

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

GENERAL FUND*October 2024***1. Background**

1.1 The preparation of a Medium-Term Financial Plan (MTFP) provides the cornerstone on which the Council can build and deliver services in accordance with the aims and objectives outlined in the Corporate Plan 2023-2027 (“Your Epping Forest”), which are grouped under the three corporate ambitions:

- Stronger Communities
- Stronger Place; and
- Stronger Council.

1.2 Through ‘horizon scanning’ and anticipating necessary change at the earliest opportunity, resilience, and the ability to react to and withstand ‘major shocks,’ is achieved.

2. Introduction

2.1 This is the first iteration of the MTFP in the 2025/26 budget cycle. It is a forward-looking document which provides a tentative look at the Council’s General Fund financial picture over the next five years (2025/26 to 2029/30) and re-evaluates the position in the light of developments since the last MTFP (2024/25 to 2028/29) was adopted by the Council in February 2024.

2.2 This part of the MTFP focuses on the Council’s General Fund. The Housing Revenue Account (HRA) is covered in Appendix B.

2.3 The February 2024 MTFP presented a balanced budget for 2025/26; this reflected the assumed retention of the North Weald Airfield capital receipt and included a contribution of £461,000 to the Council’s reserves. The full projections can be summarised as follows:

Financial Year	(Surplus)/Deficit	Comment
	£000’s	
2024/25	0	Assumed contribution of £1.972 million* to Reserves
2025/26	0	Assumed contribution of £0.461 million to Reserves
2026/27	921	
2027/28	530	
2028/29	531	

*Includes £180,000 Council Tax adjustment reported to Council 20/02/24

2.4 The MTFP is deliberately concise, focussing on the most significant financial issues faced by Epping Forest District Council over the medium-term. As reported in the Financial Planning Framework 2025/26 to 2029/30 (Cabinet 2nd September 2024) the Council faces a challenge in terms of setting a *sustainable* balanced budget for 2025/26, despite inflationary pressure gradually receding, and the (cautious) expectation that the newly elected Government will not impose significant reductions on the Local Government Finance Settlement for 2025/26.

3. Financial Projections

3.1 Current Spending Levels

3.1.1 The starting point for developing the MTFP is the current level of spending. The 2024/25 General Fund base budget was approved by the Council on 20th February 2024 and can be summarised as follows:

Description	2024/25 Budget
	£000's
Employees	21,757
Premises	3,530
Transport	233
Supplies & Services	10,074
Support Services	1
Contracted Services	11,605
Transfer Payments (Housing Benefits)	21,698
Financing Costs	363
Service Contingency (Waste)	200
Gross Expenditure	69,461
Fees & Charges	(17,956)
Government Contributions (including Housing Benefit Subsidy)	(23,285)
Miscellaneous Income (including Qualis)	(3,613)
Other Contributions	(4,194)
HRA Recharges	(4,542)
Net Expenditure	15,871

3.1.2 Net expenditure is funded as follows:

Description	2024/25 Budget
	£000's
Council Tax	(9,288)
Business Rates	(6,359)
Collection Fund Adjustments	(215)
Council Tax Sharing Agreement (CTSA)	(435)
Revenue Support Grant	(137)
New Homes Bonus	(6)
Funding Guarantee Allocation (FGA)	(1,385)
Other Grants	0
Contributions to/ (use of) Reserves	1,954
Total Funding	(15,871)

3.2 Increased/(Reduced) Budget Demand

3.2.1 Based on an initial high-level review of the current base budget, and anticipated budget demand in 2025/26 and beyond, several areas of changed budgetary demand have been identified and are summarised by subjective heading in the table below.

