

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

**HOUSING REVENUE ACCOUNT**

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 The Housing Revenue Account (HRA) embraces both the Communities and Place ambitions to an extent, although the Council has a clear vision as to where the HRA fits as an integral part of a Stronger Place.

1.3 Through ‘horizon scanning’ and anticipating necessary change at the earliest opportunity, resilience, and the ability to react to and withstand ‘major shocks’ is achieved. Above all, a robust MTFP for the HRA is also critical to achieving compliance with the Council’s legal duty under the Local Government Housing Act 1989 to “maintain a balanced account” and ultimately long-term financial sustainability.

**2. Introduction**

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

2.2 The February 2024 (HRA) MTFP projected planned deficits over the 5-year period 2024/25 through to 2028/29. The projections can be summarised as follows:

Financial Year	(Surplus)/Deficit	Comment
	£000’s	
2024/25	465	Planned deficits.
2025/26	296	
2026/27	105	
2027/28	18	
2028/29	5	

2.3 Members should note that the planned deficits reflected in the table above represent a deliberate strategy to utilise *surplus* reserves only. The closing balance for 31st March 2024 was £4.797 million (i.e., circa £2.8 million above the minimum balance).

2.4 The MTFP is deliberately concise, focussing on the most significant HRA-related financial issues faced by Epping Forest District Council over the medium-term.

### 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 HRA base budget was approved by the Council on 20th February 2024 and can be summarised as follows:

<b>HRA Revenue Budget 2024/25</b>	
<b>Description</b>	<b>£'s</b>
Employees	5,295,800
Premises	6,690,830
Transport	80,790
Supplies & Services	1,281,290
Contracted Services	8,296,155
Support Services (General Fund Recharges)	4,542,135
Debt Management Expenses	68,000
Bad Debt Provision	109,000
Depreciation	10,700,000
<b>Total Expenditure</b>	<b>37,064,000</b>
Rental Income – Dwellings	(41,143,000)
Rental Income – Non-Dwellings	(999,000)
Fees & Charges (Charges for Services)	(3,051,000)
Other Contributions (Shared Amenities)	(394,000)
<b>Total Income</b>	<b>(45,587,000)</b>
<b>Net Cost of Services</b>	<b>(8,523,000)</b>
Interest Receivable	(150,000)
Financing Costs	6,562,000
<b>Net Operating Income</b>	<b>(2,111,000)</b>
HRA Contribution to Capital	2,576,000
<b>In-Year (Surplus)/Deficit</b>	<b>465,000</b>

#### 3.2 Updated Projections

3.2.1 The February 2024 MTFP (HRA element) has now been reviewed and updated, incorporating the experience of the 2024/25 financial year to date (up to 31/08/24) and other emerging intelligence; the updated MTFP also rolls forward into 2025/26, spanning a further five years up to, and including, 2029/30. Specific factors considered include:

- Rent Increases
- Inflation
- Interest Rates
- Budget Growth; and
- HRA Recharges.

### **Rent Increases**

3.2.2 An increase in Rent of 3.5% has been assumed for 2025/26 at this stage. This is expected to be close to the established Rent Standard (September CPI + 1.0%) with July 2024 CPI reported at 2.2% and marginally rising (the latest available information at the time of preparing this report). Rent caps (temporarily set by the Government during the recent spike in inflation) are no longer assumed moving forwards with an annual increase of 3.0% included (reflecting a core inflation assumption of 2.0% - see Paragraph 3.2.3 below) for 2026/27. The current Rent Standard is expected to expire with effect from 2027/28, so a flat 2.0% is assumed for the final three years of this MTFF.

### **Inflation**

3.2.3 As with the General Fund, inflationary pressures affecting the HRA have progressively eased since Spring 2023. Although commentators widely anticipate (relatively small) increases in the rate of CPI in the latter half of 2024 (CPI rose from 2.0% to 2.2% in July 2024 confirming this), the upward pressure is expected to be transient in nature, with the Bank of England's long-term inflation target of 2.0% expected to be met in early 2025. Therefore, a generic assumption of 2.0% inflation has been assumed in many areas, including Premises, Transport and general Supplies & Services etc.

### **Interest Rates**

3.2.4 The HRA Interest Rate assumptions applied are very similar to those applied in the February 2024 iteration of the MTFF. There has been a slight fall in the 2025/26 assumption (from 3.40% to 3.28%), but slightly higher rates are expected from 2026/27 onwards (e.g. up from 2.80% to 3.00% from 2027/28 through to 2029/30).

### **Budget Growth**

3.2.5 As with the General Fund, the financial position dictates that only *unavoidable* Growth items are included at this stage. Most notably at this stage is the inclusion of £200,000 in respect of a 'refresh' of the recently completed Stock Condition Survey.

