

Uttlesford District Council

Medium Term Financial Strategy 2024 – 2029



February 2024



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 visit”

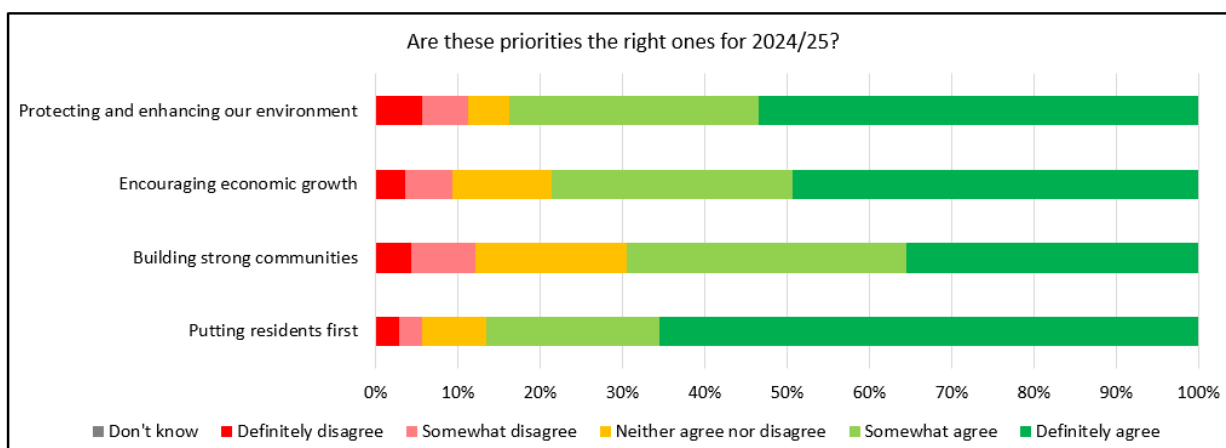
4. Under this overarching vision there are four strategic priorities, each with a set of specific actions, as follows:

Protecting and enhancing our environment	Encouraging economic growth
We will:- <ul style="list-style-type: none">- take action on climate change;- manage waste in a sustainable way;- conserve and enhance the quality and diversity of the district's natural habitats and wildlife; and- work with partners to deliver sustainable transport.	We will:- <ul style="list-style-type: none">- support the resilience and growth of the local economy; and- improve connectivity infrastructure
Building strong communities	Putting residents first
We will:- <ul style="list-style-type: none">- provide and maintain quality homes and invest in thriving communities;- plan for future housing needs in a sustainable way; and- tackle rural priorities	We will:- <ul style="list-style-type: none">- ensure financial sustainability;- use commercial assets to fund services;- enhance digital access and innovation across council services; and- further develop a skilled, motivated and diverse workforce.

Budget Consultation

5. A budget consultation was carried out between 25 September and 5 November 2023, seeking views on the Council's priorities for service delivery over the next financial year. The Council received a total of 147 responses, of which the vast majority (at least 89%) were from local residents.

6. As part of the consultation, respondents were asked whether the Corporate Plan priorities were the right ones for 2024/25. The responses received were as follows:

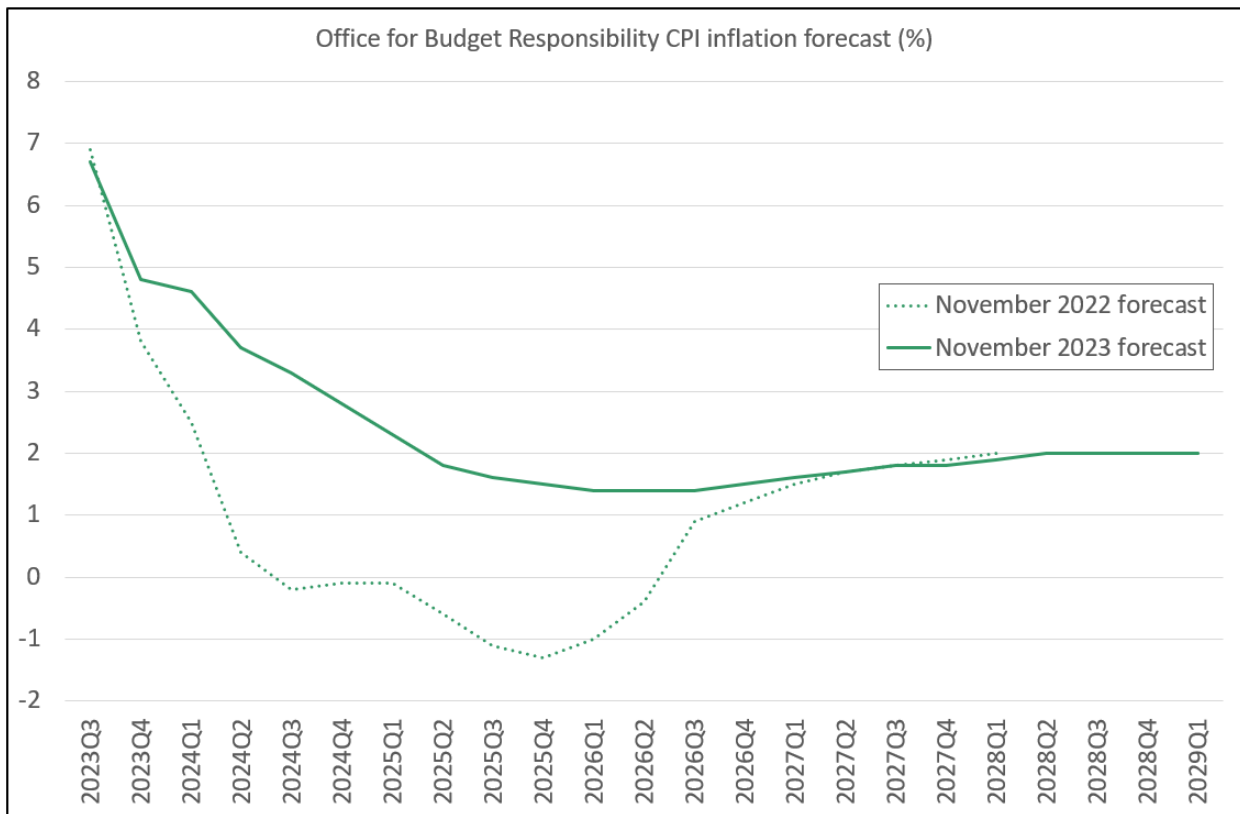


7. As shown above, overall the Corporate Plan priorities are supported by the consultation. For each individual priority, somewhere between 70% and 87% of respondents indicated that they 'definitely agree' or 'somewhat agree' that the priority is right. This supports the use of the Corporate Plan priorities to underpin the 2024/25 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 economy continues to be impacted by higher interest rates and inflation, an uncertain political climate due to an upcoming general election, and global factors such as war in Ukraine and the Middle East, all of which are contributing to a weakening economic outlook.
10. CPI inflation, whilst still significantly above the Bank of England's 2% target, has fallen sharply from its October 2022 peak of 11.1%, reaching 3.9% in November 2023 before rising slightly again to 4.0% in December 2023.
11. Figures from the Office for National Statistics (ONS) show that the UK economy contracted by 0.1% between July and September 2023, and the Bank of England forecasts low Gross Domestic Product (GDP) growth throughout 2024. Growth is predicted to remain weak over the medium term, constrained by ongoing higher interest rates.
12. The Office for Budget Responsibility (OBR) published its latest Economic and Fiscal Outlook in November 2023, which forecasts average CPI rates for the financial years 2025/26 to 2028/29 of 1.6%, 1.5%, 1.8% and 2.0% respectively. This represents a change from the same forecast this time last year, which showed a sharper fall throughout 2023 and the early part of 2024, with inflation dropping below 0% for a period of two years before rising back to the 2% target in 2028. The main reason for this change in view is that the economy has recovered more fully from the pandemic and weathered the energy price shock better than anticipated, which is likely to cause inflation to remain higher for longer.
13. Since the Council uses the OBR forecast to inform its future inflation assumptions, this has had a significant effect on the MTFS, contributing to £1.110 million of additional inflationary pressure on the General Fund budget by 2027/28, as set out later in this report. However, it should be noted that the impact is not as great as it may otherwise have been, due to the prudent decision made last year to apply a 1.0% floor to future inflation assumptions during periods when the OBR forecast fell below this.

14. The following chart shows the latest OBR forecast for CPI inflation, with a dotted line showing last year's forecast over the equivalent period for comparison:



15. In response to falling inflation, the Bank of England has held the official bank interest rate (base rate) at 5.25% at the last four meetings of the Monetary Policy Committee (MPC), although this follows 14 consecutive increases from 0.10% in December 2021 to 5.25% in August 2023. Many commentators now believe that the base rate has reached its peak, with the Council's external treasury management consultants (Arlingclose) forecasting the first reductions in the second half of 2024, and the rate gradually reducing in stages to 3.00% by the middle of 2026.
16. In the context of the above the squeeze on UK households continues. The OBR now estimate that living standards (based upon real disposable income) will be 3.5% lower in 2024/25 than their pre-pandemic level. Although this is half the fall previously anticipated, it still represents the largest reduction in real living standards since ONS records began in the 1950s.

Local Government Finance Settlement

17. The local government finance settlement for 2024/25 was published in provisional form on 18 December 2022. It broadly follows the same pattern as the 2023/24 settlement – however it should be noted that this is again a one year settlement with no clear indication yet as to the level of funding from 2025/26 onwards. The continuing use of single year settlements makes it almost impossible for local authorities to plan their resources over the medium term, and the sector will no doubt continue to lobby central government for a greater degree of funding certainty in the future, particularly following the forthcoming general election.