Medium-Term Increased/(Reduced) Budget Demand (October 2024)					
Subjective Description	2025/26	2026/27	2027/28	2028/29	2029/30
	£'s	£'s	£'s	£'s	£'s
Employees	13,000	6,000	20,000	20,000	20,000
Premises	4,500	-	-	-	-
Transport	75,300	-	-	-	-
Supplies & Services	209,290	-	-	-	-
Contracted Services	1,033,040	-	-	-	-
Transfer Payments (exclusively HB)	-	433,972	650,958	867,944	1,084,930
Service Contingency (Waste)	300,000	250,000	250,000	-	-
Fees & Charges	34,704	176,169	164,017	238,039	32,992
Government Contributions (90%+ HB Subsidy)	-	428,970	643,454	857,939	1,072,424
Miscellaneous Income (including Qualis)	157,500	-	-	-	-
Other Contributions	75,300	-	-	-	-
Net Increased/(Reduced) Budget Demand	940,046	72,833	441,521	268,044	65,498

3.2.2 The table above reveals a Net Increase in Budget Demand of £940,046 for 2025/26. The most notable *increases* include the following:

- Contracted Services (£1,033,040) – the single largest cost pressure in this category relates to the new Waste Management arrangements (at £940,000). Detailed work is ongoing to mobilise the new service, which is to be delivered through Terra Verde Services Limited (a Council-owned arms-length company). To date, this has identified significant additional cost, including the need to procure a Vehicle Fleet, which is being secured through Contract Hire arrangements (this has the advantage of including maintenance costs); and
- Waste Service Contingency (£300,000) – the development of the Council’s own Waste Company is a major undertaking, and a range of uncertainties remain at this stage, which will progressively be resolved/eliminated as the new service begins and ‘beds in’. In the meantime, an increased contingency of £500,000 (up from £200,000) is suggested for 2025/26, tapering off to zero by 2027/28.

3.2.3 The most notable *reductions* include the following:

- Supplies and Services (£209,290) – a range of miscellaneous adjustments result in an overall reduction in budget demand for Supplies and Services; this includes a credit of £150,000 representing a reversal of the one-off provision for “Place-Based Initiatives” included in 2024/25 budget; and
- Miscellaneous Income (£157,500) – another increase in rental income is anticipated from North Weald Airfield Market following the agreement of a new lease, effective from 1st January 2024 (a net increase of £367,500 was assumed for 2024/25, followed by a further £157,500 in 2025/26 to reflect the full 12-month impact in the base budget).

3.3 Inflation

3.3.1 Inflationary pressures have been reviewed based on latest available intelligence and are presented in the table below.

Medium-Term Forecast Inflation Assumptions (October 2024)					
Subjective Description	2025/26	2026/27	2027/28	2028/29	2029/30
	£'s	£'s	£'s	£'s	£'s
Employees	544,248	446,283	455,329	464,036	472,916
Premises	52,877	71,560	72,992	74,451	75,940
Transport	6,159	6,282	6,407	6,536	6,666
Supplies & Services	197,296	201,242	205,267	209,373	213,560
Support Services	14	14	15	15	15
Contracted Services	152,773	255,828	260,945	266,164	271,487
Financing Costs	1,334,431	27,294	125,575	122,116	111,779
Fees & Charges	- 323,840	- 217,665	- 222,245	- 227,769	- 230,898
HRA Recharges	- 368,840	- 98,220	- 100,180	- 102,190	- 104,230
Net Increased/(Reduced) Budget Demand	1,595,118	692,619	552,954	568,499	593,678

3.3.2 UK inflation (as measured by “CPI”) peaked at 11.1% in October 2022 and has been on a steady downward trajectory almost ever since, eventually reaching the Bank of England’s (BoE) long-term target of 2.0% in May 2024. The BoE is anticipating CPI to increase slightly in the latter half of 2024 (it rose to 2.2% in July 2024 and remained at that level in August 2024), but it is expected to be just a transient pressure, with the rate falling back to the 2.0% target in 2025.

3.3.3 The UK interest rate (as measured by the “Bank Rate”) peaked at 5.25% on 3rd August 2023 and was held constant by the BoE until a reduction of 0.25% was eventually announced on 1st August 2024. There is now a consensus amongst economists that interest rates are likely to steadily decline in the medium to long term (although unlikely to fall back to the historically low levels witnessed just a few years ago. Initial assumptions included in this MTFE are as follows:

- Employee Costs – a 2.5% pay increase has been assumed for 2025/26, with 2.0% awards assumed from 2026/27 onwards. Although current pay demands (in 2024/25) are above this level, general inflation is significantly lower and expected to settle at 2.0% as explained above. However, some residual – above inflation – pay pressure is expected to continue for a short while, hence the additional 0.5% assumption for 2025/26. It should be noted that it is also assumed that the pay award for 2024/25 can be met within the current budget provision of 3.0% (any pay award in excess of that would further add to the Council’s base budget).
- Premises Costs – a tailored approach has been applied to Premises costs, although Energy cost estimates will be subject to further refinement before the draft Budget is presented to Cabinet in December 2024 and some Fuel and Energy *budgets* are expected to decline. All other costs are assumed to follow the general rate of inflation (2.0%); and
- Supplies & Services/Contracted Services (external contracts) – both assumed to follow the general rate of inflation (2.0%), except where specific intelligence suggests otherwise (e.g. a tailored budget adjustment to the Leisure contract is reflected above in Fees and Charges).

3.3.4 It has been assumed that (non-statutory) Fees and Charges will rise by an inflationary *average* of 3.0%, reflecting the expectation (noted in Paragraph 3.3.2 above) that CPI inflation will continue to rise steadily in the latter half of 2024 (although significant variations around the average can be expected). Car parking charges are non-statutory and potentially in scope.

3.3.5 The level of Fees and Charges generally is something that Members will need to consider carefully, with the balance between generating additional revenue and maintaining service demand being a key consideration alongside the potential impact on residents of rising prices.

3.4 Budget Growth

3.4.1 No discretionary Budget Growth items have been assumed in these projections. Given the Council’s current financial position, it is assumed that any potential growth items – which are in line with Council priorities – will be prioritised and funded from budget reallocations/savings. The potential re-prioritisation of financial resources is matter for Members to consider.

3.5 Revenue Consequences of the Capital Programme

- 3.5.1 The 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. More refined estimates will be included in the initial draft Budget presented to Cabinet in December 2024; the updated forecast will be informed by a review of the changing Qualis cash flow profile in the light of temporary development delays, most notably on the Springwood Grove (housing) development with first-phase occupancy (and therefore sales) now anticipated in Summer 2025.
- 3.5.2 An initial review of Financing Costs has been completed (in mid-September 2024), which has resulted in limited changes to the forecasts presented in February 2024; net Capital Financing Costs for 2025/26 are now expected to be £2.291 million (compared to £2.032 million in February 2024). Financing costs have been substantially (but temporarily) reduced in 2024/25 as the North Weald Airfield capital receipt has been temporarily utilised to fund the Capital Programme without recourse to borrowing (as reported to the Audit and Governance Committee on 19th September 2024). Members should note that this represents the temporary utilisation of the cash balance from the capital receipt and does *not* represent the application (spending) of the receipt, which is substantially still available for capital (just £5.755 million is committed towards the NWA Control Tower scheme, with the remaining £82.460 million unallocated).
- 3.5.3 The forecast for net Capital Financing Costs is stable at around £2.9 million annually from 2026/27 through to 2029/30 (when it marginally decreases to £2.8 million), but this assumes that the NWA capital receipt remains unapplied so – in the absence of offsetting budget savings – the receipt is effectively 'locked in'.
- 3.5.4 All capital assumptions will be reviewed in detail, and revised as necessary, in preparing the draft budget and updated MTFP.

3.6 Savings

- 3.6.1 There are currently no Savings assumed within the projections. The views of Members are sought on the prioritisation of potential cashable savings in the context of the Budget Deficit and Council priorities, whether from spending reductions or increased income.
- 3.6.2 However, as presented above, there are a range of risks and potential cost pressures (not currently factored into projections), which would make the pursuit of cashable savings in excess of the projected deficit for 2025/26, a more prudent approach.

3.7 Funding

3.7.1 The Council's core funding streams have been reviewed based on the latest available intelligence. The relevant budget movements are summarised in the table below.