### **HRA Recharges**

3.2.6 The level of HRA Recharges paid to the General Fund is heavily influenced by the Council pay award. On that basis, the assumed uplift for 2025/26 onwards is assumed to follow the General Fund assumptions on pay, which is 2.5% in 2025/26 and 2.0% thereafter (see Appendix A for full discussion).

### **Other**

3.2.7 As previously reported, an assumed saving of £900,000 is still included in the base budget for Housing Repairs with effect from 2025/26. This was one of the agreed deliverables included in the original Qualis arrangement. However, the SLA is currently being reviewed at the time of preparing this report and that is one of a range of key assumptions that is being revisited in the light of subsequent events, including the recent spike in inflation. The draft Budget for 2025/26, to be presented to Cabinet in December 2024, will reflect the outcomes of that review.

### 3.3 Updated MTFP Summary (October 2024)

3.3.1 The updated HRA MTFP is summarised in the table below.

Updated HRA Medium Term Financial Plan (@ October 2024)						
Description	2024/25 BUDGET / BASELINE	2025/26 BUDGET STRATEGY	2026/27	2027/28	2028/29	2029/30
	£'s	£'s	£'s	£'s	£'s	£'s
Employees	5,295,800	5,453,820	5,562,900	5,674,630	5,788,120	5,903,880
Premises	6,690,830	6,822,710	6,959,160	7,098,340	7,237,310	7,362,060
Transport	80,790	82,410	84,060	85,740	87,450	89,200
Supplies & Services	1,281,290	1,337,010	1,159,750	1,182,940	1,410,600	1,234,810
Contracted Services	8,296,155	7,626,075	7,851,935	8,008,975	8,165,955	8,289,255
Support Services (GF Recharges)	4,542,135	4,910,975	5,009,195	5,109,375	5,211,565	5,315,795
Debt Management Expenses	68,000	69,000	70,000	72,000	73,000	75,000
Bad Debt Provision	109,000	111,000	114,000	119,000	122,000	124,000
Depreciation	10,700,000	11,281,000	11,508,000	11,737,000	11,972,000	12,211,000
<b>Total Expenditure</b>	<b>37,064,000</b>	<b>37,694,000</b>	<b>38,319,000</b>	<b>39,088,000</b>	<b>40,068,000</b>	<b>40,605,000</b>
Rental Income - Dwellings	(41,143,000)	(42,118,000)	(43,393,000)	(44,941,000)	(46,310,000)	(47,148,000)
Rental Income - Non-Dwellings	(999,000)	(1,024,000)	(1,044,000)	(1,065,000)	(1,086,000)	(1,108,000)
Fees and Charges (Charges for Services)	(3,051,000)	(3,126,000)	(3,200,000)	(3,274,000)	(3,413,000)	(3,469,000)
Other Contributions (Shared Amenities)	(394,000)	(404,000)	(412,000)	(420,000)	(429,000)	(437,000)
<b>Total Income</b>	<b>(45,587,000)</b>	<b>(46,672,000)</b>	<b>(48,049,000)</b>	<b>(49,700,000)</b>	<b>(51,238,000)</b>	<b>(52,162,000)</b>
<b>Net Cost of Service</b>	<b>(8,523,000)</b>	<b>(8,978,000)</b>	<b>(9,730,000)</b>	<b>(10,612,000)</b>	<b>(11,170,000)</b>	<b>(11,557,000)</b>
Interest Received	(150,000)	(82,000)	(64,000)	(101,000)	(151,000)	(203,000)
Financing Costs	6,562,000	6,047,000	6,287,000	6,510,000	6,787,000	7,080,000
<b>Net Operating Income</b>	<b>(2,111,000)</b>	<b>(3,013,000)</b>	<b>(3,507,000)</b>	<b>(4,203,000)</b>	<b>(4,534,000)</b>	<b>(4,680,000)</b>
<i>Appropriations:</i>						
HRA Contribution to Capital	2,576,000	3,289,000	3,525,000	4,167,000	4,483,000	4,628,000
<b>Total Appropriations</b>	<b>2,576,000</b>	<b>3,289,000</b>	<b>3,525,000</b>	<b>4,167,000</b>	<b>4,483,000</b>	<b>4,628,000</b>
<b>In-Year (Surplus)/Deficit</b>	<b>465,000</b>	<b>276,000</b>	<b>18,000</b>	<b>(36,000)</b>	<b>(51,000)</b>	<b>(52,000)</b>

\* 24/25 base budget excludes a total rollover budget of £340,000 (£190,000 for the stock condition survey and £150,000 for the More than Bricks and Mortar Project)

3.3.2 The table above shows the HRA beginning with *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).