

Report to the Cabinet

Report reference: C-028-2024/25

Date of meeting: 7th October 2024



**Epping Forest
District Council**

Portfolio: Finance & Economic Development – Cllr. Holly Whitbread

Subject: Updated Medium-Term Financial Plan 2025/26 to 2029/30

Responsible Officer: Chris Hartgrove 01992 564000 (Ext. 2532)

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

Recommendations/Decisions Required:

- 1) To note the contents of the report, including:
 - The General Fund element of the updated Medium-Term Financial Plan (2025/26 to 2029/30) (*Appendix A*); and
 - The Housing Revenue Account element of the updated Medium-Term Financial Plan (2025/26 to 2029/30) (*Appendix B*).
- 2) Discuss and agree any actions required, including the assumptions contained in the MTFP and the potential options for addressing the underlying budget deficit in order to set a balanced – and sustainable – budget for 2025/26.

Executive Summary:

The Cabinet approved an updated Financial Planning Framework (2025/26 to 2029/30) at its meeting on 2nd September 2024 and committed to receiving and considering and updated Medium-Term Financial Plan (MTFP) for 2025/26 to 2029/30.

The preparation of an MTFP provides the cornerstone on which the Council can build and deliver services in accordance with its aims and objectives. It also provides an early warning sign of potential budget pressures that lie ahead.

This is the first iteration of the MTFP within the 2025/26 budget cycle. It is a forward-looking document which provides a tentative look at the Council's financial picture over the next five years (2025/26 through to 2029/30) and sets the scene by providing a framework for developing both the General Fund and Housing Revenue Account (HRA) budgets for 2025/26.

The General Fund element of the MTFP can be found at **Appendix A**. It reveals a projected deficit of £1.048 million in 2025/26. It is a lower budget deficit than forecast at this stage in the budget cycle compared to recent years (e.g. the forecast deficit for 2024/25 produced in October 2023 showed a deficit of £3.720 million) and reflects the positive impact that the North Weald Airfield capital receipt is having on Capital Financing costs. It does however mean that most of the capital receipt is 'locked in' and cannot be applied towards Council priorities, without causing a revenue budget pressure.

There are also other potential risks (with potential to cause significant cost pressures) including service demand risks (such as rising Homelessness) and – as reported to Cabinet in May 2024 – the growing risk to the value of the Council’s capital investments (a “Capital Investment Risk Reserve” of £1.0 million was earmarked on the Balance Sheet at 31st March 2024 to hedge against this risk, which will help, but the sums invested are substantial). Thus Section 3.5 in **Appendix A** highlights that income margin assumptions on Qualis loans are currently those reflected in the Quarter 1 Budget Monitoring Report 2024/25 presented to Cabinet on 2nd September 2024 and more refined estimates are being developed for inclusion in the initial draft Budget to be presented to Cabinet in December 2024.

Estimated net expenditure in 2025/26 is £19.050 million, compared to available funding of £19.002 million. The Council is required to eliminate this deficit and set a balanced budget for 2025/26 in February 2025.

The projections are summarised in the table below.

General Fund MTFP (@ October 2024)		
Financial Year	(Surplus)/Deficit	Comment
	£000's	
2025/26	1,048	Estimated additional cost of new Waste Management arrangements (@ October 2024) absorbed and contribution of £1.238 million to Transformation Revenue Reserve (“Fit for the Future”) assumed. No significant application of NWA capital receipt assumed at this stage.
2026/27	1,052	No contribution to/(from) Reserves assumed.
2027/28	304	
2028/29	239	
2029/30	470	

The HRA element of the MTFP can be found at **Appendix B**. It reveals *planned* Deficits in 2025/26 and 2026/27 (of £276,000 and £18,000 respectively), followed by small Surpluses in 2027/28 (£36,000), 2028/29 (£51,000) and 2029/30 (£52,000). It should be noted that the HRA balance can comfortably withstand the planned deficits (e.g., as reported to Cabinet on 28th May 2024, the projected balance on the HRA for March 2024 was £4.797 million, which is more than double the adopted minimum of £2.0 million).

The table below provides a summary of the HRA forecast.

Housing Revenue Account MTFP (@ October 2024)		
Financial Year	(Surplus)/Deficit	Comment
	£000's	
2025/26	276	Assumed £900,000 saving from Qualis re Housing Repairs embedded in accordance with original agreement (SLA currently under review and will refine assumption).
2026/27	18	
2027/28	(36)	
2028/29	(51)	
2029/30	(52)	

The next stage in the process will see the assumptions and projections in both the General Fund and Housing Revenue Account further refined in accordance with the direction provided by Cabinet and emerging intelligence. Officers will begin to develop draft budget options for 2025/26, for consideration by Cabinet. This will include options for closing the General Fund budget gap.

Reason for Decision:

To provide an updated financial position for the Council based on latest available information, allowing Cabinet to consider the implications and potential options available, and provide strategic direction to senior officers in preparing a (balanced) draft budget for 2025/26.

Options:

The report provides a tentative look at the Council's financial picture over the next five years (2025/26 through to 2029/30) and sets the scene by providing a framework for developing both the General Fund and Housing Revenue Account (HRA) budgets for 2025/26. The information disclosed – including financial statistics – is predominantly for illustrative purposes and noting.

However, Cabinet is invited to discuss and agree a range of options, including those for addressing the underlying budget deficit to set a balanced budget for 2025/26 and potentially targeting further savings ahead of anticipated budget deficits in 2026/27 and beyond.

Scrutiny Comments:

None at this stage. The updated MTFP 2025/26 to 2029/30 (including Budget Strategy 2025/26) and Capital Programme 2024/25 to 2028/29 is scheduled for presentation to the Overview & Scrutiny on 29th October 2024. Relevant comments made at that meeting will be taken forward for consideration by Cabinet on 9th December 2024.

Resource Implications:

The resource implications in this report are substantial, although not quantified in detail at this stage. The Council has a significant budget gap in its General Fund revenue account in the medium term. Net expenditure must be brought into line with available funding both in the short-term (to set a balanced budget for 2025/26) and the medium-term (to achieve financial sustainability).

Legal and Governance Implications:

The Council has a legal duty under the Local Government Finance Act 1992 to set a balanced budget. This report highlights a potential budget deficit on the General Fund that needs to be eliminated prior to setting the 2025/26 budget in February 2025.

Safer, Cleaner, Greener Implications:

There are no direct SCG implications contained within the report, although the implications will be considered in the detailed development of budget proposals.

Consultation Undertaken:

None at this stage. The proposals in the report require further development. Consultation at a later stage is an in-built feature of the proposed Financial Planning approach and timetable.

Background Papers:

Updated Medium-Term Financial Plan 2024/25 to 2028/29 (full Council 20th February 2024).

Risk Management:

The consideration of risk will form an integral part of the development of the proposals in the report. In particular, the MTFP is based on a series of estimates and assumptions that are informed by varying forms of intelligence (some certain, some uncertain); that process, including any residual risk in the decision-making process will be clearly indicated.

Equality:

Consideration will be given to equality and diversity issues in respect of any budget changes that may emerge during the development of the budget. This will be done in line with agreed policies and procedures including production of Equality Impact Assessments where appropriate.