18. The key features of the 2024/25 settlement are as follows:-

- A guarantee that all authorities will receive at least a 4% increase in core spending power before any increases to council tax rates. (Note that this was originally 3% in line with 2023/24, but was increased to 4% in a ministerial statement on 24 January 2024.) The effect of this guarantee, together with other changes outlined in the settlement, is that the Council's core spending power (prior to council tax increases) is forecast to increase by £476,000. However, this must be seen in the context of identified annual inflationary pressures on the General Fund totalling £1.998 million in 2024/25.
- New Homes Bonus has been extended for one further year to cover 2024/25. The Council's allocation has increased by £128,000 – however this is already included in the £476,000 increase in core spending power above.
- Changes to other grants (Rural Services Delivery Grant, Services Grant and Revenue Support Grant) are small in net terms, and again already included within the £476,000 increase in core spending power above.
- District councils are permitted to increase band D council tax by the higher of 2.99% or £5.00 without a local referendum, in line with 2023/24. For this Council, the maximum increase is £5.13 (calculated as 2.99% of the 2023/24 amount of £171.61), bringing the 2024/25 figure to £176.74. Given the ongoing inflationary pressures explained above, the Council feels it has no choice but to apply the maximum increase next year.
- The standard business rates multiplier (representing the cost to businesses) will be increased for the first time since 2020/21, from 51.2p to 54.6p (based upon the September 2023 CPI figure of 6.7%). The small business multiplier will be frozen at 49.9p for the fourth consecutive year, and councils will once again receive compensation from the government for the income lost.

19. The final settlement was published on 5 February 2024, and this MTFs and the associated budget papers have been updated to reflect the final confirmed amounts to be received.

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.
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 the government many times.
22. Local government funding reform is a large piece of work which will require widespread consultation and is likely to generate a number of conflicting views. In addition, as more time passes, the work becomes yet more challenging as the existing funding landscape becomes deeper embedded, and gap between actual funding and relative needs continues to grow. It is therefore considered extremely unlikely that there will be any significant system changes for the 2025/26 settlement, particularly in light of the forthcoming general election. Nevertheless, a post-election government is likely to want to tackle this issue early on, so for the purposes of this MTFs it is assumed that funding reform and a business rates reset will take effect from 2026/27.
23. 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 £6.762 million of external funding annually, if and when these occur. This is a significant driver of the Council's

forecast future budget gap, and by extension the Blueprint Uttlesford transformation programme which has been developed to close it. However, it must be acknowledged that there remains significant uncertainty in this area, and there is a risk that the actual funding position will vary materially from the assumptions currently in use.

24. In particular, the MTFS currently assumes that any future funding reforms occur simultaneously alongside a full business rates reset in 2026/27, i.e. that the Council suffers the full effect of any funding reduction in one hit. In reality, it is likely that some form of transitional support will be put into place, which could involve significant one-off funding being awarded to the Council. This has not been included in the MTFS for two reasons. Firstly, there is no certainty as to how such funding would be calculated (or indeed whether it would be made available at all) and secondly, any such funding would be for a limited period of time only. At best, therefore, transitional funding would provide more time for the Council to achieve the necessary budget savings to operate at a lower level of ongoing funding – it would not remove entirely the need to make these savings.
25. In addition to the above, the government has not yet made any firm commitment on the future of the New Homes Bonus scheme after 2024/25. The Council will receive £560,000 of New Homes Bonus payments in 2024/25, so any changes to the scheme could have a significant impact. The government has announced its intention to explore a potential replacement scheme, therefore for the purposes of this MTFS it has been assumed that this funding stream continues at its 2024/25 levels over the medium term.

Commercial Strategy

26. 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.
27. 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.
28. 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.
29. 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 £268 million has been used or allocated.
 - c. Minimum revenue provision (MRP) will be applied on an annuity basis over the life of each asset. No MRP will be applied on an asset in the year in which it is scheduled to be sold, providing the receipt is used in its entirety to repay debt.
 - 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. 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.

- f. The Council will look to maintain the commercial asset portfolio at an investment level of no more than £268 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

30. 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 - 2024/25	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, specifically: - 2025/26: 1.6% - 2026/27: 1.5% - 2027/28: 1.8% - 2028/29: 2.0%	The decision to apply inflationary increases in 2024/25 only where specific pressures are identified was taken in recognition of the need to seek out efficiencies at a time of intense budgetary pressure, but does increase the risk of service overspends during the year. Future inflation assumptions are based upon the latest economic forecasts, which will include an element of inherent uncertainty. Actual inflation could be higher or lower than forecast, which could have a significant impact upon net service expenditure.
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 2024/25, 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.
Demand growth	None - service costs are based upon current best estimates.	Net service costs to increase by £500,000 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.	The allowance for future demand growth has been increased from last year's estimate of £250,000 per year based upon actual experience during the 2024/25 budget setting round. Nevertheless, there remains a significant degree of estimation involved in this area, and actual results could be higher or lower than anticipated due to future unforeseen events.
Utility costs	Set by reference to forecasts provided by the Council's external energy consultants, historic consumption figures and current energy prices.	General cost inflation as set out above.	Energy prices are extremely volatile, and the Council's current price fix ends in September 2024. Utility costs are also sensitive to consumption levels, for example a particularly cold winter could lead to higher heating costs.

