2026/27. The MTFP revealed a projected revenue deficit of £1.504 million for 2022/23 on the General Fund; it was a deficit that required eliminating in full if the Council was to fulfil its legal obligation to set a balanced budget for the forthcoming financial year.
- 1.3 The MTFP also identified a projected revenue deficit of £2.755 million on the Housing Revenue Account for 2022/23, although was almost entirely offset by an initial surplus of £2.651 million in 2021/22.
- 1.4 Acting on the strategic direction provided by Cabinet on 11th October 2021, officers were successful in provisionally bridging the General Fund revenue deficit and presented an early draft budget for 2022/23 to Cabinet on 6th December 2021. The budget was balanced, although there remained some material uncertainty as, most notably, the Local Government Finance Settlement for 2022/23 had not been announced by Government at that point (this eventually happened on 16th December 2021).
- 1.5 An early draft revenue budget for 2022/23 for the HRA was also presented to Cabinet on 6th December 2021. It anticipated a deficit of £2.963 million, which was to be offset by an estimated surplus of £2.651 million in 2021/22 (projected as at 30th September 2021). The 'surplus followed by a deficit' profile was/is a one-off position as the HRA adjusts to the long-term strategy within the newly emerging HRA Business Plan.
- 1.6 The draft budget proposals presented to Cabinet in December 2021 – both General Fund and HRA revenue – were scrutinised by the Stronger Select Committee on 18th January 2022. Officers also updated the Committee on the outcome of the provisional Local Government Finance Settlement for 2022/23. Although a broadly positive outcome, it is a one-year settlement, characterised by a range of one-off items; essential context in considering a budget requiring permanent funding against a backdrop of a declining contingency balance in the General Fund Reserve.
- 1.7 Further detailed work has now been completed on the revenue budgets, with the General Fund 're-balanced'. This report allows Cabinet to consider the final budget proposals for 2022/23 – for both the General Fund and HRA – as set out in the report, whilst taking into consideration the comments of the Stronger Council Select Committee.

## 2. Proposed General Fund Revenue Budget 2022/23

## SUBJECTIVE ANALYSIS

2.1 The proposed General Fund revenue budget for 2022/23 comprises Net Expenditure of £15.631 million and is summarised by **subjective** heading – including changes to the early draft adopted by Cabinet in December 2021 – in the table below.

<b>2022/23 General Fund Draft Revenue Budget: subjective analysis</b>			
<b>Description</b>	<b>Draft Budget (December 2021)</b>	<b>Movements</b>	<b>Draft Budget (February 2022)</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>EXPENDITURE</b>			
Employees	25,525	(298)	25,227
Premises	2,828	66	2,894
Transport	321	0	321
Supplies & Services	9,042	461	9,503
Support Services	19	0	19
Contracted Services	6,801	466	7,267
Transfer Payments (H Bens)	22,210	0	22,210
Financing Costs	2,263	(59)	2,204
<b>Gross Expenditure</b>	<b>69,009</b>	<b>636</b>	<b>69,645</b>
<b>INCOME</b>			
Fees and Charges	(17,474)	230	(17,244)
Government Contributions	(24,277)	8	(24,269)
Misc. Income (inc. Qualis)	(4,462)	275	(4,187)
Other Contributions	(2,426)	(663)	(3,089)
HRA Recharges	(5,225)	0	(5,225)
<b>Net Expenditure</b>	<b>15,145</b>	<b>486</b>	<b>15,631</b>
<b>FUNDING</b>			
Council Tax	(8,639)	0	(8,639)
Business Rates	(5,016)	5	(5,011)
Collection Fund Adjustments	150	(315)	(165)
Council Tax Sharing Agreement (CTSA)	(948)	0	(948)
New Homes Bonus	(452)	(324)	(776)
Lower-Tier Services Grant	0	(149)	(149)
2022/23 Services Grant	(177)*	(52)	(229)
Other Grants (General)	(12)*	12	0
Credit Loss Adjustment	(51)	0	(51)
Contribution to/(from) Reserves	0	337	337
<b>Total Funding</b>	<b>(15,145)</b>	<b>(486)</b>	<b>(15,631)</b>
<b>(Surplus)/Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>

\*Government support for NI increase (£177k) included in Other Grants in December 2021 Draft

## EXPENDITURE

2.2 The *Expenditure* highlights included in the table above are as follows:

- **Employee Costs (£25.227 million)** – as reported to Cabinet in December 2021, there has been a rise in Employee costs, driven by a change in internal accounting practice. The Homelessness cost centre was moved from the HRA to General Fund, so now reflects its correct legal status as a General Fund service. The adjustment added £474,800 in salary costs to the Communities & Wellbeing directorate budget, which is offset by a higher net recharge to the HRA once non-staff costs are factored in (the total cost transfer was £566,180; see comment below on HRA recharges).

The draft budget also includes, as announced in the Autumn Budget 2021, an increase of 1.25% in Employer National Insurance contributions (funded by the Government) scheduled for 2022/23; the additional budget requirement has been re-calculated at £154,224 and has been included (although it has been funded as part of the Local Government Funding Settlement for 2022/23 as discussed below).

There is also a single Growth item of £40,000 now included in the draft budget for the Employee Costs (to fund two apprentice posts) associated with the expansion of the successful Highway Rangers scheme (as originally envisaged). The teams play a key role in the sustainability and environmental agenda as well as improving the condition of the High Streets and rural areas.

The provisional 2.0% pay increase reported in October 2021 for 2022/23 has been retained throughout the budget preparation process. In addition, on 19th October 2021, the local government National Employers reaffirmed to their “full and final offer” of a 1.75% pay offer for 2021/22. At the time of reporting, agreement has yet to be reached with trade unions. An award of 1.75% is 0.25% in excess of the current 1.5% provision within the 2021/22 budget. Consequently, an additional 0.5% has been assumed on Employee costs aimed at ameliorating any potential pressure on the base budget in 2022/23 due to the eventual 2021/22 pay award; in the event of a local settlement of 1.75%, an additional 0.25% would be available as a small inflation contingency to support any additional costs that might emerge from the 2022/23 pay award. If the actual pay settlement exceeds this amount, budget holders will be expected to contain any additional costs within their budgets through the identification of offsetting savings.

