Appendix C

Uttlesford District Council

Medium Term Financial Strategy 2023 – 2028

February 2023

Introduction

1. This Medium Term Financial Strategy (MTFS) sets out how the Council plans to manage its finances over the next five years, aligning its resources closely to the priorities set out in the Corporate Plan and its commitment to providing services that meet the needs of local people.

Corporate Plan

2. The Corporate Plan sets out the Council's priorities and is a key document in establishing the way in which resources should be allocated when setting this MTFS and annual council budgets.
3. The Corporate Plan sets out the Council's overall vision, namely:

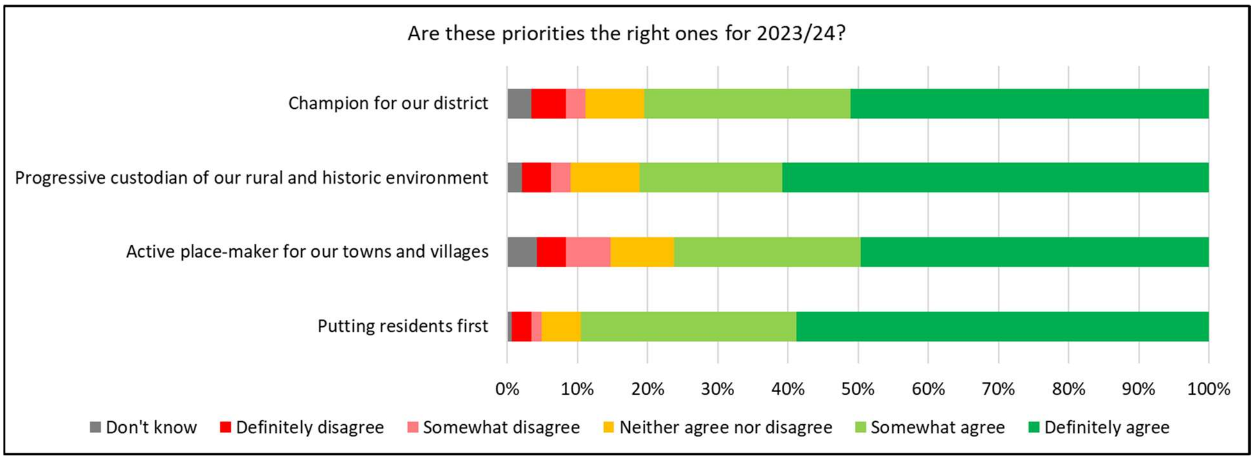
"Making Uttlesford the best place to live, work and play"

4. Under this overarching vision there are four priorities, each with a set of delivery plan actions, as follows:-

Putting residents first	Active place-maker for our towns and villages
We will:- - be a council that listens to and acts for residents. - deliver local government with outstanding levels of transparency and accountability. - be responsible with your money and mitigate the impact of government cuts.	We will:- - masterplan our new communities for and with residents. - support own towns and villages to plan their neighbourhoods. - secure greater benefits for our community from new development. - work with Stansted Airport on issues of concern to communities. - nurture employment and retail areas to create jobs and retain businessess. - enforce good business standards in our district. - deliver more affordable homes and protect those in need in our district. - promote healthy lifestyles in diverse and inclusive communities.
Progressive custodian of our rural and historic environment	**Champion for our district**
We will:- - take action on climate change. - conserve our natural resources. - protect and enhance our rural character and heritage. - take strong action on dealing with pollution.	We will:- - improve Uttlesford's connectivity. - support our students, schools and libraries. - work with partners to keep the district safe. - work to create a better local health service for residents.

Budget Consultation

5. A budget consultation was carried out between 21 September and 31 October 2022, seeking views on the Council's priorities for service delivery over the next financial year. The Council received a total of 145 responses, of which the vast majority (at least 89%) were from local residents and council taxpayers.
6. As part of the consultation, respondents were asked whether the Corporate Plan priorities were the right ones for 2023/24. The responses received were as follows:-



7. As shown above, overall the Corporate Plan priorities are supported by the consultation. For each individual priority, somewhere between 76% and 90% of respondents indicated that they ‘definitely agree’ or ‘somewhat agree’ that the priority is right. This supports the use of the Corporate Plan priorities to underpin the 2023/24 budget setting process, and by extension this MTFS.

8. The full results of the consultation are set out at Appendix I, including the view of respondents on individual services and their priorities.

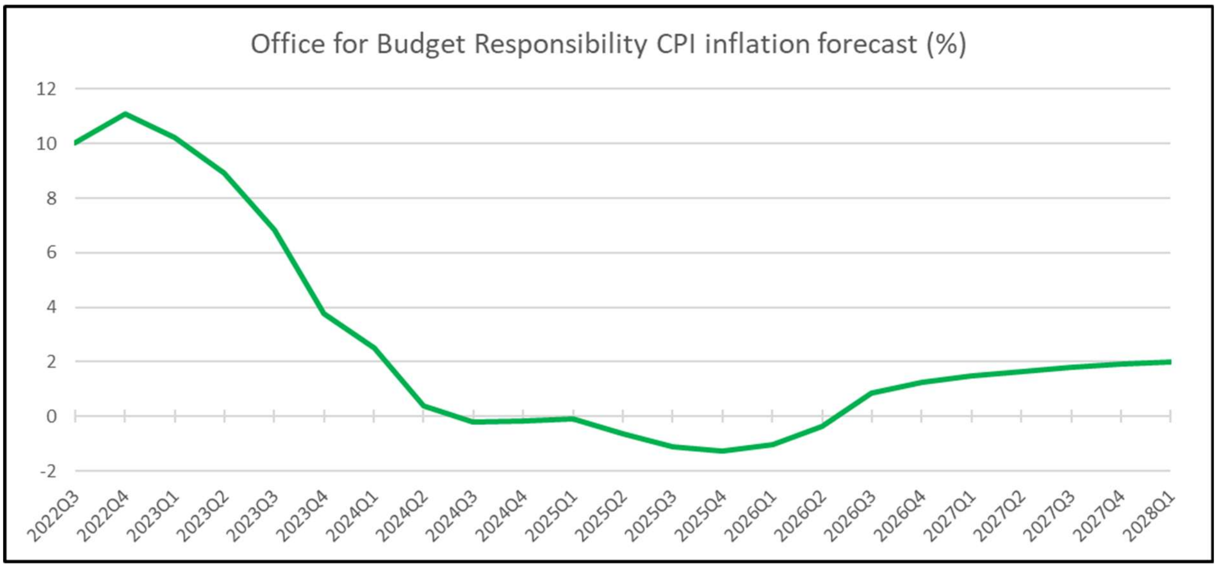
Economic Context

9. The UK, in common with many developed nations, is experiencing a period of economic slowdown characterised by falling gross domestic product (GDP), high inflation, and rising interest rates. Following Russia’s invasion of Ukraine in early 2022, restrictions on Russian imports saw European wholesale gas prices rise ten-fold from pre-pandemic levels, with an expectation that prices will remain four times higher in the medium term. This, alongside other supply side pressures, has seen sharp inflation rises worldwide, followed by increased interest rates as central banks work to keep inflation under control.

10. In the UK, worldwide factors have been further exacerbated by the impact of Brexit (which the Office for Budget Responsibility estimates will reduce the UK’s trade intensity by 15% in the long term). Furthermore, the government’s ‘mini-budget’ of 23 September 2022 saw a sharp rise in the cost of government borrowing, prompting the Bank of England to undertake targeted interventions to restore market functioning and avoid what it termed ‘a material risk to UK financial stability’.

11. The Office for Budget Responsibility (OBR) published its latest Economic and Fiscal Outlook in November 2022, which forecast that the UK would enter into a recession lasting just over a year from the third quarter of 2022, with a peak-to-trough fall in GDP of 2%.

12. Meanwhile, CPI inflation reached a 40-year high of 11.1% in October 2022, before falling back slightly to 10.7% in November. The OBR forecasts that inflation will drop sharply over the course of the next year and will fall below zero in the middle of the decade due to falling energy and food prices, before returning to its 2% target in 2027, as seen in the following chart:



13. In response to rising inflation, the Bank of England has increased the official bank interest rate (base rate) at the last 9 consecutive meetings of its Monetary Policy Committee, from 0.10% in December 2021 to 3.50% just a year later.