Area of Estimate	Assumptions Used - 2024/25	Assumptions Used - Future Years	Risks and Sensitivities
Agency costs	Corporate Management budget includes £249,000 of agency (or external consultancy) costs in respect of current vacancies in hard to recruit areas (Planning and Legal), 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:- - 2025/26: £253,000 - 2026/27 : £257,000 - 2027/28: £12,000 - 2028/29: £13,000	Whilst the spend on agency staff has reduced from the previous year, recruitment in these areas remains challenging and there is always a risk of further vacancies arising. The significant drop in forecast spend from 2027/28 assumes that the Local Plan has been completed by then - any further delays are likely to increase the level of external resource required. Conversely, if the Council is successful in recruiting to vacancies quicker than anticipated, actual spend could be lower.
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).
Investment property income	Based upon known rental amounts.	Based upon known current rental amounts and future contractual rent reviews (using the above future CPI inflation assumptions where relevant).	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:- - General borrowing (up to 12 months), including refinancing of local authority debt: 5.00-5.50% (depending upon timing) - Refinancing of long-term HRA debt with the Public Works Loan Board (PWLB): 3.88% These rates are based upon those currently available on the relevant market, adjusted for future changes to rates as forecast by the Council's treasury advisors.	Assumed an average cost of borrowing for up to 12 months on the local authority market as follows:- - 2025/26: 4.44% - 2026/27: 3.44% - 2027/28-2028/29: 3.25% 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 long-term HRA debt (both new debt and refinancing) as follows:- - 2025/26: 3.68% - 2026/27-2028/29: 3.76% These rates are based upon concessionary HRA rates currently available from the PWLB, adjusted for future changes to gilt rates as forecast by the Council's treasury advisors.	The Council is forecast to have £120.8 million of borrowing on the short-term local authority market at 31 March 2024, which represents 38% 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 £120.8 million represents an additional cost of £302,000. 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 September 2026, after which point it has been assumed for the purpose of this MTFS that rates remain constant.

Area of Estimate	Assumptions Used - 2024/25	Assumptions Used - Future Years	Risks and Sensitivities
Capital financing and minimum revenue provision (MRP)	Based upon latest capital programme and expenditure forecasts, and forecast average cost of PWLB borrowing for the 2023/24 financial year. The Capital Programme is set out in full at Appendix F.	Based upon latest capital programme, and average cost of PWLB borrowing from the 2023/24 forecast average adjusted for future gilt 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	No contribution payable in 2024/25 as the last triennial contribution of £490,000 was paid in 2023/24, to cover the three years from 2023/24-2025/26.	No further costs in 2025/26 as the amount for this has 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	<p>Based upon the current ratings list, adjusted for forecast bad debt levels and future business rate appeals. Losses associated with appeals are forecast with the assistance of an expert external consultant.</p> <p>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.</p>	<p>As for 2024/25, but assuming further growth in gross business rates in the district of 1.2% per annum (in real terms), based upon historic experience.</p> <p>Assuming a full business rates reset in 2026/27, at which point all historic growth will be lost.</p>	Should the business rates reset be further delayed (or cancelled), this would have a significant beneficial effect on the Council from 2026/27 onwards, as the current model forecasts that the Council's share of business rates income will fall by £3.4 million in the year the reset is applied.
Core government grant funding	Based upon final local government finance settlement.	<p>As estimated by the Council's external funding consultants, assuming funding reforms and a full business rates reset take effect from 2026/27 onwards.</p> <p>Forecast transitional support funding has not been included in the MTFS, because it is not guaranteed, and in any case would only be temporary in nature.</p>	<p>Since the finance settlement only covers one year, there is significant risk (both upside and downside) from 2025/26 onwards.</p> <p>Any wider 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.</p>

Area of Estimate	Assumptions Used - 2024/25	Assumptions Used - Future Years	Risks and Sensitivities
New Homes Bonus	Based upon published provisional local government finance settlement.	Assuming that the Council receives the same amount in future years as in 2024/25, either through a further extension to the existing scheme, or through an equivalent replacement.	The government are yet to confirm their intentions in respect of New Homes Bonus beyond 2024/25. In 2024/25 the Council will receive £560,000, which may be at risk if the scheme is discontinued or materially changed.
Council tax	Set using most recent taxbase forecast and assuming a 2.99% increase in band D council tax (equivalent to £5.13 per band D property).	Gross taxbase continues to increase in line with average for the past 3 years. Band D council tax increases will be £5.00 each year (assuming the government returns to a 1.99% or £5.00 referendum limit from 2025/26 onwards). Collection rate will remain as currently forecast for 2024/25.	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. Actual collection rates may be higher or lower than forecast, necessitating adjustments to the taxbase in future years.
Preceptor shareback arrangement	Income of £374,000 based upon provisional forecast provided by Essex County Council, assuming collection rates remain as they currently are.	Assumed an additional 1 year of shareback contributions in 2025/26 (inflated to take into account projected council tax growth), as Essex County Council have indicated that the current arrangement which commenced in 2023/24 is likely to run for three years (pending evaluation). No further contributions have been assumed beyond this date at present.	The actual amount received in 2024/25 will depend upon council tax collection rates which may be higher or lower than assumed. For future years, the income is contingent upon Essex County Council and the other major preceptors continuing to support the arrangement, which given increasing budgetary pressures in all local authorities can by no means be guaranteed.
Sale of commercial asset or assets	No sales have been assumed in setting the 2024/25 budget as the timing and proceeds are too uncertain.	Not included in base five year budget model as timing and proceeds are uncertain, but deficit management plan assumes a future net medium term benefit based upon a reasonable timescale for completion by 1 April 2025, and sales proceeds based upon latest external valuations and current market conditions.	If the Council is not able to realise the forecast short-term benefits from the sale of commercial assets, for example if sales are delayed or the Council is unable to achieve a reasonable price in the current market, the Council will need to identify alternative savings in order to balance the budget over the medium term.