In addition, as reported in the October 2021 MTFP and again in December 2021, a further £240,000 has been included in Employee costs due to unbudgeted pension costs regarding previous commitments in respect of unfunded/added years pension payments to former employees; this is not an additional cost but enhances transparency, as this was a cost previously treated as an accounting adjustment outside the budget process.

### Update February 2022

A downward adjustment has been made to the initial draft budget of £269,768 to reflect the current interim arrangements with Qualis for managing the Commercial Assets function (with Employee Costs on relevant unoccupied posts now reclassified as Contract Costs). This is the dominant factor in an overall decrease in Employee Costs of £297,520.

- **Premises (£2.894 million)** – there have been no material changes to the costs presented in the December draft budget on Premises and Transport, with increases in Gas and Electric still assumed to rise by 5.6% in the Commercial & Technical directorate. However, and in contrast, although an underlying price increase of 5.0% is assumed within the Housing & Property directorate, the closure/vacating of Epping Town Depot and Hemnall Street Offices is expected to lead to a net cost decrease of 2.9%.

Update February 2022

It should be noted however, that it has not been possible to prepare robust service estimates for Gas and Electricity costs due to substantial volatility and uncertainty in the energy market at the time of preparing this budget. The Council does have partial protection for 2022/23 in the form of forward contracts in place for both Electric and Gas, but they are set to expire in year, and there is major uncertainty as to what prices might be achievable in subsequent contracts; for that reason, a specific contingency of £62,500 (22.3% of total budget) has been set aside to cover potential increases in the event that the estimated increases assumed in December 2021 prove insufficient (see also discussion on Financing Costs below).

- **Supplies & Services (£9.503 million)** – the October 2021 iteration of the MTFP assumed 2.0% inflation on Supplies and Services for 2022/23, which was driving an estimated cost pressure of £177,100. This was a significant contributory factor in the projected £1.504 million forecast budget deficit at the time. Therefore, in preparing the initial draft budget in December, budget holders were given a target of containing their 2022/23 budgets for Supplies and Services at 2021/22 levels. As reported to Cabinet at the time, this was successful, with the eventual budget growth on Supplies & Services primarily due to unavoidable cost pressures reported in the October 2021 MTFP (impact £80,000) and an expenditure reclassification within the Safer Communities Programme (impact £108,000).

Update February 2022

Subsequent work by Finance officers during January 2022, in conjunction with budget holders, has identified further cost pressures of £0.461 million. The single largest factor has been the need to include further provision for Recycling Sacks of £189,000 (a major cost pressure identified in the Quarter 3 Budget Monitoring report for 2021/22). A range of other items were identified for inclusion including Air Quality related items (£48,888) and IT Licenses (£42,131).

- **Contracted Services (£7.267 million)** – the cost of Contracted Services is higher than anticipated both in the October MTFP and the December draft budget. Initially this reflected inflationary statistics at the time. For example, the Waste Management contract is increased annually in accordance with RPI each November (e.g. October 2021 RPI was 6.0%). In addition, the additional household waste generated at the start of the pandemic has continued, leading to the Council incurring additional contract payments (as previously reported in the October 2021 MTFP).

Update February 2022

As noted above, there has been an upward adjustment of £269,768 to reflect the current interim arrangements with Qualis for managing the Commercial Assets function. In addition, further budget pressures – totalling £105,907 – on the Waste Management contract have been identified since the initial draft budget was presented in December 2021, with (indirect) additional expense expected anticipated due to recent driver shortages a contributory factor. Other factors adding to the increase include the impact of the new Cleaning contract (£28,799).

- **Financing Costs (£2.204 million)** – as reported in December, estimated Financing Costs are significantly lower than forecast in October 2021 due to the reclassification of PWLB Interest Payable on Qualis Loans. Forecast interest rate costs of £1.803 million for Qualis Loans have been recalculated based on latest available published PWLB rates and updated assumptions on draw down dates; these are now netted against Interest Receivable on Qualis Loans (within Miscellaneous Income), which enables a clearer understanding of the loan margins receivable by the Council.

Update February 2022

A detailed review of the Garden Town Reserve (including partner contributions) was completed by Finance officers during January 2022, which has enabled a substantial reduction in the previously assumed corporate contingency of £250,000; the contingency has now been reduced by 75% to £62,500 and applied to the anticipated margins on Qualis loans (in Miscellaneous Income) following a recent rise in PWLB long-term lending rates. The remaining contingency balance of £62,500 is now earmarked for potential increases in energy costs as noted above on Premises.

However, the positive impact on Financing costs has been partially offset by the need to provide a further £127,000 in Minimum Revenue Provision (“MRP”) following an update analysis of the General Fund Capital Programme.

**INCOME**

2.3 The **Income** highlights included in the table above are as follows:

- **Fees and Charges (£17.244 million)** – detailed work on the income assumptions from Fees and Charges was completed in preparing the initial draft budget (see **Appendix C**). As reported to Cabinet in December, this was generally very successful in identifying additional income, with the Leisure Centre contract especially recovering more quickly from the pandemic than originally expected. Significantly increased income is anticipated from Development Control Fees upon the finalisation of the Local Plan (£735,000) as well as additional income from North Weald Airfield (Hanger 1 and Gym Club £180,000 plus Market Rents £142,000).

The proposals to alter Off-Street Parking Charges (reported to Cabinet and scrutiny) across the district are also included which, in budgetary terms, is expected to yield an additional £110,000 in 2022/23.

Update February 2022

A further review of anticipated Planning Performance Agreement (“PPA”) income in the light of the updated needs of Qualis-related developments, has led to a reduction in expected income of £396,780, although this is partially offset by an additional income expectation of £145,000 in relation to Brooker Road, Waltham Abbey, reflecting the rental income from the new Sainsburys site.

- **Miscellaneous Income (including Qualis) (£4.187 million)** – as mentioned above, the reclassification of PWLB Interest Payable on Qualis Loans was initially responsible for a net reduction here and was reported to Cabinet in December 2021.

Update February 2022

In the light of further slippage on the drawdown of Qualis loans (reported in the Quarter 3 Budget Monitoring Report 2021/22), a review of the original projections has been undertaken. Consequently, a 25% reduction in margin (allowing for 3 months slippage) has been assumed in the interests of prudence (net impact £289,400). In addition, the latest available PWLB interest rates (@ 24th January 2022) have now been included in projections, reflecting recent increases in rates for long-term loans.