14. The Council's external treasury management consultants, Arlingclose, are now forecasting that the base rate will rise further to 4.25% by May 2023, before reducing slowly from mid-2024, settling at around 3.25% by early 2025.

15. All of the above has contributed to a squeeze on UK households, with the OBR estimating that real wages and living standards will be eroded by 7% over the 2022/23 and 2023/24 financial years, effectively wiping out the previous 8 years' growth.

Local Government Finance Settlement

16. The provisional local government finance settlement was published on 19 December 2022. The key feature of the settlement is a commitment from government that all local authorities will see at least a 3% increase in their core spending power in cash terms (excluding any council tax increase applied). This is worth approximately £68,000 to the Council in 2023/24.

17. Whilst more generous that the settlements of the previous two years, this needs to be seen in the context of the economic situation described above. With inflation currently in excess of 10%, this represents a real terms cut in the Council's core spending power for the third consecutive year.

18. Other features of the provisional settlement are as follows:-

    - The business rates multiplier (i.e. the cost to businesses) has been frozen for the third consecutive year, with councils once again receiving government compensation for the income lost. All businesses will see a rates revaluation effective from 1 April 2023 which could see their business rates go up or down depending upon changes to property values – this is designed to be revenue-neutral for local authorities (with any excess funds generated being repaid to central government), although this does depend on several assumptions made by government including the level of successful business rate appeals.

    - District councils are permitted to increase band D council tax by the higher of 2.99% or £5.00 without a local referendum – this represents an increase of 1% from the previous year, but this Council will not benefit from any additional flexibility as the £5.00 limit will continue to apply as it previously did (as a £5.00 increase would be equivalent to 3.00%).

- New Homes Bonus has been extended for one further year to cover 2023/24 under the same terms as 2022/23, with a commitment from government to set out the future position of the scheme in advance of the 2024/25 settlement.
- Rural Services Delivery Grant will continue for another year at the same level as 2022/23.
- Local Council Tax Support (LCTS) Administration Subsidy and the Council Tax Family Annexe Discount Grant have now been rolled into the main finance settlement, i.e. these amounts will no longer be specifically identified (but will form part of the Council's funding baseline going forwards).

19. The final local government finance settlement is due to be published in February 2023. The MTFS and 2023/24 budget will be updated for any significant changes and represented to members, although this is considered to be unlikely based upon past experience.

Funding Reform and Business Rates Reset

20. The current method for allocating government funding to local authorities is based upon data about spending needs which has not been updated since 2013/14. Since then, the government has announced its intention to review the position a number of times, but this review has been repeatedly delayed. The provisional local government finance settlement now confirms that no funding reform will occur before 2025/26 at the earliest.
21. Alongside this, the business rates retention system also relies upon baseline income figures dating back to 2012/13. When the system was first implemented, it was intended that business rates would be 're-baselined' every few years, but this has also been delayed by government many times. Again, this will now not occur until at least 2025/26.
22. The Council engages external consultants who are experts in the sector to assist with forecasting future funding allocations. The latest forecast shows that the combined effect of funding reforms and the business rates reset could see the Council lose approximately £4.7 million of external funding annually, if and when these occur.
23. In this context, having the reforms and reset delayed for a further two years clearly helps the Council's financial position in the short-term. However, it leaves huge uncertainty for the future. This Medium Term Financial Strategy has been set using the best available assumptions as provided by external consultants – however should these assumptions be incorrect in respect of either the timing or nature of any funding reforms, this could have a material impact on the Council's finances in future years.
24. In addition, the government has not yet made any firm commitment on the future of the New Homes Bonus scheme after 2023/24. The Council will receive £432,000 of New Homes Bonus payments in 2023/24, so any changes to the scheme could have a significant impact.

Commercial Strategy

25. Over the past few years, the Council has acquired a substantial portfolio of commercial investment properties, the income from which has been used to support general Council services. All investments have been undertaken in line with the Council's Commercial Strategy (Appendix B), which is reviewed annually.
26. When undertaking any form of capital expenditure, including commercial investments, local authorities are required to have regard to the Prudential Code for Capital Finance in Local Authorities ('the Prudential Code'), published by CIPFA.
27. In 2021 the Prudential Code was revised, partly in response to government concerns about the level of commercial investments undertaken by some local authorities. The revised Prudential Code is explicit that an authority must not borrow to invest primarily for financial return. However, authorities with existing commercial investments may carry out prudent active management and rebalancing of their portfolios, and authorities with commercial land and

property may also invest in maximising its value, including repair, renewal and updating of the properties.

28. Following these changes, the Commercial Strategy has been updated and its main aims are now as follows:-

    a. There will be no new commercial investments.

    b. Subject to (d) and (e) below, the portfolio is therefore complete. Of the £300 million allocated in 2020 to building the fund, approximately £275 million has been used.

    c. Minimum revenue provision (MRP) will be applied on an annuity basis over the life of each asset.

    d. As the Council already owns, through Aspire (CRP) Ltd, the land at Chesterford Research Park, it will continue to develop the asset to maximise its value.

    e. As the Council already owns 48% of Stane Retail Park, which includes all of the public car parking, link roads and other shared elements for the entire site, it will evaluate the option of acquiring the rest of the asset to maximise the value of the already owned part. This would be done on the basis that the sum of the whole is worth more than the sum of the constituent parts.

    f. The portfolio will be reviewed on a regular basis by the Investment Board to determine the requirements of the Council and the appropriateness of retaining or selling each asset.

    g. The Council will look to maintain the commercial asset portfolio at an investment level of no more than £275 million. However, it should be noted that investments may need to take place ahead of sales which could temporarily increase that number.

Key Risks and Assumptions

29. The key assumptions which have been applied in preparing this MTFS, and the most significant risks arising, are set out in the following table:

Area of Estimate	Assumptions Used - 2023/24	Assumptions Used - Future Years	Risks and Sensitivities
General cost inflation	Only applied where there is contractual provision, or other demonstrable unavoidable cost increases, at the levels specified in the relevant contracts. Where no amount is specified, 4% has been used.	Applied to all service costs using CPI as forecasted by the OBR, with a 1% collar applied, specifically: - 2024/25: 1.0% - 2025/26: 1.0% - 2026/27: 1.0% - 2027/28: 1.8%	The decision to apply inflationary increases in 2023/24 only where specific pressures are identified was taken to encourage services to seek out efficiencies at a time of intense budgetary pressure, but does increase the risk of service overspends during the year. Between 2024/25 and 2026/27 inclusive, the OBR is forecasting inflation below 1% (including negative inflation in 2024/25 and 2025/26). However, given that many contractual arrangements include upwards only price reviews, and in light of growing demand for council services, inflation assumptions have been collared at 1% for the purposes of this MTFS.

Area of Estimate	Assumptions Used - 2023/24	Assumptions Used - Future Years	Risks and Sensitivities
Pay inflation	Based upon a best estimate of the likely pay settlement and historic experience.	General cost inflation (as set out above) +0.9% to represent contractual pay progression for those staff not yet at the top of their band.	The current economic situation and rising cost of living is likely to result in a significant pay claim from unions in 2023/24, and potentially again in future years. Since staff costs form a significant proportion of the Council's gross expenditure, any variations from the assumptions used could have a significant impact on the Council's finances.
Utility costs	Set using forecasts provided by the Council's external energy consultants.	General cost inflation as set out above.	Energy prices are extremely volatile. Should they fall from their current peaks, there may be an opportunity for savings in future years; conversely world events could cause further hikes leading to increased budgetary pressure.
Agency costs	Corporate Management budget includes £516k of agency (or external consultancy) costs in respect of current vacancies in hard to recruit areas (Planning, Legal and Finance), based upon current spend.	Assumed that costs are inflated in line with general cost inflation (as above), but with adjustments to reflect some recruitment to vacant posts and/or changes to service needs:- - 2024/25: £488k - 2025/26 : £493k - 2026/27: £498k - 2027/28: £129k	Should the Council be successful in recruiting to some of the vacant posts earlier than assumed, then actual spend could be significantly lower. However, should additional vacancies arise which prove hard to recruit then additional costs could be incurred.
Demand growth	None - service costs are based upon current best estimates.	Net service costs to increase by £250k per year across the Council to represent as yet unidentified demand growth, for example from an increasing population, changing demographics, or changes to statutory service requirements which are not fully funded by government.	There is a significant degree of estimation involved in this area, and actual results could be higher or lower than anticipated due to future unforeseen events (as seen during the Covid-19 pandemic, for example).
Fees and charges income	Based upon best estimates as provided by services.	Increased using general cost inflation figures (as set out above), unless better information is available from the service.	Fees and charges income is sensitive to both the price charged and volume of demand. In terms of demand, this is often governed by external market forces and can be difficult to predict (e.g. planning applications often fall in times of economic downturn).