Area of Estimate	Assumptions Used - 2024/25	Assumptions Used - Future Years	Risks and Sensitivities
Dwelling rents	Set using information about current rents and a proposed 7.7% increase for 2024/25, with an allowance made for sales under the right-to-buy scheme, and voids.	Assuming an annual rent increase each year equivalent to the OBR forecast CPI level for September of the preceding year, adjusted for future forecast changes to stock levels (e.g. through new developments and right-to-buy sales).	<p>The current rent policy statement allows maximum annual rent increases of CPI + 1%, but this comes to an end in 2024/25 and no announcement has yet been made as to its replacement. For the purposes of this MTFS, CPI has been assumed - however in the past there have been periods where permitted increases have been lower than CPI, so actual rent levels could be higher or lower than forecast. In addition, the forecast CPI level is itself subject to significant inherent uncertainty.</p> <p>Rental income may also be affected by variations in stock levels (for example a higher than expected number of right-to-buy sales or delays to new developments).</p>
Housing maintenance and capital improvement expenditure	Based upon revenue contract costs and capital budget as agreed with Uttlesford Norse Services Ltd (UNSL)	The contract with UNSL will come to an end in March 2025. For 2025/26 onwards, it has been assumed that revenue and capital costs remain the same as under the current contract (adjusted for CPI inflation as above).	This is a significant contract (£9.938 million of combined revenue and capital spend in 2024/25), and there is a risk that replacement arrangements may be more expensive (or conversely cheaper), which could have a material impact on the medium term financial sustainability of the Housing Revenue Account.
Housing Revenue Account depreciation	<p>Estimated using the draft stock valuation figures as at 31 December 2023, adjusted for forecast stock movements between this date and 31 March 2024.</p> <p>Assuming a useful economic life of 60 years for the housing stock.</p>	Estimated based upon anticipated stock movements (new dwellings and right-to-buy sales), assuming that property valuations move in line with forecast CPI inflation as set out above.	<p>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).</p> <p>Changes to HRA depreciation will not alter the overall resources available to the HRA, but can change the balance between revenue and capital resources, with a higher depreciation charge resulting in more money being ringfenced for capital works.</p>

General Fund Savings Target and Blueprint Uttlesford

31. Last year's MTFS, published in February 2023, identified a need to reduce the General Fund budget by a net £6.598 million per year by 2027/28. This savings target formed the basis of the Council's Blueprint Uttlesford transformation programme.
32. Savings targets do not remain static, and it was always the intention to revisit this target on an annual basis, taking account of changes to key assumptions (for example the inflation assumptions set out earlier in this report), and additional unforeseen pressures and other changes of circumstance which may arise.

33. Following these changes, the overall savings target has increased by £763,000 to £7.361 million. This is as a result of a number of individual factors, many of which are outside of the Council's control, such as external economic conditions.
34. However, against this revised target, Blueprint Uttlesford has already delivered net recurring savings totalling £2.097 million. This means that the programme has delivered over a quarter of its four year financial target in its first year, leaving a remaining budget gap in 2027/28 (before future Blueprint Uttlesford savings) of £5.264 million.
35. The following table sets out a reconciliation between last year's savings target of £6.598 million, and the current updated target (after savings already realised) of £5.264 million:

General Fund Savings Target Reconciliation	£'000	£'000
2027/28 savings target per last year's MTFS		6,598
Increase in forecast service budgets		
Updates to inflation assumptions	1,110	
Additional unavoidable demand growth	989	
Service investment (e.g. member priority areas)	341	
Other adjustments to service budgets	16	
Subtotal - Increase in forecast service budgets		2,456
Increase in forecast net investment property income		(235)
Increase in forecast business rates income		(832)
Increase in forecast central government grant funding		(459)
Changes to other non-service income and expenditure forecasts		(167)
Revised 2027/28 savings target before savings		7,361
Blueprint Uttlesford initiatives realised to date		
- Year 1 initiatives	(1,224)	
- Early progress on future year initiatives	(873)	
Subtotal - Blueprint Uttlesford initiatives realised to date		(2,097)
2027/28 savings target per current MTFS		5,264

36. A summary of the Blueprint Uttlesford savings realised to date is set out in the table on the following page. Note that all savings are presented in 2027/28 figures for consistency with the table above, and the basis upon which savings targets were originally set.

