

Indicative Draft Budget 2024/25

GENERAL FUND REVENUE ACCOUNT

December 2023

1. Background and Introduction

- 1.1 The updated Medium-Term Financial Plan (MTFP) 2024/25 to 2028/29 – which set the framework for developing draft 2024/25 budget proposals for the General Fund – was adopted by Cabinet on 9th October 2023.
- 1.2 The October 2023 MTFP identified a projected deficit of £3.720 million on the General Fund for 2024/25, which needed to be eliminated if the statutory requirement to set a balanced budget was to be achieved in the forthcoming financial year.
- 1.3 Since the agreement of the MTFP, the following processes have been undertaken:
 - The financial assumptions made in the MTFP have been reviewed to ensure that they remain relevant; this includes inflation assumptions and other key variables such as interest-rates and the potential impact of forthcoming changes to the delivery of the Waste Management service.
 - Subsequent developments – with financial consequences – that have emerged since the MTFP was prepared, have been incorporated; this includes the Government's Autumn Statement 2023 announced by the Chancellor on 22nd November 2023
 - Senior officers, under the strategic direction of the Cabinet, have prepared initial savings proposals aimed at eliminating the projected deficit and balancing the budget for 2024/25 (as well as maintaining the longer-term financial sustainability of the Council); and
 - Initial draft budgets have been prepared.
- 1.4 The purpose of this report is to present to Cabinet, for consideration, an initial draft General Fund budget for 2024/25, prior to scrutiny by the Overview & Scrutiny Committee on 23rd January 2024.
- 1.5 Members are reminded that the budget is still an early draft given that the Local Government Finance Settlement for 2024/25 – which follows on from the Autumn Statement 2023 – is expected to be announced (imminently) during December 2023, so just misses the deadline for preparing this report.

2. Indicative Draft Budget 2024/25: summary position, including movements since October 2023

2.1 The MTFP adopted by the Cabinet in October 2023 has been followed, with detailed preparatory work nearing completion. It is now possible to report that an early draft balanced budget has been achieved. The table below provides a high-level corporate summary of how the General Fund base budget has transitioned from the 2024/25 element of the October 2023 MTFP through to a balanced position for 2024/25.

2024/25 General Fund Budget Evolution			
Description	2024/25 MTFP (October 2023)	Movements	2024/25 Draft Budget (December 2023)
	£000's	£000's	£000's
Employees	23,357	(2,089)	21,268
Premises	3,741	(211)	3,530
Transport	249	(16)	233
Supplies & Services	9,659	(685)	8,974
Support Services	1	0	1
Contracted Services	10,012	1,594	11,606
Transfer Payments (H Bens)	22,460	(762)	21,698
Financing Costs	6,593	(2,147)	4,446
Specific Contingency	162	38	200
Gross Expenditure	76,234	(4,278)	71,956
Fees and Charges	(18,076)	(480)	(18,556)
Government Contributions	(24,010)	725	(23,285)
Misc. Income (inc. Qualis)	(3,891)	432	(3,459)
Other Contributions	(4,041)	(153)	(4,194)
HRA Recharges	(4,851)	318	(4,533)
Net Expenditure	21,365	(3,436)	17,929
Council Tax	(9,235)	(53)	(9,288)
Business Rates	(6,595)	0	(6,595)
Collection Fund Adjustments	(225)	(180)	(405)
Council Tax Sharing Agreement (CTSA)	(339)	(51)	(390)
Revenue Support Grant (RSG)	(133)	0	(133)
New Homes Bonus	(81)	0	(81)
Other Grants/Funding Guarantee Allocation (FGA)	(1,300)	0	(1,300)
Contribution to/(from) Reserves	263	0	263
Total Funding	(17,645)	(284)	(17,929)
(Surplus)/Deficit	3,720	(3,720)	0

2.2 The table above shows the elimination of the deficit of £3.720 million reported in the October 2023 MTFP. The net movement is the product of a range of other movements; both positive and negative. The most significant items include:

2.2.1 **EXPENDITURE**

*Members should note that balancing the 2024/25 budget as summarised above in the table in Paragraph 2.1 has required the assumed delivery of substantial savings. The following discussion on Expenditure variances should be interpreted in that context. Further detail can be found below in Paragraph 2.3, including **Appendix F (CONFIDENTIAL)**.*

- **Employees (£21.268 million)** – the core inflationary assumptions with regard to 2023/24 remain unchanged compared to the October 2023 MTFP. The anticipated back-dated pay settlement for 2023/24 has since been adopted following agreement with the unions; it was a fixed sum increase of £1,925 for all employees, equating to an average pay increase of approximately 5.0%. An assumed pay award of 3.0% for 2024/25 remains unaltered and the figures also include an additional 1.0% (making 4.0% in total) to address the underlying deficit in the base budget as a consequence of the 2023/24 pay award exceeding the budget provision by 1.0% (i.e., the 2023/24 budget assumed and award of just 4.0% compared to the actual award of 5.0%). However, budgeted Employee costs have fallen by £2.089 million since the October 2023 estimate was prepared primarily as a consequence of the savings proposals to tackle the projected overall budget deficit of £3.720 million identified in October 2023.
- **Premises (3.530 million)** – a tailored approach has been applied to Premises costs with targeted savings on Energy costs of £100,000 (already assumed within the October 2023 MTFP) achieved, with other costs are assumed to follow the general rate of inflation (3.5%). However, overall Premises costs have fallen by £0.211 million. As with Employee costs, this is primarily due to the assumed realisation of savings proposals.
- **Supplies & Services (£8.974 million)** – the October 2023 iteration of the MTFP assumed 3.5% inflation on Supplies and Services for 2024/25, which was driving an estimated cost pressure of £0.327 million. Whilst that general assumption remains unchanged, overall Supplies and Services costs have fallen by £0.685 million. Again, this is primarily due to the assumed realisation of savings proposals, with notable reductions across a wide range of cost centres, especially in areas such as Commercial & Technical (£346,652) and Corporates Services (£163,813 mainly in respect of miscellaneous ICT costs).
- **Contracted Services (£11.606 million)** – the budgeted cost of Contracted Services is significantly higher (up £1.594 million) than assumed in the October 2023 MTFP. There are two notable factors. Firstly, an increase in the cost of the Biffa waste contract of 6.7% was initially assumed in the October 2023 MTFP on the basis of August 2023 CPI (latest available information at time of preparing report). However, the CPI rate unexpectedly dropped to 4.6% in October 2023, which is the inflation rate written into the contract (and has been applied for 12 months, with effect from November 2023); this reduced the cost pressure by £0.174 million. However, that has been outweighed (most notably) by the inclusion of Capital Financing Costs of £1.602 million in respect of the new Waste Management arrangements anticipated in November 2024; such costs would be absorbed into any subsequent Waste Management contract with the planned arms-length Waste Company (rather than being a direct expense of the Council).

- **Transfer Payments (£21.698 million)** – more refined estimates of Housing Benefit (HB) related budgets have been completed, subsequent to the preparation of the October 2023 MTFP. This has resulted in a net reduction of £0.762 million in anticipated payments, although Members are once again reminded that reduced payments to claimants are predominantly offset by corresponding reductions in Government payments to the Council. See reduction of £0.725 million in Government Contributions below; and
- **Financing Costs (£4.446 million)** – estimated Financing Costs have been further refined in the light of updated cash flow and interest rate expectations. The major cost pressure created by increased interest rates has further stabilised since the MTFP was drafted in October 2023, which has helped slightly. However, the dominant factor in the (apparent) reduction of £2.147 million in overall Financing Costs is the reclassification of £1.602 million in costs related to the new Waste Management arrangements, which have been transferred to Contracted Services as explained above.