Medium-Term Forecast Funding Movements (October 2024)					
Description	2025/26	2026/27	2027/28	2028/29	2029/30
	£000's	£000's	£000's	£000's	£000's
Council Tax	- 231	- 48	- 48	- 48	- 48
Business Rates	- 159	- 130	- 133	- 136	- 138
Collection Fund Adjustments	- 910	1,125	-	-	-
Council Tax Sharing Agreement (CTSA)	- 106	- 3	- 3	- 3	- 3
<i>Non-Specific Grants:</i>					
Revenue Support Grant (RSG)	-	-	-	-	-
New Homes Bonus	6	-	-	-	-
Services Grant	- 23	-	-	-	-
Other/FGA	10	-	-	-	-
Contribution to/(from) Reserves	- 716	- 1,238	-	-	-
					-
Net Increased/(Reduced) Budget Demand	- 2,130	- 294	- 183	- 186	- 189

3.7.2 The key budget assumptions captured in the table above are as follows:

- **Council Tax** – there is a provisional assumption that the Council will increase the Council Tax by 1.99% in 2025/26; Council Tax freezes are assumed from 2026/27 onwards. If a 1.99% increase is applied, the Band D charge for 2025/26 would rise from £167.00 to £170.32. Members of course have the option to vary this assumption. Annual growth of 0.5% in the Taxbase is a provisional assumption at this stage.
- **Business Rates** – as previously reported to Cabinet, revenue from the Business Rates Retention (BRR) scheme continues to perform strongly, with 2023/24 in particular proving a ‘bumper year’, with the year end surplus on the Collection Fund exceeding expectations (see discussion immediately below on Collection Fund Adjustments). A cautious increase of 2.5% (estimated September 2024 CPI) is assumed for 2025/26 at this stage.
- **Collection Fund Adjustments** – the Collection Fund adjustment is difficult to estimate at this stage, but the Epping Forest District Council share of the accumulated Business Rates surplus at 31st March 2024 was £1.328 million, which exceeded the forecast (made in January 2024) by £1.023 million. Combined with a small surplus on Council Tax, and subject to Local Tax collection performance in 2024/25, it is estimated at this stage that – potentially – £1.125 million could be available to the General Fund budget in 2025/26 from the Collection Fund (up £0.910 million compared to the planned distribution of £0.215 million for 2024/25).
- **Council Tax Sharing Agreement (CTSA)** – the Council is again committed to the Essex CTSA for 2025/26. There returns that the Council receives from the scheme are assumed to track Council Tax increases described above (including Taxbase growth).

- Government Grants – a new Labour Government was elected on 4th July 2024, and it is too early to accurately predict how that might impact on the Local Government Finance Settlement for 2025/26 (announcement on Provisional Settlement expected in December 2024). The new Chancellor has indicated that there is a £22 million “black hole” in the public finances that will need to be addressed, although most media speculation at the time of reporting is indicating that the emphasis is more likely to be on raising taxes rather than making public spending cuts. In the meantime, the same cautious approach adopted in February 2024 (primarily a freeze on Government grants compared to 2024/25) has been retained in this iteration of the MTFP; and
- Contribution to (from) Reserves – the Council was successful in replenishing the minimum contingency balance of £4.0 million within the General Fund Reserve as at 31st March 2024 and the MTFP adopted in February 2024 included an assumed contribution of £0.460 million to Reserves for 2025/26 (compared to £1.954 million in 2024/25, whilst at the same time achieving a balanced budget). This was a strong position for the Council to be in and reflected the Google capital receipt received in December 2023 (and the revenue impact of interest receivable specifically). Plans to spend the receipt in February 2024 were minimal and that assumption currently remains unchanged.

In adopting the 2024/25 Budget in February 2024, the Council approved a commitment to achieve a target balance of £3.0 million on the Transformation Revenue Reserve (TRR) (earmarked to provide the necessary investment in systems, expertise, and capacity to support the Council’s “Fit for the Future” Programme). The subsequent year-end outturn for 2023/24 – a budget surplus of £0.918 million – was reported to Cabinet on 28th May 2024. Based on the Council’s financial position and the weighing up a range of risks and priorities, Cabinet approved an initial allocation of £0.808 million to the TRR on the Council’s Balance Sheet for 31st March 2024. On 15th July 2024, Cabinet further committed to ring-fencing £1.020 million from the TRR to create an “Investment & Regeneration Reserve (IRR) to be used towards priority schemes at Centric Parade, Loughton and Brooker Road, Waltham Abbey. It is therefore essential that the target balance on the TRR is achieved as a matter of priority. To this end, this iteration of the MTFP assumes a contribution of £1.238 million to the TRR in 2025/26; in effect, this assumption provides a £1.0 million contingency in the event that the 2024/25 budget should record a deficit (preventing – in full – the planned contribution of £1.954 million to the TRR for the year).