- **Other Contributions (£3.089 million)** – as reported to Cabinet in December 2021, the level of “Other Contributions” in the initial draft budget was lower than projected in the October 2021 MTFP by £539,000, which reflected some changes in the accounting treatment of internal and external funding balances, which improves transparency as well as accounting practice.

Update February 2022

A detailed review of the budget arrangements for the Garden Town cost centre has recently been completed. The new arrangements simplify and better reflect the substance of the transactions and the relationship with external partners. This results in the partner contributions (£246,000 combined) and anticipated contributions from reserves (£417,819 – reflecting the Quarter 3 forecast for 2021/22) being included on this line.

- **HRA Recharges (5.225 million)** – as reported to Cabinet in December 2022, the General Fund budget assumption for HRA recharges has been overly conservative in recent times. But the primary reason for an increase of £647,000 was due to the transfer of the Homelessness cost centre to the General Fund (impact £566,180). There have been no subsequent changes in the HRA Recharges assumption.

**FUNDING**

2.3 The **Funding** highlights included in the table above are as follows:

- **Council Tax (£8.639 million)** – as reported to Cabinet in December 2021, the draft Council Tax Base for 2022/23 has now been determined and the preceptors have been notified. A stronger than expected recovery in Council Tax collection in 2021/22 has allowed an expected return to an assumed collection rate of 98.0% in 2022/23 (up 0.5%). However, the draft Tax Base estimate is very close (just 5.4 Band D equivalents different) to the October 2021 projection, leading to little change in the assumed precept. A Council Tax increase of £5 for a Band D property, which was assumed in the October 2021 MTFP, remains unchanged at this stage. Members of course have the option to vary this assumption
- **Business Rates (£5.011 million)** – the Business Rates calculation was initially updated to reflect the announcements in the Autumn Budget 2021. The Chancellor set out a new relief for eligible Retail, Hospitality and Leisure properties with 50% relief granted on bills up to £110,000 per business as well as an extension of the current Transitional Relief and Supporting Small Business schemes. A freezing of the multipliers at 49.9p (small business multiplier) and 51.2p (standard multiplier) was also announced. The updated calculation assumed that the Council will receive 100% compensation through the Section 31 grant scheme.



Update February 2022

The Local Government Finance Settlement 2022/23 announced on 16th December 2021 confirmed the assumption regarding compensation payments through the Section 31 grant scheme. However, at the time of preparing this budget, the Council have (not yet) been unable to generate reliable “NNDR1” forecasting data for 2022/23 from the Revenues (“Academy”) system (awaiting a reporting solution from Capita following the recently announced changes/extensions in Reliefs). Consequently, the estimated income for Business Rates Retention presented in December 2021 has been reviewed and remains virtually unaltered; it is a deliberately prudent estimate.

- **Collection Fund (£0.165 million)** – the complexities created by the pandemic initially made an accurate estimate of the Collection Fund adjustment very difficult. The Council held an Earmarked Reserve of £6.650 million as at 31st March 2021 funded by surplus Section 31 money paid by Government as compensation for extended Business Rates Reliefs granted in response to the pandemic; this represents 40.1% of the cumulative deficit on the Business Rates share of the Collection Fund at the same point in time. Consequently, a ‘zero adjustment’ was, and still is, assumed in 2022/23 for Business Rates.

In contrast, the cumulative deficit on the Council Tax share of the Collection Fund is not mitigated by an Earmarked Reserve. A – relatively cautious – negative Collection Fund adjustment of £150,000 (13.7% of cumulative deficit) was therefore assumed for 2022/23 for Council Tax.

Update February 2022

The subsequent completion of detailed Collection Fund projections for 2021/22 as part of the joint arrangements with the major preceptors, has identified a significant emerging surplus on Council Tax for the year, reflecting stronger than anticipated collection in the year; an assumed reduction of 1.0% in collection performance has not materialised. Therefore, the assumed contribution *into* the Collection Fund of £150,000, will in fact be a contribution *from* the Collection Fund of £165,000 (representing a positive ‘budget swing’ of £315,000).

- **Council Tax Sharing Agreement (CTSA) (£0.948 million)** – as reported to Cabinet in December 2021, the continuation of the Essex CTSA has now been agreed for 2022/23 with Epping Forest District Council performing especially well in terms of Council Tax collection in 2021/22 (raising the projected increase in the share back percentage from 12% to 14%). The 2022/23 agreement consolidates the 14% share back percentage for all districts and there are also some complex formula changes in the methodology, which also favours districts. On that basis, the October 2021 MTFP assumption was raised by £398,000 from £550,000 to £948,000 (based on estimates provided by Essex County Council).
- **New Homes Bonus (£0.776 million)** – following the demise of Revenue Support Grant (RSG) funding from the Government, the most significant remaining grant within the annual Settlement is the New Homes Bonus (NHB). The Government consulted on a replacement for the NHB earlier this year. Any new housing incentive scheme will reflect a more targeted approach that rewards local government where they are ‘ambitious’ in delivering housing growth. In the absence of further detail, the December 2021 assumed legacy payments of £451,720 for 2022/23 only.

Update February 2022

Although the future remains very uncertain in this area, the Local Government Finance Settlement 2022/23, announced on 16th December 2021, included a further one-off NHB allocation of £323,790, thus exceeding initial expectations.

- **Lower-Tier Services Grant (LTSG) (£0.149 million)** – the Council received an allocation of £185,882 from LTSG in 2021/22, with the Government indicating at the time that the funding was for one year only; on that basis, a ‘nil assumption’ was included in the initial draft budget for 2022/23.

Update February 2022

The subsequent decision by Government to include a further allocation (this time £149,386) for 2022/23 was both unexpected and welcome.

- **2022/23 Services Grant (£0.229 million)** – there was no assumption of receiving any funding from this source in the initial draft budget presented to Cabinet in December 2021.

Update February 2022

The Government announced a new (one-off) grant for 2022/23, with this Council receiving an allocation of £229,580 from the “2022/23 Services Grant”; to a large extent, this grant reflects the Government’s commitment to compensating public sector bodies for the increased cost of Employer National Insurance Contributions announced in the Autumn 2021 Budget (with the rate rising by 1.25%); the additional cost embedded in this budget is £154,224.