2.2.2 **INCOME**

*Members should note that balancing the 2024/25 budget as summarised above in the table in Paragraph 2.1 has required the assumed delivery of substantial savings. The following discussion on Income variances should be interpreted in that context. Further detail can be found below in Paragraph 2.3, including **Appendix F (CONFIDENTIAL)**.*

- **Fees and Charges (£18.556 million)** – more detailed work on the income assumptions from Fees and Charges has now been completed (see **Appendix D**). This has generally been successful in keeping pace with inflation (assumed at typically 6.7% in accordance with August 2023 CPI as explained in October 2023 MTFP) on non-statutory fees. The overall income expectation has increased by £0.480 million though, which is primarily the result of two factors. Firstly, a review of energy cost adjustments within the Leisure contract Management Fee paid by Places Leisure has resulted in a positive adjustment of £110,379 (in favour of the Council). And secondly, a misclassification of Market Rent at North Weald Airfield (value £367,500) has been subsequently identified within the October 2023 MTFP; the required correction to the classification increases the Fees and Charges line by £367,500, with a corresponding reduction of the same amount on Miscellaneous Income (see below). Limited changes to Car Parking charges are proposed within the savings proposals (estimated yield £106,000).
- **Government Contributions (£23.285 million)** – these primarily relate to compensation for Housing Benefit payments. There has been a reduction of £0.725 million compared to the assumption in October 2023 following an anticipated reduction in payments to claimants by a similar amount (see discussion above on Transfer Payments).
- **Miscellaneous Income (£3.459 million)** – assumed income from Qualis remains unchanged for now and is subject to a further review in January 2024 (no material changes are expected). However, there has been an apparent reduction of £432,000 in income from other sources. This is predominantly due to a previous misclassification of Market Rent at North Weald Airfield of £367,500, which has now been corrected (see discussion above on Fees and Charges); and
- **HRA Recharges (£4.981 million)** – the updated (net) HRA Recharges assumption is lower – by £0.318 million – compared to the assumption in the October 2023 MTFP. This predominantly reflects the assuming realisation of proposed HRA-related savings (of £0.306 million).

2.2.3 FUNDING

- **Council Tax (£9.289 million)** – the estimated Council Tax Base for 2024/25 has now been calculated as at 30th November 2023 (at 55,617.6) based on the latest available data held on the “Academy” system and supplemented by intelligence on additional “Completion Notices” anticipated by 31st March 2024 (as an indicator of expected growth); the parishes were notified accordingly on 4th December 2023. A Council Tax collection rate assumption of 98.0% has been assumed for 2024/25, following a temporary reduction to 97.5% in 2023/24 in anticipation of a reduction in collection rates due to the worsening economic climate at the time; experience has shown local collection rates to be more resilient than assumed with performance stable, thereby allowing a more optimistic assumption this year.

The provisional assumption in the October 2023 MTFP that Council Tax will rise by 3.0% in 2024/25 (in line with the 2023/24 Referendum Limit) remains unchanged at this stage; Council Tax freezes are assumed from 2025/26 onwards. If a 3.0% increase is applied, the Band D charge for 2024/25 would rise from £162.15 to £167.01. Members of course have the option to vary this assumption.

Members should note that the Council Tax assumptions will be further reviewed during late December 2023 and January 2024 to incorporate latest available intelligence.

- **Business Rates (£6.595 million)** – as reported to Cabinet on 18th September 2023, revenue from the Business Rates Retention (BRR) scheme has been performing strongly in 2023/24 following the April 2023 Revaluation (whereby the Business Rates base in Epping Forest increased in value by 14.0%, which is double the national average of 6.9%). On that basis – and the October 2023 MTFP assumption remains unchanged – it is assumed that the funding expectation in the budget from this source will rise by £0.829 million; from £5.766 million in 2023/24 to £6.595 million in 2024/25, with normal inflationary rises assumed thereafter. This is a highly complex area though, and Finance officers will be working with technical advisors in the coming weeks to further refine this estimate.
- **Collection Fund Adjustments (£0.405 million)** – subsequent to the October 2023 MTFP, a review of Collection Fund forecasts has been completed by Finance officers in late October/early November 2023 in order to establish *provisional* estimates. This has identified some encouraging signs, with an overall net distribution of £0.405 million now anticipated from Council Tax and Business Rates (up £0.180 million compared to the October 2023 MTFP assumption).