Area of Estimate	Assumptions Used - 2023/24	Assumptions Used - Future Years	Risks and Sensitivities
Preceptor shareback arrangement	Income of £413k based upon provisional forecast provided by Essex County Council in October 2022, assuming collection rates remain as they currently are.	Assumed an additional 2 years of shareback contributions (inflated to take into account projected council tax growth), as Essex County Council have indicated that the 2023/24 arrangement is likely to be extended until 2025/26 (pending evaluation). No further contributions have been assumed beyond this date at present.	The actual amount received in 2023/24 will depend upon council tax collection rates which may be higher or lower than assumed. In particular, if cost of living pressures result in a fall in collection rates, this will lead to a drop in preceptor shareback income as well as a fall in the Council's share of council tax. For future years, the income is contingent upon Essex County Council and the other major preceptors continuing to support the arrangement.
Investment property income	Based upon known rental amounts.	Based upon known current rental amounts and future contractual rent reviews.	The amount of any future rent increases will depend upon the contractual terms of the relevant lease, many of which refer to external factors such as inflation rates and market rents. There is a risk that the actual rent achieved will be higher or lower than currently assumed.
Borrowing costs	Based upon fixed interest rates on current borrowing, with an assumption that any refinancing will take place at the following rates:- - Less than 6 months: 4.00-4.50% (depending upon timing) - Greater than 6 months: 5.00% These rates are based upon those currently available on the local authority market, adjusted for future changes to the base rate as forecast by the Council's treasury advisors.	Assumed an average cost of borrowing on the local authority market as follows:- - 2024/25: 4.25% - 2025/26-2027/28: 3.75% These rates are based upon those currently available on the local authority market, adjusted for future changes to the base rate as forecast by the Council's treasury advisors.	The Council is forecast to have £103m of borrowing on the short-term local authority market at 31 March 2023, which represents 35% of total borrowing. Whilst all borrowing is at fixed interest rates, there remains a refinancing risk if interest rates are higher than anticipated when short-term loans are due for renewal. For example, a rate increase of 0.25% on £103 million represents an additional cost of £258k. The risk of variance (both adverse and favourable) increases in later years as it becomes harder to predict future interest rate movements - indeed the Council's treasury management advisers only forecast rate movements until December 2025, after which point it has been assumed for the purpose of this MTFS that rates remain constant.

Area of Estimate	Assumptions Used - 2023/24	Assumptions Used - Future Years	Risks and Sensitivities
Capital financing and minimum revenue provision (MRP)	Based upon latest capital programme and expenditure forecasts, and average cost of Public Works Loan Board (PWLB) borrowing for the 2022/23 financial year up until December 2022. The Capital Programme is set out in full at Appendix F.	Based upon latest capital programme, and average cost of PWLB borrowing forecast from the 2022/23 average adjusted for future base rate movements as forecast by the Council's treasury advisers.	Capital financing cost is dependent upon the level of capital expenditure, and availability of capital resources (such as capital receipts and grants) to finance this. Any additional expenditure (e.g. capital overspends) which can not be financed from capital resources will need to be financed from revenue, either by way of an upfront charge, or through increasing the annual MRP charge. MRP is also sensitive to the average cost of borrowing (as it is calculated on an annuity basis). If the cost of borrowing increases, MRP will decrease in the early years of an asset's life, but increase in the later years (so that the same total amount is payable over the life of the asset).
Corporate pension costs - deficit repair contribution	Total cost of £490k (split between the General Fund and Housing Revenue Account) based upon the latest triennial valuation prepared by the scheme actuary, assuming an upfront prepayment of the amount to cover the financial years from 2023/24 to 2025/26 (as there is a substantial discount for paying in this way).	No further costs in 2024/25 and 2025/26 as the amount for these years will have been paid upfront. For 2026/27, assume again that a 3-year prepayment will be made at the same level as 2023/24.	The Pension Fund is highly sensitive to a number of actuarial assumptions such as interest and inflation rates, and member life expectancy. Small changes to these actuarial assumptions can result in large changes to the overall pension deficit, which means that the actual amount to be paid in 2026/27 could vary significantly from that currently assumed.
Business rates income	Based upon current ratings list, taking into account the effect of the business rates revaluation on 1 April 2023. Assuming a benefit of remaining in the Essex business rates pool of approximately 45% of the levy which would otherwise be payable to central government.	As for 2023/24, but assuming further growth in gross business rates in the district of 0.3% per annum (in real terms), based upon historic experience. Also assuming a full business rates reset in 2025/26, at which point all historic growth will be lost.	Should the business rates reset be further delayed (or cancelled), this would have a significant beneficial effect on the Council from 2025/26 onwards, as the current model forecasts that the Council's share of business rate income will fall by £3.047m in the year the reset is applied.
New Homes Bonus	Based upon published provisional local government finance settlement.	Assuming that the Council receives the same amount in 2024/25 as 2023/24, either through a further extension to the existing scheme, or through an equivalent replacement, as advised by the Council's external funding consultants. No further income assumed from 2025/26 onwards.	The government are yet to confirm their intentions in respect of New Homes Bonus beyond 2023/24. In 2023/24 the Council will receive £432k, which may be at risk if the scheme is discontinued or materially changed.

Area of Estimate	Assumptions Used - 2023/24	Assumptions Used - Future Years	Risks and Sensitivities
Core government grant funding	Based upon published provisional local government finance settlement.	For 2024/25, based upon the published provisional settlement for 2023/24 with CPI inflation applied (and assuming that the 3% funding guarantee is rolled forward for a further year). From 2025/26, assuming that funding reform is implemented as predicted by the Council's external funding consultants.	Since the finance settlement only covers 1 year, there is significant risk (both upside and downside) from 2024/25 onwards. Any funding reform will now not take place until after the next general election, and an incoming government may take a different approach from that currently being forecast.
Council tax	Set using most recent taxbase forecast and assuming a £5.00 increase in band D council tax.	Gross taxbase continues to increase in line with average for the past 3 years. Band D council tax increases will be 2.99% in 2024/25, then £5.00 in each subsequent year (assuming the government returns to a 1.99% or £5.00 referendum limit from 2025/26 onwards). Collection rate will improve by 0.8 percentage points from 2025/26 onwards as the UK exits recession.	Taxbase may grow faster or slower than anticipated, resulting in higher or lower income from council tax. The government referendum limits on raising band D council tax may be higher or lower than assumed, and/or members may opt not to apply the maximum permitted increase in any given year, which would result in a permanent loss of council tax income which could not be 'caught up' in future years.
Dwelling rents	Set using information about current rents and a proposed 7% increase for 2023/24, with an allowance made for sales under the right-to-buy scheme, and voids.	Assuming an annual rent increase of CPI + 1% for 2024/25, then CPI thereafter. The forecast also takes into account planned levels of housebuilding.	Rental income may be affected by variations in stock levels (for example a higher than expected number of right-to-buy sales or delays to new developments). Rent per property will also be influenced by the CPI inflation rate, and government policy (for example, for 2023/24 the government has chosen to cap rent increases at 3.1% below CPI).
Housing Revenue Account depreciation	Estimated using the 2022/23 depreciation charge adjusted for expected changes to stock levels (e.g. right-to-buy sales), and assuming an average increase in property values of 3%. This is based upon the UK House Price Index movement for Uttlesford from April to November 2022 (+5.26%), adjusted downwards to reflect market expectations for the first quarter of 2023.	Estimated based upon anticipated stock movements (new dwellings and right-to-buy sales), together with the following anticipated movements in the valuation of council housing stock at 1 April each year: - 2024: -5.0% - 2025 onwards: +3.5%	The depreciation charge is highly sensitive to property values, which are difficult to predict. Also, the number of right-to-buy sales and new dwelling completions in each year may vary, or the Council's external valuer could recommend changes to the estimated useful life of the stock, or the proportion of the stock value which relates to land (and is not therefore subject to depreciation).