- **Contribution to/from Reserves (£0.338 million)** – the initial draft budget presented to Cabinet in December 2021 assumed no contributions either to or from reserves.

Update February 2022

However, as the foregoing discussion demonstrates, local authorities generally – including this Council – benefited more than expected from the Local Government Finance Settlement 2022/23.

In total, the Council received an allocation that was £525,985 greater than that assumed in the initial budget prepared in December 2021. But the Government has been explicit that the additional items described above are to be treated as one-off in nature, so are not sustainable income sources from which to support ongoing expenditure. Some further budget pressures have also been identified in the final stages of preparing this draft budget, which have required funding in order to re-balance the budget (as discussed above).

And, by way of further context, as previously reported to both Cabinet and scrutiny, the Council’s General Fund Reserve is on course to fall below its adopted minimum contingency level (of £4.0 million) by 31st March 2022; future contributions into the Reserve will therefore be required in order to restore financial resilience to the Balance Sheet.

Given the full circumstances, this draft budget assumes a contribution to Reserves of £337,000.

- 2.4 A more detailed summary of the draft General Fund revenue budget, analysed by subjective heading, is presented at **Annex 1**.



## SERVICE ANALYSIS

- 2.5 The proposed General Fund revenue budget for 2022/23 can also be summarised by **service** heading – including changes to the early draft adopted by Cabinet in December 2021 – in the table below.

<b>2022/23 General Fund Draft Budget: service analysis</b>			
<b>Description</b>	<b>Draft Budget (December 2021)</b>	<b>Movements</b>	<b>Draft Budget (February 2022)</b>
	<b>£'s</b>	<b>£'s</b>	<b>£'s</b>
<b>NET EXPENDITURE</b>			
Chief Executive	680	(22)	658
Community & Wellbeing	1,799	(6)	1,793
Commercial & Technical	110	50	160
Corporate Services	9,454	90	9,544
Customer Services	2,324	(69)	2,255
Corporate Finance	1,083	48	1,131
Internal Audit	381	3	384
Property Services	2,060	8	2,068
Place	542	(167)	375
Planning & Development	1,607	(127)	1,480
Strategy, Delivery & Performance	844	6	850
Other	3,127	(60)	3,067
Qualis	(3,641)	732	(2,909)
HRA Recharges	(5,225)	0	(5,225)
<b>Total Net Expenditure</b>	<b>15,145</b>	<b>486</b>	<b>15,631</b>

### NET EXPENDITURE

- 2.6 There have been few material changes to the budget by service, compared to the initial draft presented to Cabinet in December 2021. The **Net Expenditure** highlights (key changes) included in the table above are as follows:

- **Commercial & Technical (increased by £0.050 million)** – although the net impact on this directorate is minimal, there are two significant items to report. Firstly, the transfer of the budgeted staffing costs of the Commercial Assets team (including both occupied and unoccupied posts) have now been transferred to the Qualis cost centre, to better reflect the current interim management arrangements now agreed for 2022/23 (combined impact £265,312) which reduces budget demand. However, and secondly, this is outweighed by a series of cost pressures primarily related to the Waste Management contract which increases budget demand; as highlighted above in Paragraph 2.2, this includes additional Recycling Sacks (£189,000) as well as other Waste Management contract pressures of £105,907.
- **Place (reduced by £0.167 million)** – the reduction in the Place budget primarily reflects the transfer of two – relatively senior – posts from the Place directorate to the Planning & Development directorate (Sustainable Transport Officer and Climate Change Emergency Officer; combined impact £127,423) is the most significant factor in the reduction here.

- **Planning & Development (reduced by £0.127 million)** – the most notable factors here are explained above in Paragraph 2.3, where there has been a significant reduction in anticipated Fees & Charges from PPAs (£396,780). But this is outweighed by the impact of new budget arrangements on the Garden Town cost centre (anticipated “Other Contributions” from combined reserves of £417,819 now reflected).
- **Qualis (increased by £0.732 million)** – as noted above, the net cost of the Commercial Assets team (£265,312) has been moved into the Qualis cost centre for accounting simplicity and transparency. In addition, a detailed review of the net return on Qualis loans has been undertaken following reported slippage on the drawdown timetable in 2021/22 and a recent increase on PWLB interest rates on long-term loans (combined impact £462,550).

### **COST CENTRE SUMMARY**

2.8 A detailed summary of the draft General Fund budget analysed by cost centre can be found at ***Annex 2***.

### 3. Proposed Housing Revenue Account Budget 2022/23

- 3.1 The proposed HRA revenue budget for 2022/23 is summarised by **subjective** heading – including changes to the early draft adopted by Cabinet in December 2021 – in the table below. A deficit of £3.537 million is anticipated, which is to be partially offset by an estimated surplus of £2.319 million in 2021/22 (as forecast at 31st December 2021).

<b>2022/23 HRA Draft Revenue Budget: subjective analysis</b>			
<b>Description</b>	<b>Draft Budget (December 2021)</b>	<b>Movements</b>	<b>Draft Budget (February 2022)</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>EXPENDITURE</b>			
Employees	3,980	405	4,385
Premises	3,614	(21)	3,593
Transport	71	(1)	70
Supplies & Services	1,577	31	1,608
Contracted Services	6,704	(21)	6,683
Support Services (GF Recharges)	5,225	0	5,225
Debt Management Expenses	58	0	58
Provision for Bad Debts	93	0	93
Depreciation	8,958	0	8,958
<b>Total Expenditure</b>	<b>30,280</b>	<b>393</b>	<b>30,673</b>
<b>INCOME</b>			
Rental Income – Dwellings	(35,124)	0	(35,124)
Rental Income – Non-Dwellings	(836)	0	(836)
Fees & Charges (Service Charges)	(1,516)	(263)	(1,779)
Other Contributions (Shared Amenities)	(368)	0	(368)
<b>Total Income</b>	<b>(37,844)</b>	<b>(263)</b>	<b>(38,107)</b>
<b>Net Cost of Service</b>	<b>(7,564)</b>	<b>130</b>	<b>(7,434)</b>
Interest Received	(5)	(1)	(6)
Financing Costs	5,618	(5)	5,613
<b>Net Operating Income</b>	<b>(1,951)</b>	<b>124</b>	<b>(1,827)</b>
<i>Appropriations:</i>			
Contributions to Capital	4,914	450	5,364
Contributions to/(from) Reserves	0	0	0
<b>Total Appropriations</b>	<b>4,914</b>	<b>450</b>	<b>5,364</b>
<b>In Year (Surplus)/Deficit</b>	<b>2,963</b>	<b>574</b>	<b>3,537</b>