Members should note that *final* estimates will not be established until January 2023 (using the output from the “Academy” system as at 31st December 2023 for Business Rates); some small adjustments are therefore likely in the final draft budget to be presented in February 2024.

- **Council Tax Sharing Agreement (CTSA) (£0.390 million)** – based on available intelligence back in September 2023 (“Quarter 1” data), the updated October 2023 MTFP assumed a CTSA yield of £338,480 in 2024/25 (rising by £100,000 annually thereafter). The latest available forecast for 2023/24 (Quarter 2 presented to the Overview & Scrutiny Committee on 24th October 2023) forecasts an outturn of £390,000 for 2023/24; this is now reflected in the updated funding assumption from this source.

- **Government Grants (£1.514 million)** – the Government published its response to the Select Committee’s report on funding for Levelling Up on 10th August 2023. Within that response, the Government expressed a commitment to introducing a one-off funding guarantee to ensure that every council sees a minimum increase in Core Spending Power of 3.0%, before any local decisions on Council Tax rates. This is stronger intelligence than we would normally receive at this stage in the budget development process. Therefore, the Government grants receivable in 2024/25 assumed within the October 2023 MTFP were extrapolated on that basis, resulting in total Government Grants assumed of £1.514 million (comprising **Revenue Support Grant (RSG) £0.133 million, New Homes Bonus (NHB) £0.081 and Funding Guarantee Allocation (FGA) £1.300 million**).

There was nothing in the Autumn Statement 2023 presented by the Chancellor on 22nd November 2023 that overtly contradicted the funding assumptions included for Government Grants within the October 2023 MTFP, and the Government re-confirmed its commitment to ‘Core Spending Power + 3.0%’ in a “Local Government Finance Policy Statement” released on 5th December 2023. On that basis, the overall quantum assumed remains unchanged at this stage. Future Settlements (from 2025/26 onwards) are still assumed frozen, with the exception of NHB, which is still assumed to cease with effect from 2025/26; and

- **Contribution to Reserves (£0.263 million)** – Members will recall that, in the light of the General Fund Reserve falling below its adopted minimum contingency balance of £4.0 million in February 2023, the Council committed to – with effect from 2023/24 – annually contributing £262,620 to towards replenishing the General Fund Reserve. The Quarter 2 Budget Monitoring Report 2023/24 has projected a further significant overspend on the 2023/24 General Fund revenue budget, which – if this materialises – would further deplete the General Fund Reserve balance. The pressure to contribute to the General Fund Reserve is therefore rising. For now, as with the October 2023 MTFP, the Council’s current annual commitment of £262,620 is retained. This will need to be kept under review as the final draft 2024/25 budget is further developed.

SAVINGS PROPOSALS

- 2.3 Given the scale of the projected budget deficit for 2024/25 (£3.720 million) identified in the updated MTFP adopted in October 2023, senior officers, under the strategic direction of Cabinet, prepared a range of savings proposals for consideration by a special meeting of the Overview and Scrutiny Committee on 12th December 2023. The total value of savings considered was £3.780 million (£2.650 million “Low Impact” savings, £1.130 million “High Impact” savings). Acting on feedback from Committee, and subsequent direction provided by Cabinet following the meeting, updated General Fund savings of £3.536 million (£3.229 million net of HRA adjustments) are now assumed and embedded in the table presented above in Paragraph 2.1 above. The table below summarises those savings by Cabinet Portfolio.