Blueprint Uttlesford Savings Realised		£'000
Year 1 initiatives		
Review of car park charges		(534)
Review of external grant expenditure		(250)
Corporate Management Team review (phase 1)		(115)
Ending of membership of Local Highways Panel		(100)
Closure of Highways Ranger service (following withdrawal of external funding)		(86)
Service review - Revenues and Benefits (phase 1)		(66)
Service review - Saffron Walden Museum (phase 1)		(39)
Saving in utility and operating costs from old Great Dunmow depot site		(21)
Closure of Great Dunmow and Thaxted Community Information Centres		(13)
Subtotal - Year 1 initiatives		<u>(1,224)</u>
Early progress on future year initiatives		
Planning		(282)
Waste Services		(143)
Environmental Health and Licensing		(136)
Legal		(126)
Communities		(49)
Mailroom		(46)
Facilities		(43)
Revenues and Benefits (phase 2)		(21)
Homelessness		(17)
Other future year initiatives (individually <£10,000)		(10)
Subtotal - Early progress on future year initiatives		<u>(873)</u>
Total - Blueprint Uttlesford savings realised to date		<u><u>(2,097)</u></u>

General Fund Five Year Budget Model

37. After taking account of the changes to assumptions set out above, and Blueprint Uttlesford savings already realised, the updated five year budget model for the General Fund (before any future Blueprint Uttlesford savings) is set out on the following page:

General Fund Five Year Budget Model	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Current	Original	Forecast	Forecast	Forecast	Forecast
	Budget	Budget				
	£'000	£'000	£'000	£'000	£'000	£'000
Net service expenditure						
Gross service expenditure	40,221	41,790	40,195	40,518	41,321	42,048
Gross service income	(20,947)	(23,425)	(22,808)	(22,766)	(23,172)	(23,629)
Demand growth	-	-	500	1,000	1,500	2,000
Subtotal - Net service expenditure	19,274	18,365	17,887	18,752	19,649	20,419
One-off transformation costs	-	400	400	400	400	-
Investment property	(760)	1,812	75	(1,580)	(2,837)	(3,067)
Corporate items						
Capital financing	2,830	1,957	1,535	1,567	1,490	1,521
Net recharges to Housing Revenue Account (HRA)	(1,967)	(2,011)	(2,051)	(2,090)	(2,136)	(2,185)
Other corporate items	542	(42)	42	563	98	76
Subtotal - Corporate items	1,405	(96)	(474)	40	(548)	(588)
External funding						
Retained business rates (including S31 grants)	(5,272)	(6,158)	(6,607)	(3,184)	(3,357)	(3,542)
Collection fund (surplus)/deficit	249	(1,752)	-	-	-	-
Government grants	(3,333)	(3,614)	(3,929)	(560)	(560)	(560)
Subtotal - External funding	(8,356)	(11,524)	(10,536)	(3,744)	(3,917)	(4,102)
Subtotal - Net operating expenditure	11,563	8,957	7,352	13,868	12,747	12,662
Transfers to/(from) earmarked reserves	(4,869)	(1,901)	(121)	304	449	954
Total - Council tax requirement	6,694	7,056	7,231	14,172	13,196	13,616
Council tax	(6,694)	(7,056)	(7,343)	(7,635)	(7,932)	(8,233)
(Surplus)/deficit	-	-	(112)	6,537	5,264	5,383

38. Note that 2027/28 column has been highlighted in the table above as this represents the planned end of the Blueprint Uttlesford programme and the year upon which the programme's targets was based. It is assumed that a new action plan will be required in advance of 2028/29 in order to close any budget gap arising in subsequent years. However, as can be seen, there is positive news in that the financial pressure in the new fifth year of the MTFs (2028/29) is only marginally higher than that in 2027/28. This will be kept under review with each annual refresh of the MTFs, and further plans put into place accordingly should the gap continue to grow.
39. It should also be noted that the 2024/25 budget shows a balanced position as this is required by statute. However, in order to achieve this a drawdown of £1.141 million is required from the MTFs reserve in order to fund the deficit which would otherwise arise in the General Fund next year. For context, the current budgeted deficit to be funded from reserves in 2023/24 is £2.940 million, so the reduction in the deficit next year represents a significant step in the right direction, and reflects the progress already made by the Blueprint Uttlesford programme. Further details of the 2024/25 General Fund budget are set out at Appendix H.

Managing the Deficit

40. The Council's primary method of managing the General Fund deficit up to and including 2027/28 is through the Blueprint Uttlesford programme. Revised forecasts have been developed showing the level of savings which is likely to be achieved by the programme over the remaining three years, updated to reflect the impact of savings achieved early which will be credited against future year initiatives.