3.2 The most significant items in the table above include:

- **Employees (£4.385 million)** – the employee-related inflation assumptions mirror those of the General Fund (e.g. a 2.0% Pay Award is assumed for 2022/23) and, as reported to Cabinet in December 2021 (and in Section 2 - the General Fund part – of this report), the Homelessness cost centre was transferred to the General Fund, which eliminates the need for the relevant recharge and reduces staffing costs in the HRA by £474,797.

Update February 2022

However, since the initial budget was presented, there has been an increase of £405,000, which mainly reflects the impact of a range of recent Housing-related staff changes (£321,000). The most significant item in this category is a re-structure of the HRA Asset Management Team; the gross cost of the restructure is £111,000, although this is partially offset by an assumed increase in (collectable) Tenant Recharges of £55,000 on damaged properties (included in Fees & Charges). In addition, updated inflationary assumptions, including the scheduled 1.25% increase in Employer National Insurance Contributions announced in the Autumn 2021 Budget (combined impact £84,174).

- **Premises (£3.593 million)** – additional Planned Maintenance costs of £132,000 have been added to more accurately reflect the full costs of miscellaneous items (e.g. painting) that sit outside of the Qualis contract.
- **Supplies and Services (£1.608 million)** – there is an increased budget requirement of £664,393 here compared to 2021/22. Firstly, as widely reported, an independent Condition Survey of the Housing Stock has been commissioned, which has not been undertaken for many years. This is a major – but vital – undertaking, with the cost of procuring a survey based on a 50% sample estimated at £392,500. And secondly, the Year 1 costs of implementing the new Housing Asset Management (HAM) system are estimated at £273,280 and have now been included. Once implemented, the ongoing revenue costs are expected to reduce to £56,080.
- **Contracted Services (£6.683 million)** – there is an increased budget requirement of £576,203 here compared to the 2021/22. As reported to Cabinet in December 2021, the most significant factor relates to estimated additional Responsive and Void Repairs costs of £426,000. The cost of Void Repairs especially has been challenging for the Council for several years now, and the contract with Qualis, after a short-term cost increase, is expected to deliver substantial savings on Housing Repairs costs over the medium and longer term.
- **Support Services/GF Recharges (£5.225 million)** – the most significant factor here is the transfer of the Homelessness budget as noted above; the overall impact, including a reduction in Employee costs of £474, 797, is £566,180.
- **Rental Income (Dwellings) (£35.124 million)** – as reported to Cabinet in December 2021, the September 2021 CPI inflation was recorded at 3.1%. Therefore, in accordance with the extant legal Rent Standard (April 2020), a rent increase of 4.1% (CPI+1.0%) is assumed, which is the maximum allowable increase. Members have the option of choosing a lower rent increase (covered in **Appendix C**); and
- **Fees & Charges/Service Charges (£1.779 million)** – as reported to Cabinet in December 2021, an increase of 5.0% is suggested in most cases, although some items are frozen at 2021/22 prices; assumptions here remain unchanged (covered in **Appendix C**).

Update February 2022

Further work on the budget during January 2022 has identified potential to increase Fees and Charges by a further £263,000, mainly due to additional Service Charges anticipated as a consequence of the roll out of the “More Than Bricks and Mortar” scheme, which is seeing substantial investment in local Housing infrastructure (impact £200,000). The additional Tenant Recharges (£55,000) on damaged properties explained above (see discussion on Employee Costs) are also a contributory factor.

**COST CENTRE SUMMARY**

3.3 A detailed summary of the draft HRA budget analysed by cost centre can be found at **Annex 3.**

Draft General Fund Budget 2022/23: Full Subjective Analysis

GF Income & Expenditure Analysis 2022-23 (@ February 2022)															
Subjective Description	Chief Executive	Commercial & Technical	Community & Wellbeing	Corporate Finance	Corporate Services	Customer Services	Internal Audit	Place	Planning & Development	Property Services	Strategy, Delivery & Performance	Quality	Other	HRA Recharges	General Fund Total
	£s	£s	£s	£s	£s	£s	£s	£s	£s	£s	£s	£s	£s	£s	£s
Employee Expenses	527,489	5,672,518	1,786,912	879,287	5,464,549	3,817,490	200,477	408,639	3,863,911	845,655	595,179	311,730	863,628	0	25,227,465
Premises Related Expenses	0	1,263,749	406,190	0	19,000	0	296	19,000	2,000	1,194,955	0	0	0	0	2,894,190
Transport Related Expenses	2,040	244,637	9,129	1,020	13,311	7,559	5,804	1,071	23,696	12,087	306	0	0	0	320,648
Supplies And Services	128,820	1,863,221	505,370	283,040	4,429,175	330,280	184,510	49,100	1,417,920	57,620	264,160	0	0	0	9,503,217
Support Services	0	5,762	1,575	41	6,567	1,543	0	127	2,847	646	0	0	0	0	19,108
Contracted Services	0	6,997,391	0	0	0	0	0	0	0	0	0	269,769	0	0	7,267,160
Transfer Payments	0	0	0	0	0	22,210,196	0	0	0	0	0	0	0	0	22,210,196
Financing Costs	0	0	0	0	0	0	0	0	0	0	0	0	2,202,940	0	2,202,940
<b>Total Expenditure</b>	<b>658,349</b>	<b>16,027,279</b>	<b>2,709,176</b>	<b>1,163,388</b>	<b>9,932,602</b>	<b>26,367,067</b>	<b>391,087</b>	<b>475,937</b>	<b>5,310,363</b>	<b>2,110,963</b>	<b>849,645</b>	<b>581,498</b>	<b>3,066,568</b>	<b>0</b>	<b>69,644,923</b>
Fees & Charges	0	-13,756,490	-366,990	-32,000	-205,774	0	-5,050	0	-2,836,650	-41,000	0	0	0	0	-17,243,654
Government Contributions	0	0	-532,440	0	0	-23,486,935	0	0	-249,439	0	0	0	0	0	-24,268,814
Misc Income	0	-5,202	0	0	-178,856	-494,190	0	0	-17,483	0	0	-3,490,945	0	0	-4,186,886
Other Contributions	0	-2,105,039	-16,759	0	-4,080	-131,080	-1,561	-102,000	-726,875	-2,346	0	0	0	0	-3,089,740
HRA Recharges	0	0	0	0	0	0	0	0	0	0	0	0	0	-5,224,665	-5,224,665
<b>Total Income</b>	<b>0</b>	<b>-15,866,731</b>	<b>-915,889</b>	<b>-32,000</b>	<b>-388,710</b>	<b>-24,112,205</b>	<b>-6,611</b>	<b>-102,000</b>	<b>-3,830,457</b>	<b>-43,346</b>	<b>0</b>	<b>-3,490,945</b>	<b>0</b>	<b>0</b>	<b>-54,013,558</b>
<b>Net Cost Of Services</b>	<b>658,349</b>	<b>160,549</b>	<b>1,793,287</b>	<b>1,131,388</b>	<b>9,543,892</b>	<b>2,254,862</b>	<b>384,476</b>	<b>374,937</b>	<b>1,479,906</b>	<b>2,067,617</b>	<b>849,645</b>	<b>-2,909,447</b>	<b>3,066,568</b>	<b>-5,224,665</b>	<b>15,631,364</b>