General Fund 5 Year Budget Model

30. The proposed General Fund budget for 2023/24 is set out at Appendix H. Using the assumptions in the section above, a 5 year budget model has been developed to inform the Council’s medium term financial management.

31. The following table sets out a summary of this model, assuming that no further actions are taken by the Council to reduce the budget deficit:

General Fund 5 Year Budget Model	2022/23 Current Budget £'000	2023/24 Original Budget £'000	2024/25 Forecast £'000	2025/26 Forecast £'000	2026/27 Forecast £'000	2027/28 Forecast £'000
Net service expenditure						
Gross service expenditure	37,662	40,198	39,276	38,616	39,096	39,674
Gross service income	(20,139)	(20,947)	(21,037)	(21,230)	(20,976)	(21,384)
Demand growth	-	-	250	500	750	1,000
Subtotal - Net service expenditure	**17,523**	**19,251**	**18,489**	**17,886**	**18,870**	**19,290**
Investment property	**(5,658)**	**(760)**	**(622)**	**(1,108)**	**(1,304)**	**(2,602)**
Corporate items						
Capital financing	4,136	2,441	1,462	1,429	1,453	1,477
Net recharges to Housing Revenue Account (HRA)	(1,747)	(1,967)	(1,993)	(2,020)	(2,048)	(2,092)
Other corporate items	426	542	72	96	538	58
Subtotal - Corporate items	**2,815**	**1,016**	**(459)**	**(495)**	**(57)**	**(557)**
External funding						
Retained business rates (including S31 grants)	(3,774)	(5,272)	(5,401)	(2,354)	(2,430)	(2,525)
Collection fund (surplus)/deficit	(559)	249	-	-	-	-
Government grants	(3,217)	(3,333)	(3,495)	(1,817)	(932)	(101)
Subtotal - External funding	**(7,550)**	**(8,356)**	**(8,896)**	**(4,171)**	**(3,362)**	**(2,626)**
Subtotal - Net operating expenditure	**7,130**	**11,151**	**8,512**	**12,112**	**14,147**	**13,505**
Transfers to/(from) earmarked reserves	**(726)**	**(4,457)**	**101**	**121**	**622**	**976**
Total - Council tax requirement	**6,404**	**6,694**	**8,613**	**12,233**	**14,769**	**14,481**
Council tax	**(6,404)**	**(6,694)**	**(6,973)**	**(7,309)**	**(7,594)**	**(7,883)**
(Surplus)/deficit	**-**	**-**	**1,640**	**4,924**	**7,175**	**6,598**

32. The table above shows a forecast unfunded deficit in the General Fund of £1.640 million in 2024/25, rising to £6.598 million by 2027/28. Whilst the Council holds an MTFS reserve to help support any future deficits, the total forecast balance on this reserve as at 31 March 2024 is £3.051 million. On current forecasts, therefore, this reserve will be exhausted during 2025/26 without any further intervention to reduce the deficit going forwards.

33. It should be noted that the 2023/24 budget shows a balanced position as this is required by statute – however in order to achieve this a drawdown of £2.867 million is required from the MTFS reserve (which is taken into account when calculating the estimated balance at 31 March 2024 in the paragraph above). For further details, see the 2023/24 General Fund budget (Appendix H).

34. A more detailed 5 year model for the General Fund is set out at Annexe C1.

Scenario Planning

35. Whilst the 5 year budget model has been prepared on the basis of the best information available at the time, it is prudent to consider the potential impact should external factors differ significantly from the assumptions which are currently being made.

36. With this in mind, two alternative scenarios have been presented below. Note that these are not intended to represent any particular ‘worst case’ or ‘best case’, but simply to demonstrate the sensitivity of the MTFS to the assumptions used, and to present a range of reasonably possible

outcomes covering the next 5 years.

Scenario 1 – Changes to Funding Reforms

37. This scenario demonstrates the impact on the Council's finances of removing the assumption of local government funding reforms and a business rates reset with effect from 2025/26. This could represent, for example, a scenario where the reforms are further delayed beyond 2027/28. Alternatively, following the general election a new government could elect to cancel the reforms entirely, or to take a different approach which more closely aligns with current funding allocations.

38. The assumption made for this scenario is that business rates income continues to increase in line with inflation from 2025/26 onwards, with an additional allowance for growth in the business rates baseline of 0.3%, of which the Council retains half. Meanwhile, other core government grants (including New Homes Bonus) are assumed to remain at their 2024/25 levels for the remainder of the 5 year period.

39. The impact of this on the 5 year budget model would be as follows:-

Scenario 1 - Changes to Funding Reforms	**2023/24 Forecast £'000**	**2024/25 Forecast £'000**	**2025/26 Forecast £'000**	**2026/27 Forecast £'000**	**2027/28 Forecast £'000**
(Surplus)/deficit per base 5 year budget model	**-**	**1,640**	**4,924**	**7,175**	**6,598**
Increase to retained business rates income	-	-	(3,110)	(3,097)	(3,109)
Increase to core government grants	-	-	(1,678)	(2,563)	(3,394)
Revised (surplus)/deficit under scenario 1	**-**	**1,640**	**136**	**1,515**	**95**

Scenario 2 – Sustained Higher Inflation and Interest Rates

40. Under this scenario, worldwide supply side pressures and the ongoing conflict in Ukraine lead to higher inflation persisting for longer than the current OBR forecasts, taking the full five years of the MTFS period to return to the target 2% level. As a result, the Bank of England responds by raising interest rates higher and for longer than currently forecast.

41. The assumptions used in developing this scenario are as follows:-

Scenario 2 Assumptions	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**
CPI inflation	8.0%	4.5%	3.5%	2.5%	2.0%
Cost of borrowing from other local authorities	5.00-6.00%	5.75%	5.00%	4.50%	4.00%
Council tax % increase referendum limit	2.99%	2.99%	2.99%	2.99%	2.99%

42. The impact this would have on the 5 year budget model is as follows:-

Scenario 2 - Sustained Higher Inflation and Interest Rates	2023/24 Forecast £'000	2024/25 Forecast £'000	2025/26 Forecast £'000	2026/27 Forecast £'000	2027/28 Forecast £'000
(Surplus)/deficit per base 5 year budget model	**-**	**1,640**	**4,924**	**7,175**	**6,598**
Impact of increased inflation on gross service expenditure	-	1,319	2,307	2,939	3,068
Impact of increased inflation on gross service income	-	(626)	(1,101)	(1,401)	(1,472)
Impact of higher interest rates on borrowing costs	515	1,446	1,180	692	226
Impact of higher interest rates on treasury investment income	(80)	(117)	(98)	(59)	(19)
Impact of increased inflation on recharges to the HRA	-	(67)	(119)	(152)	(160)
Changes to external funding (where index linked)	-	(143)	(161)	(221)	(94)
Impact of higher council tax referendum limits	-	-	(11)	(29)	(55)
Other impacts of assumption changes	-	55	48	26	5
Revised (surplus)/deficit under scenario 2	**435**	**3,507**	**6,969**	**8,970**	**8,097**

43. Note that in the above table the additional deficit of £435,000 in 2023/24 is shown for illustrative purposes only – in reality this would need to be funded from the MTFS reserve due to the statutory requirement to set a balanced budget for the forthcoming financial year.

44. The above scenarios both serve to demonstrate the great extent to which the Council's finances are sensitive to external factors which are often outside of the Council's control. However, the base case as presented at paragraph 31 above remains the most likely estimate of the Council's financial performance over the medium term.