41. In addition, the Council is required to review its commercial asset portfolio on at least an annual basis, and to consider whether best value can be achieved in respect of any particular asset through its sale. The deficit management plan in last year's MTFS assumed that estimated net savings of £2.812 million per year could be delivered through the sale of one or more of the Council's commercial assets, through a reduction in both borrowing costs and minimum revenue provision (MRP) charges which would exceed the level of investment income lost. This annual review has now been incorporated into the Blueprint Uttlesford programme, and again potential savings refreshed based upon the latest economic assumptions.
42. The table below sets out the impact of the revised future savings forecasts on the General Fund deficit position over the five year period of the MTFS:

General Fund Savings Delivery Model	2025/26 Forecast £'000	2026/27 Forecast £'000	2027/28 Forecast £'000	2028/29 Forecast £'000
Forecast deficit per five year budget model (before interventions)	(112)	6,537	5,264	5,383
In-year net ongoing Blueprint Uttlesford savings to be delivered	(1,006)	(364)	(461)	-
Cumulative impact of Blueprint Uttlesford savings delivered in previous years	-	(1,006)	(1,370)	(1,831)
Estimated impact of sale of commercial asset(s)	(1,931)	(891)	(673)	(642)
Remaining budget gap/(surplus) - Transfer (to)/from MTFS reserve	(3,049)	4,276	2,760	2,910

43. As can be seen above, there now exists an unmet budget gap of £2.760 million in 2027/28 (and £2.910 million in 2028/29) which will not be tackled by existing Blueprint Uttlesford plans based upon the latest forecasts. This is in part due to the additional net pressures which have increased the savings requirement as set out in the table at paragraph 35, but also because changes to economic conditions have reduced the potential savings which could be made through the sale of commercial assets in the longer term. However, the size of the budget gap over the MTFS period is not a significant concern to the Council at this time, for two reasons.
44. Firstly, as set out at paragraphs 20-25 above, there remains significant uncertainty around future government funding. The budget gap above assumes a loss of external funding of £6.792 million per year from 2026/27, with no transitional support in place. In reality, although difficult to quantify, there is a high likelihood that some form of additional support will be provided, even if on a short term basis.
45. Secondly, even assuming that the above budget gaps can not be closed in time, the Council holds sufficient reserves to cover these over the whole five year MTFS period. This is an important indicator of the Council's medium term financial sustainability. Further detail of the planned use of reserves over the next five years is set out at paragraphs 59-62 below.
46. There is currently much focus nationally on the financial sustainability of local authorities, with many authorities unable to balance budgets even with the use of reserves, and therefore being forced to call for government assistance. The fact that this Council has sufficient reserves to cover at least the next five years, alongside a clear plan to reduce deficit levels, places it in a strong financial position relative to many of its peers.
47. However, it is important not to be complacent, and the position will be kept under close review over the coming year. It is hoped that, by the time next year's MTFS and budget is set, there will be more certainty around the future of local government funding, which will allow more detailed refinement of future savings plans if the situation so requires.
48. The most significant risk to the above plan is that the Council is unable to fully realise the short term benefits from the sale of commercial assets from 1 April 2025 (which would require sales to take place before this date). This may occur, for example, because market conditions are not conducive to sale at this time (noting that last year's MTFS assumed a sale by the end of 2023/24 which has already been delayed once). This activity alone is forecast to generate

£4.137 million for the Council over the five year MTFS period, and if these amounts cannot be realised in time then alternative savings will need to be found elsewhere.

49. Annex C1 sets out the detailed five year MTFS for the General Fund, after the forecast impact of future savings, and assuming that all remaining deficits are funded from the MTFS reserve. Further details of the impact on the Council's reserve levels are set out at paragraphs 59-62 below.

Scenario Planning

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

Scenario 1 – Changes to Funding Reforms

52. 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 2026/27. This could represent, for example, a scenario where the reforms are further delayed beyond 2028/29. 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.
53. The assumption made for this scenario is that business rates income continues to increase in line with inflation from 2026/27 onwards, with an additional allowance for growth in the business rates baseline of 1.2%, of which the Council retains half. Meanwhile, other core government grants (including New Homes Bonus) are assumed to increase in line with CPI inflation for the remainder of the five year MTFS period.
54. The impact of this on the five year budget model would be as follows:

Scenario 1 - Changes to Funding Reforms	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
(Surplus)/deficit per base five year budget model	-	(112)	6,537	5,264	5,383
Increase to retained business rates income	-	-	(3,568)	(3,565)	(3,561)
Increase to core government grants	-	-	(3,432)	(3,507)	(3,589)
Revised surplus under scenario 1	-	(112)	(463)	(1,808)	(1,767)

Scenario 2 – Sustained Higher Inflation and Interest Rates

55. Under this scenario, ongoing conflict in Ukraine and the Middle East lead to higher energy prices and supply side pressures, resulting in 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.

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

Scenario 2 Assumptions	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
CPI inflation	4.0%	3.5%	3.0%	2.5%	2.0%
Cost of borrowing from other local authorities	5.50-5.75%	4.94%	4.31%	4.25%	4.25%
Council tax % increase referendum limit	2.99%	2.99%	2.99%	2.99%	2.99%

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

Scenario 2 - Sustained Higher Inflation and Interest Rates	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
(Surplus)/deficit per base five year budget model	-	(112)	6,537	5,264	5,383
Impact of increased inflation on gross service expenditure	-	734	1,352	1,671	1,701
Impact of increased inflation on gross service income	-	(363)	(712)	(869)	(896)
Impact of increased inflation on investment property income	-	-	(32)	(279)	(343)
Impact of higher interest rates on borrowing costs	396	720	1,232	1,396	1,365
Impact of higher interest rates on treasury investment income	(18)	(39)	(68)	(78)	(78)
Impact of increased inflation on recharges to the HRA	-	(37)	(69)	(86)	(88)
Changes to external funding (where index linked)	-	(48)	(293)	(334)	(360)
Impact of higher council tax referendum limits	-	(11)	(29)	(55)	(88)
Other impacts of assumption changes	8	(3)	8	(9)	(26)
Revised deficit under scenario 2	386	841	7,926	6,621	6,570

58. The above scenarios 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 42 above remains the most likely estimate of the Council's financial performance over the medium term.