**Annex 2****Draft General Fund Budget 2022/23: Cost Centre Summary**

<i>Service: Chief Executive</i>			
Cost Centre Ref.	Description	Budgeted Net Expenditure	
		2021/22 (Final)	2022/23 (Draft)
		£'s	£'s
50100	Chief Executive - Policy	685,680	532,529
CM100	Corporate Policy Making	14,440	24,550
CM105	Subscriptions	35,630	51,270
CM103	Company Structure - Qualis	75,750	50,000
		<b>811,500</b>	<b>658,349</b>

<i>Service: Community &amp; Wellbeing</i>			
Cost Centre Ref.	Description	Budgeted Net Expenditure	
		2021/22 (Final)	2022/23 (Draft)
		£'s	£'s
27150	Limes Centre	49,110	45,514
34180	Homelessness Team	-	479,607
CD110	Youth Strategy	8,960	8,960
CD112	Youth Council	18,560	18,560
RS280	North Weald Gymnasium	-	10,620
RS300	All Weather Pitch	- 20,200	- 20,503
RS400	Community, Health & Wellbeing	65,450	56,990
RS403	Marketing And Promotions	10,820	10,820
RS410	Sports Development Ext Funding	- 740	-
34170	Community & Culture	506,870	457,670
52100	Community & Wellbeing - Policy	346,030	198,281
GD110	Grant - Essex Womens Refuge	17,450	17,450
HL100	Homelessness Advice	- 469,710	- 425,200
HL110	Bed Breakfast Accommodation	- 1,420	- 1,142
HL130	Zinc Arts Scheme	9,130	-
CH110	Museum	644,860	643,690
CH113	Museum Development Projects	21,500	38,946
GD100	Grants To Voluntary Orgs	90,590	41,820
GD140	Grant - Citizens Advice Bureau	152,440	152,440
GD150	Grant - Voluntary Action Ef	40,300	40,300
PT101	Community Transport	16,180	16,180
		<b>1,506,180</b>	<b>1,793,287</b>

<i>Service: Commercial &amp; Technical</i>			
Cost Centre Ref.	Description	Budgeted Net Expenditure	
		2021/22 (Final)	2022/23 (Draft)
		£'s	£'s
32170	Licensing Group	342,890	312,185
32220	Estates & Valuation	335,940	70,243
35003	Procurement & Contract Dev	216,060	246,397
35004	Public & Environmental Health	420,230	439,005
35005	Neighbourhoods Team	276,560	299,768
35006	Safer Communities	340,100	369,001
35007	Waste Management Group	333,500	355,529
35009	Cctv Cameras	24,810	30,170
35013	Engineering, Drainage & Water	454,930	475,625
35016	Leisure & Car Parking	177,410	204,628
35017	Countryside & Landscape	317,780	301,527
35400	Grounds Maintenance North	555,210	575,254
35500	Grounds Maintenance South	367,080	377,872
36800	Private Hsg Policy Grants Care	203,330	234,491
36850	Private Hsg Technical	147,470	175,845
54100	Contract & Technical - Policy	525,010	541,050
54110	Highways Rangers - Group	84,850	138,042
CY100	Safer Communities Programme	188,760	205,080
EH100	Food Inspection	3,640	3,320
EH110	Pollution Control	3,500	53,451
EH111	Industrial Activities - Regula	- 12,360	- 12,360
EH112	Contaminated Land & Water Qual	27,230	55,604
EH113	Health & Safety	-	5,750
EH120	Private Sector Housing Matters	- 16,770	- 20,448
EH140	General Drainage	50	50
EH142	Animal Welfare Service	27,750	4,530
EH143	Burials (Nationl Assistance Act)	-	2,500
EH150	Public Hire Licensing	- 132,530	- 142,059
EH151	Licensing & Registrations	- 104,960	- 113,426
EH152	Animal Licensing	-	8,290
EH155	Neighbourhood & Rapid Response	23,630	27,245
EH160	Public Conveniences	183,830	191,678
EI131	Countrycare	53,730	50,975
FD100	Flood Defence/Land Drainage	72,420	74,179
GD190	Charity - Chigwell Row Rec	1,260	1,260
HI121	Highways G F Other	70,680	8,000
HI122	Highways G F Trees	- 15,300	- 17,320
HI123	Highways Rangers	- 64,710	- 16,425
HI124	Street Furniture	11,670	11,670
HI129	Highways G F Verge Maintenance	- 42,840	- 42,840
LA100	Laa Pooled Funds	-	5,030
OS100	Roding Valley Development	1,010	1,010
OS101	Tree Service	68,460	68,441
OS110	Open Spaces	- 3,210	- 3,210
OS115	Contribution To Hra	353,440	353,440
PH100	Private Housing Grants	- 96,090	- 76,339
PS100	Off-Street Car Parking	- 874,620	- 840,352
RS150	Leisure Services Contract	- 500,000	- 1,215,528
RS301	North Weald Airfield	- 863,820	- 1,189,609
RS302	North Weald Airfield Electric	50,870	26,764
SC100	Street Cleansing	1,168,340	1,330,923
SC101	Litter Bins	-	20,000
TI150	David Lloyd Centre	- 213,060	- 213,060
TI170	Brooker Rd Industrial Estate	- 719,070	- 822,505
TI180	Oakwood Hill Plots	- 483,680	- 500,480
TI190	Oakwood Hill Units	- 254,430	- 253,725
TI220	Langston Rd Industrial Estate	- 127,250	- 127,250
TO100	Fleet Operations Dso Account	65,120	3,321
UO112	Greenyards, Waltham Abbey	- 15,000	- 15,000
UO113	Wayleaves	- 3,190	- 3,190
UO130	Business Premises	- 2,533,950	- 2,491,930
UO140	Epping Forest Shopping Park	- 2,624,390	- 2,624,390
UO150	Loughton High Road	- 533,090	- 605,090
WC100	Refuse Collection	1,380,270	1,677,487
WC102	Abandoned Vehicles	6,650	3,563
WC200	Recycling	1,833,999	2,230,482
WC300	Trade Waste	- 37,620	- 25,450
		<b>447,529</b>	<b>160,549</b>