It should be re-emphasised that the primary purpose of the “Fit for the Future” Programme is to put the Council on a firmer financial footing through the delivery of a revenue budget that is sustainable for the long-term.

3.8 Summary Position

3.8.1 After taking account of the projections made in Sections 3.2 to 3.7 above, the projected medium-term revenue position for the General Fund (2025/26 to 2029/30), is summarised in the table below.

Epping Forest District Council: Medium-Term Financial Plan (MTFP) - October 2024						
Subjective Description	Final Budget 2024/25	Estimated Budget Requirement 2025/26	Estimated Budget Requirement 2026/27	Estimated Budget Requirement 2027/28	Estimated Budget Requirement 2028/29	Estimated Budget Requirement 2029/30
	£000's	£000's	£000's	£000's	£000's	£000's
Employees	21,757	22,314	22,766	23,202	23,646	24,099
Premises	3,530	3,578	3,650	3,723	3,797	3,873
Transport	233	314	320	327	333	340
Supplies & Services	10,074	10,062	10,263	10,469	10,678	10,892
Support Services	1	1	1	1	1	1
Contracted Services	11,606	12,791	13,047	13,308	13,574	13,846
Transfer Payments (exclusively HB)	21,699	21,699	21,265	20,614	19,746	18,661
Financing Costs	363	2,291	2,795	2,784	2,787	2,806
Service Contingency (Waste)	200	500	250	-	-	-
Gross Expenditure	69,461	73,550	74,357	74,426	74,562	74,517
Fees & Charges	- 17,956	- 18,315	- 18,356	- 18,743	- 19,209	- 19,472
Government Contributions (90%+ HB Subsidy)	- 23,285	- 23,285	- 22,856	- 22,212	- 21,354	- 20,282
Miscellaneous Income (including Qualis)	- 3,613	- 3,721	- 3,472	- 3,211	- 3,211	- 3,211
Other Contributions	- 4,194	- 4,269	- 4,269	- 4,269	- 4,269	- 4,269
HRA Recharges	- 4,542	- 4,911	- 5,009	- 5,109	- 5,212	- 5,316
Net Expenditure	15,871	19,049	20,395	20,882	21,308	21,967
Funding:						
Council Tax	- 9,288	- 9,519	- 9,567	- 9,615	- 9,663	- 9,711
Business Rates	- 6,359	- 6,518	- 6,648	- 6,781	- 6,917	- 7,055
Collection Fund Adjustments	- 215	- 1,125	-	-	-	-
Council Tax Sharing Agreement (CTSA)	- 435	- 541	- 544	- 547	- 549	- 552
Non-Specific Grants:						
Revenue Support Grant (RSG)	- 137	- 137	- 137	- 137	- 137	- 137
New Homes Bonus	- 6	- 0	- 0	- 0	- 0	- 0
Services Grant	-	- 23	- 23	- 23	- 23	- 23
Other/FGA	- 1,385	- 1,375	- 1,375	- 1,375	- 1,375	- 1,375
Contribution to/(from) Reserves	1,954	1,238	-	-	-	-
Total Funding	- 15,871	- 18,002	- 18,295	- 18,478	- 18,665	- 18,855
In-Year (Surplus)/Deficit	- 0	1,048	1,052	304	239	470
Structural (Surplus)/Deficit	- 0	1,048	2,100	2,404	2,643	3,113

3.8.2 The table above shows a deficit of £1.048 million for 2025/26, with a *further* deficit of £1.052 million anticipated in 2026/27, followed by smaller deficits in 2027/28 through to 2029/30.

3.8.3 Estimated net expenditure in 2025/26 is £19.050 million, compared to available funding of £18.002 million. The Council is required to eliminate this deficit and set a balanced budget for 2025/26 in February 2025. The projected cumulative budget deficit by 31st March 2030 is £3.113 million.

- 3.8.4 It should be re-emphasised that these figures represent the first iteration of the MTFP in the 2025/26 budget cycle. Finance officers will now work on further refining these estimates in preparing the initial draft Budget proposals. The numbers presented can be expected to both increase and decrease in the coming months, and other factors could also potentially emerge that are not currently reflected in the figures and will have to be factored in.