Managing the Deficit

45. As set out in paragraph 32 above, without further intervention it is likely that the Council's unallocated General Fund reserves will run out during 2025/26. It is therefore vital that the Council takes action now to reduce the General Fund deficit going forwards, in order to ensure its financial stability in the medium- to long-term. There are two main ways in which this will be achieved.

46. Firstly, the Council will investigate opportunities to divest of a proportion of its commercial investment portfolio. Whilst the portfolio continues to make a net positive contribution to the General Fund, current market conditions (in particular the high cost of borrowing) has created an unusual situation where the sale of certain assets may result in a higher net contribution in the short-term. This is particularly the case for assets which have seen their value increase since acquisition, as any excess funds generated through sale could be applied to reduce borrowing and minimum revenue provision (MRP) costs across the remainder of the portfolio.

47. It should be noted that this process is still at an early stage. No decisions have yet been taken around which (if any) investments to sell, and no detailed market testing has been carried out. Should it not prove possible (or beneficial) to sell any assets at this time, then alternative means will need to be found to deliver the required savings.

48. The second initiative is an organisation-wide transformation programme known as Blueprint Uttlesford. This programme will include a fundamental review of all Council services (both frontline and back office), with the detailed terms of reference and approach to be agreed following the district elections in May 2023.

49. The potential impact of these interventions on the Council's MTFS is set out in the table below. Note that the assumptions around the level and speed of savings which could be achieved by Blueprint Uttlesford are currently set at a very high level which will be subject to further refinement in summer 2023 – however the below provides a starting point which demonstrates

medium term financial stability whilst setting savings targets of a size and pace which should be achievable.

General Fund Savings Delivery Model	**2024/25 Forecast £'000**	**2025/26 Forecast £'000**	**2026/27 Forecast £'000**	**2027/28 Forecast £'000**
Forecast deficit per 5 year budget model (before interventions)	**1,640**	**4,924**	**7,175**	**6,598**
Cumulative impact of Blueprint Uttlesford savings delivered in previous years	-	(500)	(1,500)	(2,600)
Estimated impact of sale of commercial asset(s)	(3,317)	(2,820)	(2,816)	(2,812)
Contributions to/(from) MTFS reserve to smooth savings requirement	2,177	(604)	(1,759)	-
In-year ongoing savings requirement from Blueprint Uttlesford	**500**	**1,000**	**1,100**	**1,186**

50. There is no column for 2023/24 in the table above as the Council is required by statute to set a balanced budget for the forthcoming year. Therefore, the deficit in 2023/24 will be funded from the MTFS reserve as set out in the 2023/24 General Fund budget at Appendix H.
51. Note that, in order to be fully effective, the savings requirements above need to apply to the whole of the financial year to which they relate. This means that savings need to be identified in advance of each financial year – for example the £500,000 of savings needed for 2024/25 will need to be identified and actioned during 2023/24, so that any changes to services can apply from 1 April 2024.
52. The savings targets set out above are net of any additional costs which may be incurred as a result of the Blueprint Uttlesford programme (such as one-off transformation costs). However, should the above targets be achieved, this would leave £2.865 million in the MTFS reserve which could be used to support these short-term costs if required.
53. The detailed 5 year outlook for the General Fund, including the impact of the savings initiatives set out above, can be found at Annexe C1.

General Fund Reserves

54. The Council holds General Fund revenue reserves which have been put aside in previous years to fund future expenditure. The purpose of each of these reserves is set out in the following table:

Reserve	**Purpose**
Ringfenced reserves	
Business rates	To support future deficits in the business rates collection fund (for example because collection rates were lower than forecast), and to provide some protection from the impacts of future business rates reform or reset.
Capital slippage	To hold committed revenue contributions to capital projects where expenditure has 'slipped' into a later year.
Licensing	To hold surpluses generated by licensing services which are ringfenced under statute for supporting these services in the future.
Leisure / Private Finance Initiative	To meet increased Private Finance Initiative (PFI) costs in future years arising from inflation and utility bills. The bulk of this reserve will be used over a 3 year period commencing in 2023/24 to cover increased utility bill support for the PFI operator.
Working balance	The prudent minimum balance to be held by the General Fund to manage unexpected financial impacts during the year. The amount held is determined by the Section 151 Officer based on a percentage of variable income and expenditure amounts.

Reserve	Purpose
Core reserves	
Commercial assets	To cover the cost of refurbishment or reinstatement of commercial investment assets at lease expiry to ensure that they remain in a lettable or saleable condition, also to cover any loss of income in the unlikely event of unexpected voids or tenant arrears.
Medium Term Financial Strategy (MTFS)	To fund any one-off deficits in the General Fund, and to fund any transitional costs in support of the Blueprint Uttlesford transformation programme (e.g. 'spend to save' initiatives).
Strategic initiatives	To support specific strategic initiatives - this reserve is forecast to have a nil balance as at 31 March 2023 and will therefore be closed.
Member priorities	
Economic development	Following the Covid-19 pandemic and its effects on the local economy and businesses, £1 million was allocated to this reserve over 3 years to support businesses and local High Streets to recover, in line with the Economic Recovery Action Plan.
Planning	To support planning appeals and additional costs relating to the delivery of the Planning service and neighbourhood plans.
Sustainable communities	To support the delivery of the new Local Plan.
Major sports facilities	To hold funds allocated to the Major Sports Facilities grant programme (£450k over 3 years). As 2022/23 was the last year of the programme, the reserve will be closed at 31 March 2023.
Climate change	Following the declaration of a climate emergency by the Council, £1 million was allocated to this reserve over 3 years to support specific climate change actions.
Voluntary sector	To hold funds earmarked by the Council for specific grant programmes.
Grants	
Homelessness; Health and wellbeing; Air quality; Public health	To hold any unspent balances from external grants which are ringfenced for specific activities (for example Homelessness Prevention Grants).

55. Over the course of the 5 year MTFS, General Fund reserves are anticipated to decrease by £2.823 million, from a forecast balance of £22.813 million at 1 April 2023, to £19.990 million by 31 March 2028. Within this, the MTFS reserve is forecast to decrease by £3.053 million, from £5.918 million at 1 April 2023, to £2.865 million by 31 March 2028 (disregarding the impact of any one-off transformation costs to be funded from this reserve).

56. The table below shows all forecast reserve movements over the 5 year MTFS period. Note that this assumes the use of the MTFS reserve in line with the savings plan set out at paragraph 49 above. Should these savings not be delivered at the right time, the draw on the MTFS reserve may be greater and the balance lower at the end of the 5 year period.

General Fund Revenue Reserves	Balance at 1 April 2022 £'000	Forecast Additions to Reserves 2022/23 £'000	Forecast Use of Reserves 2022/23 £'000	Forecast Transfers 2022/23 £'000	Forecast Balance at 31 March 2023 £'000	Budgeted Additions to Reserves 2023/24 £'000	Budgeted Use of Reserves 2023/24 £'000	Forecast Balance at 31 March 2024 £'000	Forecast Additions to Reserves 2024/25 £'000	Forecast Use of Reserves 2024/25 £'000	Forecast Balance at 31 March 2025 £'000
Ringfenced reserves											
Business rates	**4,571**	808	-	-	**5,379**	-	(220)	**5,159**	-	-	**5,159**
Capital slippage	**2,350**	-	(463)	(1,105)	**782**	-	(782)	**-**	-	-	**-**
Licensing	**66**	-	(20)	-	**46**	-	(29)	**17**	-	-	**17**
Leisure/Private Finance Initiative	**1,102**	-	-	-	**1,102**	-	(295)	**807**	-	(346)	**461**
Working balance	**1,517**	171	-	-	**1,688**	94	-	**1,782**	-	(30)	**1,752**
Total - Ringfenced reserves	**9,606**	**979**	**(483)**	**(1,105)**	**8,997**	**94**	**(1,326)**	**7,765**	**-**	**(376)**	**7,389**
Core reserves											
Commercial assets	**1,060**	2,200	-	740	**4,000**	1,000	-	**5,000**	1,000	-	**6,000**
Medium Term Financial Strategy	**6,432**	25	(1,519)	980	**5,918**	-	(2,867)	**3,051**	2,202	-	**5,253**
Strategic initiatives	**1,663**	-	(1,663)	-	**-**	-	-	**-**	-	-	**-**
Total - Core reserves	**9,155**	**2,225**	**(3,182)**	**1,720**	**9,918**	**1,000**	**(2,867)**	**8,051**	**3,202**	**-**	**11,253**
Member priorities											
Economic development	**1,484**	-	(266)	(615)	**603**	-	(330)	**273**	-	(273)	**-**
Planning	**794**	24	(18)	-	**800**	-	-	**800**	-	-	**800**
Sustainable communities	**1,470**	-	(221)	-	**1,249**	-	(417)	**832**	-	-	**832**
Major sports facilities	**105**	-	(105)	-	**-**	-	-	**-**	-	-	**-**
Climate change	**625**	320	(376)	-	**569**	-	(390)	**179**	-	(138)	**41**
Voluntary sector	**41**	-	(6)	-	**35**	-	-	**35**	-	-	**35**
Total - Member priorities	**4,519**	**344**	**(992)**	**(615)**	**3,256**	**-**	**(1,137)**	**2,119**	**-**	**(411)**	**1,708**
Grants											
Homelessness	**357**	-	(79)	-	**278**	-	(99)	**179**	-	(96)	**83**
Health and wellbeing	**186**	-	(29)	-	**157**	-	(24)	**133**	-	-	**133**
Air quality	**-**	121	-	-	**121**	-	(80)	**41**	-	(41)	**-**
Public health	**-**	86	-	-	**86**	-	(18)	**68**	-	-	**68**
Total - Grants	**543**	**207**	**(108)**	**-**	**642**	**-**	**(221)**	**421**	**-**	**(137)**	**284**
Total reserves	**23,823**	**3,755**	**(4,765)**	**-**	**22,813**	**1,094**	**(5,551)**	**18,356**	**3,202**	**(924)**	**20,634**