Draft General Fund 2024/25 (@ December 2023): Embedded Savings Proposals	
Portfolio Description	Value
	£'s
Community Health and Wellbeing	201,458
Customer and Corporate Support Services	1,350,603
Finance and Economic Development	725,917
Housing and Strategic Health Partnerships	210,344
Leader of the Council	76,183
Place	386,046
Regulatory Services	585,038
Overall Savings Total	3,535,590
HRA Recharges Adjustment	(306,225)
Net Savings in General Fund	3,229,365

- 2.4 The identification of savings on this scale (18.3% of the 2023/24 General Fund Net Expenditure budget) is critical to ensure the financial sustainability of the Council. Nevertheless – in developing the proposals – Cabinet and senior officers have been mindful of the overriding need to protect public services. It is a difficult balancing act and transparency and engagement with the wider Council has been a priority to deliver a satisfactory outcome in difficult circumstances. Tough choices are having to be made, some of which entail potential sensitivities across affecting employees, public sector partners, customers, and the general public. See **Appendix F** (CONFIDENTIAL) for a detailed summary of the (draft) Savings Proposals.

GENERAL FUND BUDGET ANALYSES

- 2.5 A more detailed analysis of the draft General Fund Budget 2024/25 has been prepared and is attached at **Annex 1** (“Subjective Analysis”) and **Annex 2** (“Cost Centre Summary”) (CONFIDENTIAL).

3. General Fund Budget Setting 2024/25: the way forward

- 3.1 The draft budget will now be presented to the Overview & Scrutiny Committee on 23rd January 2024 for their consideration and comment ahead of the Cabinet meeting on 5th February 2024.
- 3.2 Alongside the scrutiny process, officers will further refine the assumptions and projections in the budget in accordance with the direction provided by Cabinet and emerging intelligence, including the imminent Local Government Finance Settlement for 2024/25.

First Draft General Fund Budget 2024/25: Subjective Analysis

DRAFT Income & Expenditure Analysis 2024-25 (@ Dec 2023)															
Subjective Description	Chief Executive	Commercial & Technical	Community & Wellbeing	Corporate Finance	Corporate Services	Customer Services	Internal Audit	Place	Planning & Development	Property Services	Strategy, Delivery & Performance	Quails	Other	HRA Recharges	General Fund Total
	£s	£s	£s	£s	£s	£s	£s	£s	£s	£s	£s	£s	£s	£s	£s
Employee Expenses	475,170	4,929,490	1,300,550	965,850	4,564,910	3,476,100	122,490	96,740	3,469,930	901,110	589,620		392,630		21,288,590
Premises Related Expenses		1,566,700	442,590		392,080				300	1,127,970					3,529,640
Transport Related Expenses	1,040	177,520	4,000	1,120	10,900	5,830	940	310	17,520	13,130	320				292,630
Supplies And Services	112,180	1,454,980	603,480	431,090	4,683,290	372,150	189,060	93,570	897,850	42,740	84,150				8,974,540
Support Services										700					700
Contracted Services		11,605,610													11,605,610
Transfer Payments						21,698,600									21,698,600
Financing Costs													4,445,630		4,445,630
Service Contingency (N/M Implementation)		200,000													200,000
Total Expenditure	588,390	19,934,300	2,350,620	1,398,060	9,661,180	26,552,660	312,490	190,620	4,379,600	2,085,660	674,090	0	4,838,260	0	71,956,940
Fees & Charges		- 14,331,120	-505,370		-327,010				-3,080,610	-312,290					-18,556,400
Government Contributions			-468,740	-178,000		-22,637,780			-59,600						-23,284,520
Misc Income		-6,110			-290	-518,250									-3,459,400
Other Contributions		-2,770,820	-33,980		-381,130	-255,230			-750,000	-2,590					-4,193,750
HRA Recharges														-4,532,630	-4,532,630
Total Income	0	-17,108,050	-1,008,090	-178,000	-708,430	-23,411,280	0	0	-3,890,210	-314,880	0	-2,875,150	0	-4,532,630	-54,026,700
General Fund Net Expenditure	588,390	2,826,250	1,342,530	1,220,060	8,942,750	2,141,420	312,490	190,620	489,390	1,770,770	674,090	-2,875,150	4,838,260	-4,532,630	17,929,240