<b>Service: Corporate Services</b>			
<b>Cost Centre Ref.</b>	<b>Description</b>	<b>Budgeted Net Expenditure</b>	
		<b>2021/22 (Final)</b>	<b>2022/23 (Draft)</b>
		<b>£'s</b>	<b>£'s</b>
25300	Internal Insurance Fund	826,330	810,059
28030	Central Services - Catering	5,050	-
31140	Democratic Services	285,570	294,157
32031	Corporate Filing Store	500	-
32060	Legal Services	217,650	419,733
32115	Corporate Training	180,260	183,865
32120	Human Resources	774,779	795,008
32122	Apprenticeships	312,138	332,272
32140	Payroll	49,330	54,925
33070	Debt & Insurance Services	25,000	79,874
33080	Information & Comms Technology	3,568,440	3,790,135
34110	Community & Culture Admin	22,380	-
42110	Elections Group	89,430	91,863
51100	Corporate Support - Policy	458,160	265,014
51110	Finance Support	427,450	439,217
51120	Correspondence & Operational	246,498	342,765
51130	Service Support 1	268,330	316,908
51140	Service Support 2	162,223	180,665
51150	Business Services Admin	93,070	267,375
DR155	Members Allowances	377,430	375,330
DR160	Overview & Scrutiny	1,280	1,280
DR161	Standards Committee	5,150	5,150
EL100	Elections	175,500	165,200
EP100	Emergency Planning	104,170	110,275
LC100	Service Support 3 (Llc)	109,937	160,006
PT110	Concessionary Fares	5,560	5,560
RE100	Electoral Registration	73,110	57,256
		<b>8,864,725</b>	<b>9,543,892</b>

<i>Service: Customer Services</i>			
Cost Centre Ref.	Description	Budgeted Net Expenditure	
		2021/22 (Final)	2022/23 (Draft)
		£'s	£'s
33020	Cashiers	294,430	342,264
33055	Benefits	955,440	886,785
33075	Revenues	1,248,200	1,228,842
33085	Systems Admin & Contract	339,120	356,760
34160	Public Relations & Information	306,893	327,923
40120	Customer Service	647,330	668,758
55100	Customer Services - Policy	274,010	283,039
BA100	Housing Benefit Administration	-	441,582
BP100	Rent Allowances	-	843,323
BP110	Non Hra Rent Rebates	126,870	786
BP200	Hra Rent Rebates	86,980	111,498
DR140	Civic Ceremonial	25,100	16,170
DR150	Civic & Member Expenditure	11,850	10,300
LT110	Nndr Collection	-	221,910
LT120	Council Tax Collection	-	471,448
		<b>2,564,223</b>	<b>2,254,862</b>

<i>Service: Corporate Finance</i>			
Cost Centre Ref.	Description	Budgeted Net Expenditure	
		2021/22 (Final)	2022/23 (Draft)
		£'s	£'s
FM130	Prov Bad And Doubt Debts	102,000	100,000
UO110	Sundry Non-Distributable Costs	- 30,920	- 32,000
33030	Treasury Management	27,820	40,000
33060	Accountancy	1,049,360	893,388
33065	Bank & Audit Charges	102,820	130,000
		<b>1,251,080</b>	<b>1,131,388</b>

<i>Service: Internal Audit</i>			
Cost Centre Ref.	Description	Budgeted Net Expenditure	
		2021/22 (Final)	2022/23 (Draft)
		£'s	£'s
31120	Internal Audit	166,070	171,870
42410	Corporate Fraud Investigation	207,290	212,606
		<b>373,360</b>	<b>384,476</b>

<i>Service: Property Services</i>			
Cost Centre Ref.	Description	Budgeted Net Expenditure	
		2021/22 (Final)	2022/23 (Draft)
		£'s	£'s
27050	Civic Offices	403,010	547,815
27060	Hemnall Street Offices	18,010	17,066
27110	Debden Broadway Offices	21,890	25,808
32191	Out Of Hours Service	42,420	42,420
32180	Facilities Management	500,432	510,436
23110	Oakwood Hill Depot	96,070	109,867
23130	Townmead Depot	10,250	15,490
23140	Epping Town Depot	37,990	23,990
26200	Building Maintenance - General	488,820	422,614
57100	Housing & Property - Policy	354,810	352,112
GT110	Community Housing Fund	23,330	-
		<b>1,997,032</b>	<b>2,067,617</b>

<i>Service: Place</i>			
Cost Centre Ref.	Description	Budgeted Net Expenditure	
		2021/22 (Final)	2022/23 (Draft)
		£'s	£'s
ED100	Economic Development	34,310	15,624
ED101	Tourism Promotion	15,450	25,300
42510	Economic Development Group	381,610	334,013
42522	RHSS & Welcome Pack	-	-
		<b>431,370</b>	<b>374,937</b>