General Fund Revenue Reserves	Forecast Balance at 31 March 2025 £'000	Forecast Additions to Reserves 2025/26 £'000	Forecast Use of Reserves 2025/26 £'000	Forecast Balance at 31 March 2026 £'000	Forecast Additions to Reserves 2026/27 £'000	Forecast Use of Reserves 2026/27 £'000	Forecast Balance at 31 March 2027 £'000	Forecast Additions to Reserves 2027/28 £'000	Forecast Use of Reserves 2027/28 £'000	Forecast Balance at 31 March 2028 £'000
Ringfenced reserves										
Business rates	**5,159**	-	-	**5,159**	-	-	**5,159**	-	-	**5,159**
Capital slippage	**-**	-	-	**-**	-	-	**-**	-	-	**-**
Licensing	**17**	-	-	**17**	-	-	**17**	-	-	**17**
Leisure/Private Finance Initiative	**461**	-	(349)	**112**	-	-	**112**	-	-	**112**
Working balance	**1,752**	-	(15)	**1,737**	13	-	**1,750**	51	-	**1,801**
Total - Ringfenced reserves	**7,389**	**-**	**(364)**	**7,025**	**13**	**-**	**7,038**	**51**	**-**	**7,089**
Core reserves										
Commercial assets	**6,000**	1,000	-	**7,000**	1,000	-	**8,000**	1,000	-	**9,000**
Medium Term Financial Strategy	**5,253**	25	(604)	**4,674**	25	(1,759)	**2,940**	25	(100)	**2,865**
Strategic initiatives	**-**	-	-	**-**	-	-	**-**	-	-	**-**
Total - Core reserves	**11,253**	**1,025**	**(604)**	**11,674**	**1,025**	**(1,759)**	**10,940**	**1,025**	**(100)**	**11,865**
Member priorities										
Economic development	**-**	-	-	**-**	-	-	**-**	-	-	**-**
Planning	**800**	-	-	**800**	-	-	**800**	-	-	**800**
Sustainable communities	**832**	-	(416)	**416**	-	(416)	**-**	-	-	**-**
Major sports facilities	**-**	-	-	**-**	-	-	**-**	-	-	**-**
Climate change	**41**	-	(41)	**-**	-	-	**-**	-	-	**-**
Voluntary sector	**35**	-	-	**35**	-	-	**35**	-	-	**35**
Total - Member priorities	**1,708**	**-**	**(457)**	**1,251**	**-**	**(416)**	**835**	**-**	**-**	**835**
Grants										
Homelessness	**83**	-	(83)	**-**	-	-	**-**	-	-	**-**
Health and wellbeing	**133**	-	-	**133**	-	-	**133**	-	-	**133**
Air quality	**-**	-	-	**-**	-	-	**-**	-	-	**-**
Public health	**68**	-	-	**68**	-	-	**68**	-	-	**68**
Total - Grants	**284**	**-**	**(83)**	**201**	**-**	**-**	**201**	**-**	**-**	**201**
Total reserves	**20,634**	**1,025**	**(1,508)**	**20,151**	**1,038**	**(2,175)**	**19,014**	**1,076**	**(100)**	**19,990**

Housing Revenue Account 5 Year Budget Model

57. The proposed Housing Revenue Account (HRA) budget for 2023/24 is set out at Appendix G. Using the assumptions above, a 5 year budget model has been developed to inform the Council's medium term financial management. This is summarised in the following table:

Housing Revenue Account 5 Year Budget Model	2022/23 Current Budget £'000	2023/24 Original Budget £'000	2024/25 Forecast £'000	2025/26 Forecast £'000	2026/27 Forecast £'000	2027/28 Forecast £'000
Service income						
Dwelling rents	(15,553)	(16,506)	(16,887)	(17,073)	(17,226)	(17,554)
Non-dwelling rents	(226)	(279)	(282)	(284)	(287)	(291)
Service charges and other income	(1,053)	(1,448)	(1,464)	(1,481)	(1,498)	(1,527)
Subtotal - Service income	**(16,832)**	**(18,233)**	**(18,633)**	**(18,838)**	**(19,011)**	**(19,372)**
Service expenditure						
Finance and business management	78	114	115	116	88	89
Maintenance and repairs service	4,071	4,822	4,864	4,913	4,963	5,052
Management and homelessness expenditure	977	1,054	1,073	1,092	1,111	1,140
Subtotal - Service expenditure	**5,126**	**5,990**	**6,052**	**6,121**	**6,162**	**6,281**
Other operating income and expenditure						
Depreciation	3,957	4,768	4,528	4,679	4,841	5,005
Borrowing costs	2,570	2,618	2,688	2,872	3,003	2,988
Net recharges from General Fund	1,747	1,967	1,993	2,019	2,047	2,092
Other	80	24	(1)	11	41	13
Subtotal - Other operating income and expenditure	**8,354**	**9,377**	**9,208**	**9,581**	**9,932**	**10,098**
Subtotal - Operating (surplus)/deficit	**(3,352)**	**(2,866)**	**(3,373)**	**(3,136)**	**(2,917)**	**(2,993)**
Capital financing	**3,590**	**2,758**	**2,739**	**3,122**	**3,050**	**3,050**
Transfers to/(from) earmarked reserves	**(238)**	**108**	**634**	**14**	**(133)**	**(57)**
(Surplus)/Deficit	-	-	-	-	-	-

58. The full 5 year budget model for the HRA is set out at Annexe C2.

Regulatory Impacts

59. In August 2022, the Council notified the Regulator of Social Housing of a potential breach of the Home Standard, in respect of its obligations under health and safety legislation and regulations.

60. As a result, the Council has engaged external consultants through the East of England Local Government Association (EELGA), to assist in putting into place a comprehensive remedial action plan. This work is ongoing.

61. In addition, significant changes to the Regulatory Framework for Social Housing are anticipated over the coming years, for example the introduction of mandatory reporting of Tenant Satisfaction Measures from 1 April 2023.

62. Currently, it is assumed that any new regulatory burdens which fall upon the Council as a result of either of these factors can be met from existing resources, except where specific new requirements have already been identified and costed at the time of preparing this budget. However, there is a risk that the actual cost to the HRA in 2023/24 and beyond could potentially be much higher than anticipated.

Housing Revenue Account Reserves

63. Over the course of the 5 year MTFS, HRA revenue reserves are anticipated to increase by £566,000, from a forecast balance of £1.652 million at 1 April 2023, to £2.218 million by 31 March 2028. Within this, usable reserves are forecast to increase by £559,000, from £1.091 million at 1 April 2023, to £1.650 million by 31 March 2028.

64. The table below sets out the forecast movements in HRA revenue reserves over the next 5 years:

HRA Revenue Reserves	Balance at 1 April 2022 £'000	Forecast Additions to Reserves 2022/23 £'000	Forecast Use of Reserves 2022/23 £'000	Forecast Balance at 31 March 2023 £'000	Budgeted Additions to Reserves 2023/24 £'000	Budgeted Use of Reserves 2023/24 £'000	Forecast Balance at 31 March 2024 £'000	Forecast Additions to Reserves 2024/25 £'000	Forecast Use of Reserves 2024/25 £'000	Forecast Balance at 31 March 2025 £'000
Ringfenced reserves										
Working balance	**471**	80	-	**551**	30	-	**581**	9	-	**590**
Subtotal - Ringfenced reserves	**471**	**80**	**-**	**551**	**30**	**-**	**581**	**9**	**-**	**590**
Usable reserves										
Revenue reserves	**292**	639	-	**931**	78	-	**1,009**	625	-	**1,634**
Revenue projects	**160**	-	-	**160**	-	-	**160**	-	-	**160**
Subtotal - Usable reserves	**452**	**639**	**-**	**1,091**	**78**	**-**	**1,169**	**625**	**-**	**1,794**
Earmarked for capital purposes										
Capital projects	**884**	-	(884)	**-**	-	-	**-**	-	-	**-**
Potential projects reserve	**10**	-	-	**10**	-	-	**10**	-	-	**10**
HRA capital slippage reserve	**1,484**	-	(1,484)	**-**	-	-	**-**	-	-	**-**
Subtotal - Earmarked for capital purposes	**2,378**	**-**	**(2,368)**	**10**	**-**	**-**	**10**	**-**	**-**	**10**
Total - HRA revenue reserves	**3,301**	**719**	**(2,368)**	**1,652**	**108**	**-**	**1,760**	**634**	**-**	**2,394**

HRA Revenue Reserves	Forecast Balance at 31 March 2025 £'000	Forecast Additions to Reserves 2025/26 £'000	Forecast Use of Reserves 2025/26 £'000	Forecast Balance at 31 March 2026 £'000	Forecast Additions to Reserves 2026/27 £'000	Forecast Use of Reserves 2026/27 £'000	Forecast Balance at 31 March 2027 £'000	Forecast Additions to Reserves 2027/28 £'000	Forecast Use of Reserves 2027/28 £'000	Forecast Balance at 31 March 2028 £'000
Ringfenced reserves										
Working balance	**590**	14	-	**604**	-	(57)	**547**	11	-	**558**
Subtotal - Ringfenced reserves	**590**	**14**	**-**	**604**	**-**	**(57)**	**547**	**11**	**-**	**558**
Usable reserves										
Revenue reserves	**1,634**	-	-	**1,634**	-	(76)	**1,558**	-	(68)	**1,490**
Revenue projects	**160**	-	-	**160**	-	-	**160**	-	-	**160**
Subtotal - Usable reserves	**1,794**	**-**	**-**	**1,794**	**-**	**(76)**	**1,718**	**-**	**(68)**	**1,650**
Earmarked for capital purposes										
Capital projects	**-**	-	-	**-**	-	-	**-**	-	-	**-**
Potential projects reserve	**10**	-	-	**10**	-	-	**10**	-	-	**10**
HRA capital slippage reserve	**-**	-	-	**-**	-	-	**-**	-	-	**-**
Subtotal - Earmarked for capital purposes	**10**	**-**	**-**	**10**	**-**	**-**	**10**	**-**	**-**	**10**
Total - HRA revenue reserves	**2,394**	**14**	**-**	**2,408**	**-**	**(133)**	**2,275**	**11**	**(68)**	**2,218**

65. Note that the above table assumes that any surpluses not required for the financing of capital expenditure are added to revenue reserves for use in future years, whilst any deficit in the HRA in any given year can be met from the same reserve. The movement on the ‘Revenue reserves’ line above, therefore, indicates the net overall surplus or deficit arising on the HRA in any given year, after capital financing and statutory reserve movements.

66. In particular, it can be seen above that there are relatively small net deficits arising in 2026/27 and 2027/28 of £76,000 and £68,000 respectively. Since for each year this represents less than 5% of the available revenue reserves at the start of the year, this is not considered to present a significant risk to the financial sustainability of the HRA at present. Following the update to the 30 Year Business Plan which is currently underway, this MTFS will be reviewed in February 2024 (or sooner should material changes be indicated), and an action plan put into place to address this budget gap should it be deemed necessary.

Capital Reserves

67. The Council holds a number of reserves which can only be used for capital purposes, due to statutory restrictions or grant conditions. These are set out in the table below:

Usable Capital Reserves	Balance at 1 April 2022 £'000	Forecast Additions to Reserves 2022/23 £'000	Forecast Use of Reserves 2022/23 £'000	Forecast Balance at 31 March 2023 £'000	Budgeted Additions to Reserves 2023/24 £'000	Budgeted Use of Reserves 2023/24 £'000	Forecast Balance at 31 March 2024 £'000	Forecast Additions to Reserves 2024/25 £'000	Forecast Use of Reserves 2024/25 £'000	Forecast Balance at 31 March 2025 £'000
General Fund capital reserves										
Capital grants unapplied	**1,193**	200	(218)	**1,175**	200	(560)	**815**	200	(365)	**650**
Capital receipts	**294**	69	(363)	**-**	165	(165)	**-**	280	-	**280**
Subtotal - General Fund capital reserves	**1,487**	**269**	**(581)**	**1,175**	**365**	**(725)**	**815**	**480**	**(365)**	**930**
HRA capital reserves										
Major repairs reserve	**1,031**	4,624	(4,807)	**848**	4,768	(5,101)	**515**	4,528	(5,043)	**-**
Capital grants unapplied	**-**	-	-	**-**	-	-	**-**	900	(900)	**-**
Capital receipts	**3,311**	1,765	(1,537)	**3,539**	1,034	(1,052)	**3,521**	2,034	(110)	**5,445**
Subtotal - HRA capital reserves	**4,342**	**6,389**	**(6,344)**	**4,387**	**5,802**	**(6,153)**	**4,036**	**7,462**	**(6,053)**	**5,445**
Total - Capital reserves	**5,829**	**6,658**	**(6,925)**	**5,562**	**6,167**	**(6,878)**	**4,851**	**7,942**	**(6,418)**	**6,375**

Usable Capital Reserves	Forecast Balance at 31 March 2025 £'000	Forecast Additions to Reserves 2025/26 £'000	Forecast Use of Reserves 2025/26 £'000	Forecast Balance at 31 March 2026 £'000	Forecast Additions to Reserves 2026/27 £'000	Forecast Use of Reserves 2026/27 £'000	Forecast Balance at 31 March 2027 £'000	Forecast Additions to Reserves 2027/28 £'000	Forecast Use of Reserves 2027/28 £'000	Forecast Balance at 31 March 2028 £'000
General Fund capital reserves										
Capital grants unapplied	**650**	200	(200)	**650**	200	(200)	**650**	200	(200)	**650**
Capital receipts	**280**	-	-	**280**	-	-	**280**	-	-	**280**
Subtotal - General Fund capital reserves	**930**	**200**	**(200)**	**930**	**200**	**(200)**	**930**	**200**	**(200)**	**930**
HRA capital reserves										
Major repairs reserve	**-**	4,679	(4,679)	**-**	4,841	(4,841)	**-**	5,005	(5,005)	**-**
Capital grants unapplied	**-**	2,100	(2,100)	**-**	-	-	**-**	-	-	**-**
Capital receipts	**5,445**	1,034	(750)	**5,729**	1,034	(750)	**6,013**	1,034	(750)	**6,297**
Subtotal - HRA capital reserves	**5,445**	**7,813**	**(7,529)**	**5,729**	**5,875**	**(5,591)**	**6,013**	**6,039**	**(5,755)**	**6,297**
Total - Capital reserves	**6,375**	**8,013**	**(7,729)**	**6,659**	**6,075**	**(5,791)**	**6,943**	**6,239**	**(5,955)**	**7,227**

Longer Term Financial Planning

68. In addition to the medium term factors set out in this report, the Council has also identified the following risks which may have a significant impact on its finances beyond 5 years:-

- Following adoption of the Local Plan there will be costs relating to implementing and reviewing the Plan. There is currently no provision within the Council's reserves for these costs.
- In 2031, the Council's leisure PFI will come to an end, and the leisure facilities will return to the Council. At this point they will be relatively old and potentially in need of refurbishment. In addition, the Council will need to decide whether to take over the running of the facilities itself, or to outsource to a third party provider. Either course of action may result in additional ongoing costs and risks.