<i>Service: Planning &amp; Development</i>			
Cost Centre Ref.	Description	Budgeted Net Expenditure	
		2021/22 (Final)	2022/23 (Draft)
		£'s	£'s
37500	Building Control Group	588,500	732,317
37600	Development Control Group	540,550	582,761
42310	Enforcement/Trees & Landscape	639,780	624,911
43310	Planning Policy Group	382,090	384,830
GT100	Garden Town	392,990	0
PP111	Local Plan	515,060	413,660
PP112	Neighbourhood Planning	9,990	9,990
PP113	Strategic Implementation Team	-	625,042
DC100	Enforcement	-	14,443
DC110	Planning Appeals	30,300	5,050
DC120	Development Control	-	1,658,457
PP100	Conservation Policy	12,120	12,120
58100	Planning Dev Services - Policy	276,390	291,969
BC100	Building Control	-	529,843
BC101	Building Control Non Fee	-	-
		<b>1,821,920</b>	<b>1,479,906</b>

<i>Service: Strategy, Delivery &amp; Performance</i>			
Cost Centre Ref.	Description	Budgeted Net Expenditure	
		2021/22 (Final)	2022/23 (Draft)
		£'s	£'s
CM102	Transformation Projects	161,600	161,600
40110	Project & Programme Management	335,697	577,302
51160	Performance Team	237,813	-
59100	Strategy, Deli & Perf - Policy	43,370	110,743
		<b>778,480</b>	<b>849,645</b>



<i>Service: Other</i>			
Cost Centre Ref.	Description	Budgeted Net Expenditure	
		2021/22 (Final)	2022/23 (Draft)
		£'s	£'s
FM100	Finance Miscellaneous	1,513,690	2,253,128
IP100	Interest Payable	-	863,440
IR100	Interest Receivable	-	50,000
		<b>1,513,690</b>	<b>3,066,568</b>

<i>Service: Qualis</i>			
Cost Centre Ref.	Description	Budgeted Net Expenditure	
		2021/22 (Final)	2022/23 (Draft)
		£'s	£'s
QU001	Qualis Income Stream	- 3,365,200	- 2,909,447
		<b>- 3,365,200</b>	<b>- 2,909,447</b>

## Draft Housing Revenue Account Budget 2022/23: Cost Centre Summary

Cost Centre Ref.	Description	Budgeted Net Expenditure	
		2021/22 (Final)	2022/23 (Draft)
		£'s	£'s
36250	Housing Resources	-	244,010
36500	Housing Options Group	608,239	716,580
36600	Housing Older Peoples Group	580,389	592,440
36650	Housing Maintenance Group	577,211	782,310
36900	Housing Management Group	1,445,149	1,559,270
RM100	Responsive Repairs	3,470,147	117,130
RM101	Responsive Repairs - Qualis	-	3,737,430
RM200	Voids Refurbishment	2,173,937	119,400
RM201	Voids Refurbishment - Qualis	-	2,315,180
RM300	Planned Maintenance	1,940,848	2,224,650
RM400	Engineering Maintenance	252,915	252,950
RM500	Miscellaneous Projects	24,000	24,000
RM700	Income	-	192,670
YA100	Policy & Management	113,823	773,400
YA110	Sale Of Council Houses	-	13,830
YA140	Comp.Costs New Hsg.System	10,200	283,480
YA150	Tenant Participation	15,640	27,680
YA160	Contribution To General Fund	681,660	697,920
YA180	New House Builds	9,430	109,280
YA190	HRA Support Services	2,694,830	2,377,520
YA200	Managing Tenancies	352,596	354,600
YA210	Waiting Lists & Allocations	136,109	109,890
YA300	Rent Accounting & Collection	63,420	130,720
YB100	Heating Expenses	1,530	2,030
YB110	Staircase Lighting	120,228	136,060
YB120	Caretaking & Cleaning	315,110	386,550
YB140	Minor Sewerage Works	55,360	55,960
YB150	Water Course Maintenance	55,310	55,310
YB200	Other Communal Services	59,600	59,700
YB300	Community Centres	8,370	9,330
YB350	Hemnall House	17,670	18,300
YB400	Grounds Maintenance Services	1,355,380	1,414,280
YB500	Oap Units Management	508,662	564,890
YB520	Community Alarms Mgt.	85,260	69,590
YB540	Area Warden Service - Mgt	26,040	25,440
YB620	Norway House - Management	170,140	177,590
YB800	Other Special Items	46,620	46,620
YC100	Capital Exp Charged To Revenue	2,973,000	5,364,000
YD100	Rents/ Rates/Taxes/Insurance	532,673	504,310
YH100	Increase Bad & Doubtful Debts	91,000	93,000
YJ100	Leasehold Refcus	300,000	300,000
YJ110	Depreciation	8,782,000	8,958,000
YJ120	Debt Management	56,500	58,000
YN100	Dwellings Rents	-	34,860,830
YN110	Rents - Norway House	-	112,650
YP110	Rents - Other	-	1,760
YP130	Rents - Hardstanding	-	5,920
YP150	Rents Roads Charges	-	7,650
YP190	Rent - Land	-	11,800
YP200	Garages	-	804,420
YP210	Ground Rents	-	11,100
YR100	Heating Income Special Items	-	30,480
YR110	Mortgage References	-	5,660
YR120	Capital Recs Under £10000	-	34,010
YR140	Sewage Related Income	-	28,980
YR170	Repairs Management Income	-	30,830
YR180	Managing Tenancies Income	-	20,400
YR200	Communal Services	-	-
YR350	Hemnall House	-	2,830
YR400	Grounds Maintenance Services	-	2,000
YR500	Oaps Units Income	-	700,230
YR510	Sheltered Units Support	-	204,080
YR550	Area Warden Support	-	105,130
YR620	Norway House Income	-	63,540
YR800	Other Special Items	-	300,000
YW110	Interest On Revenue Balances	-	6,000
YW120	Interest On Capital Balances	-	-
YW130	Self Financing Interest	-	5,613,000
YY100	Estate Ground Maintenance	-	368,000
		-	<b>3,537,000</b>