List of Annexes

- Annexe C1 – General Fund Medium Term Financial Strategy 2023/24 – 2027/28
- Annexe C2 – Housing Revenue Account Medium Term Financial Strategy 2023/24 – 2027/28

General Fund Medium Term Financial Strategy 2023/24 – 2027/28 Annexe C1

General Fund Medium Term Financial Strategy 2023/24 - 2027/28	2022/23 Current Budget £'000	2023/24 Original Budget £'000	2024/25 Forecast £'000	2025/26 Forecast £'000	2026/27 Forecast £'000	2027/28 Forecast £'000
Net service expenditure						
Gross service expenditure	37,662	40,198	39,276	38,616	39,096	39,674
Gross service income	(20,139)	(20,947)	(21,037)	(21,230)	(20,976)	(21,384)
Demand growth	-	-	250	500	750	1,000
Cumulative Blueprint Uttlesford savings delivered in previous years	-	-	-	(500)	(1,500)	(2,600)
In-year net ongoing savings requirement	-	-	(500)	(1,000)	(1,100)	(1,186)
Subtotal - Net service expenditure	**17,523**	**19,251**	**17,989**	**16,386**	**16,270**	**15,504**
Investment property (based upon current portfolio)						
Investment property income (net of management costs)	(11,774)	(11,974)	(11,947)	(11,927)	(12,099)	(13,372)
Borrowing costs	2,835	8,410	8,439	7,854	7,747	7,638
Minimum revenue provision (MRP)	3,281	2,804	2,886	2,965	3,048	3,132
Subtotal - Investment property (based upon current portfolio)	**(5,658)**	**(760)**	**(622)**	**(1,108)**	**(1,304)**	**(2,602)**
Estimated impact of sale of commercial asset(s)	**-**	**-**	**(3,317)**	**(2,820)**	**(2,816)**	**(2,812)**
Corporate items						
Capital financing	4,136	2,441	1,462	1,429	1,453	1,477
Leisure PFI interest	348	334	319	303	285	266
Corporate pension costs (added years and deficit repair)	85	545	85	85	545	85
Treasury investment income	(7)	(337)	(332)	(293)	(293)	(293)
Net recharges to Housing Revenue Account (HRA)	(1,747)	(1,967)	(1,993)	(2,019)	(2,047)	(2,092)
Subtotal - Corporate items	**2,815**	**1,016**	**(459)**	**(495)**	**(57)**	**(557)**
External funding						
Retained business rates (including S31 grants)	(3,774)	(5,272)	(5,401)	(2,354)	(2,430)	(2,525)
Collection fund (surplus)/deficit	(559)	249	-	-	-	-
New Homes Bonus	(1,343)	(432)	(432)	-	-	-
Other government grants	(1,874)	(2,901)	(3,063)	(1,817)	(932)	(101)
Subtotal - External funding	**(7,550)**	**(8,356)**	**(8,896)**	**(4,171)**	**(3,362)**	**(2,626)**
Subtotal - Net operating expenditure	**7,130**	**11,151**	**4,695**	**7,792**	**8,731**	**6,907**
Transfers to/(from) earmarked reserves						
Ringfenced reserves	(1,308)	(1,232)	(376)	(364)	13	51
Core reserves	1,657	(1,867)	3,202	421	(734)	925
Member priority reserves	(1,075)	(1,137)	(411)	(457)	(416)	-
Grant reserves	-	(221)	(137)	(83)	-	-
Subtotal - Transfers to/(from) earmarked reserves	**(726)**	**(4,457)**	**2,278**	**(483)**	**(1,137)**	**976**
Total - Council tax requirement	**6,404**	**6,694**	**6,973**	**7,309**	**7,594**	**7,883**
Council tax	**(6,404)**	**(6,694)**	**(6,973)**	**(7,309)**	**(7,594)**	**(7,883)**
(Surplus)/deficit	**-**	**-**	**-**	**-**	**-**	**-**

HRA Medium Term Financial Strategy 2023/24 – 2027/28 Annexe C2

HRA Medium Term Financial Strategy 2023/24 - 2027/28	2022/23 Current Budget £'000	2023/24 Original Budget £'000	2024/25 Forecast £'000	2025/26 Forecast £'000	2026/27 Forecast £'000	2027/28 Forecast £'000
Service income						
Dwelling rents	(15,553)	(16,506)	(16,887)	(17,073)	(17,226)	(17,554)
Garage rents	(225)	(245)	(247)	(250)	(252)	(257)
Other rents	(1)	(34)	(35)	(34)	(35)	(34)
Charges for services and facilities	(987)	(1,448)	(1,464)	(1,481)	(1,498)	(1,527)
Contributions towards expenditure	(66)	-	-	-	-	-
Subtotal - Service income	**(16,832)**	**(18,233)**	**(18,633)**	**(18,838)**	**(19,011)**	**(19,372)**
Finance and business management expenditure						
Rents, rates and other property charges	78	114	115	116	88	89
Subtotal - Finance and business management	**78**	**114**	**115**	**116**	**88**	**89**
Maintenance and repairs service expenditure						
Common service flats	256	574	580	586	592	602
Estate maintenance	2	2	2	2	2	2
Housing sewerage	16	20	20	20	21	21
Newport Depot	5	10	10	10	10	10
Property services	49	256	252	255	258	263
Housing repairs (Norse)	3,743	3,960	4,000	4,040	4,080	4,154
Subtotal - Maintenance and repairs service expenditure	**4,071**	**4,822**	**4,864**	**4,913**	**4,963**	**5,052**
Management and homelessness expenditure						
Housing services	516	572	583	593	603	619
Sheltered housing services	461	482	490	499	508	521
Subtotal - Management and homelessness expenditure	**977**	**1,054**	**1,073**	**1,092**	**1,111**	**1,140**
Subtotal - Service expenditure	**5,126**	**5,990**	**6,052**	**6,121**	**6,162**	**6,281**
Other operating income and expenditure						
Bad debts	100	100	102	103	104	106
Depreciation	3,957	4,768	4,528	4,679	4,841	5,005
Borrowing costs	2,570	2,618	2,688	2,872	3,003	2,988
Treasury investment income	(10)	(95)	(93)	(82)	(82)	(83)
Corporate pension costs (added years and deficit repair)	-	29	-	-	29	-
Share of corporate and democratic core costs	360	403	408	413	419	428
Other recharges from General Fund	1,387	1,564	1,585	1,606	1,628	1,664
Right to buy administration allowance	(10)	(10)	(10)	(10)	(10)	(10)
Subtotal - Other operating income and expenditure	**8,354**	**9,377**	**9,208**	**9,581**	**9,932**	**10,098**
Subtotal - Operating (surplus)/deficit	**(3,352)**	**(2,866)**	**(3,373)**	**(3,136)**	**(2,917)**	**(2,993)**
Capital financing						
Financing of capital expenditure in year	3,590	2,758	2,739	3,122	50	50
Repayment of historic capital debt	-	-	-	-	3,000	3,000
Subtotal - Capital financing	**3,590**	**2,758**	**2,739**	**3,122**	**3,050**	**3,050**
Transfers to/(from) earmarked reserves						
Working balance	32	30	9	14	(57)	11
Revenue reserves	-	78	625	-	(76)	(68)
Capital projects	(270)	-	-	-	-	-
Subtotal - Transfers to/(from) earmarked reserves	**(238)**	**108**	**634**	**14**	**(133)**	**(57)**
(Surplus)/Deficit	-	-	-	-	-	-