General Fund Reserves

59. 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 as follows:

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).
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.
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.
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, and to cover any loss of income in the unlikely event of unexpected voids or tenant arrears. As agreed by Full Council in August 2023, this reserve will also be used to fund borrowing costs associated with the new loans to Aspire during the interest free period.
Transformation	To fund one-off transitional costs in support of the Blueprint Uttlesford transformation programme (both capital and revenue), expected to be drawn down over the four years from 2024/25-2027/28.
Medium Term Financial Strategy (MTFS)	Unallocated reserves which are available to fund one-off deficits in the General Fund as the Council transitions to a lower cost base through the Blueprint Uttlesford programme.
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 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.
Climate change	Following the declaration of a climate emergency by the Council, £1 million was allocated to this reserve to support specific climate change actions.
Major sports facilities; Voluntary sector; Coronation celebration grants	To hold funds earmarked by the Council for specific grant programmes which have not yet been awarded or drawn down by recipients.
Grants	
Homelessness; Health and wellbeing; Air quality; Public health; Shared Prosperity Fund; Other	To hold any unspent balances from external grants which are ringfenced for specific activities (for example Homelessness Prevention Grants).

60. Over the course of the five year MTFS, total General Fund revenue reserves are anticipated to decrease by £7.212 million, from a forecast balance of £22.048 million at 1 April 2024 to £14.836 million by 31 March 2029. Within this, the MTFS reserve (representing the unallocated

reserve balance) is forecast to decrease by £8.012 million, from £8.157 million at 1 April 2024 to £145,000 by 31 March 2029. This is due to the planned use of this reserve to fund medium term budget deficits as set out at paragraphs 40-49 above, and in line with government expectations that local authorities should look to reduce large reserve balances over time.

61. Whilst the forecast residual balance on the MTFs reserve at 31 March 2029 is relatively low in the context of General Fund expenditure, it should be noted that this balance sits in addition to a prudent minimum working balance of £1.925 million. Should future forecasts show that this prudent minimum balance was likely to be breached, this would indicate a significant risk to the medium term financial sustainability of the General Fund – however this is not the case at present. As set out at paragraphs 40-49 above, there remains significant uncertainty around future government funding of local authorities, and the forecast reserve position will be kept under close review and refreshed again next year when there may be more certainty. In the meantime, the Council is able to demonstrate its medium term financial sustainability through the use of reserve balances to balance the budget over the following five year period.
62. The tables below show the forecast position on each of the General Fund reserves over the five year MTFs period, assuming the delivery of future savings (including from the sale of commercial assets) as set out at paragraph 42 above.

General Fund Revenue Reserves	Balance at 1 April 2023	Forecast additions to reserves 2023/24	Forecast use of reserves 2023/24	Forecast transfers 2023/24	Forecast balance at 31 March 2024	Budgeted additions to reserves 2024/25	Budgeted use of reserves 2024/25	Forecast balance at 31 March 2025
	£'000	£'000		£'000	£'000	£'000	£'000	£'000
Ringfenced reserves								
Business rates	5,724	-	(238)	(5,000)	486	1,736	-	2,222
Capital slippage	921	-	(798)	(7)	116	-	(116)	-
Licensing	63	26	-	-	89	7	-	96
Leisure/Private Finance Initiative	1,102	-	(295)	-	807	-	(100)	707
Working balance	1,666	178	-	-	1,844	65	-	1,909
Total - Ringfenced reserves	9,476	204	(1,331)	(5,007)	3,342	1,808	(216)	4,934
Core reserves								
Commercial assets	4,000	1,000	(107)	-	4,893	1,000	(869)	5,024
Transformation	1,000	-	-	1,000	2,000	-	(800)	1,200
Medium Term Financial Strategy	5,903	-	(1,754)	4,008	8,157	25	(1,141)	7,041
Total - Core reserves	10,903	1,000	(1,861)	5,008	15,050	1,025	(2,810)	13,265
Member priorities								
Economic development	670	-	(486)	-	184	-	(184)	-
Planning	733	-	(19)	-	714	-	(21)	693
Sustainable communities	1,464	-	(214)	-	1,250	-	(742)	508
Climate change	842	-	(290)	-	552	-	(388)	164
Major sports facilities	255	-	(255)	-	-	-	-	-
Voluntary sector	40	-	(5)	-	35	-	(35)	-
Coronation celebration grants	32	-	(32)	-	-	-	-	-
Cost of living support fund	-	135	-	-	135	-	(135)	-
Total - Member priorities	4,036	135	(1,301)	-	2,870	-	(1,505)	1,365
Grants								
Homelessness	273	64	-	-	337	-	(104)	233
Health and wellbeing	205	-	(11)	-	194	-	(24)	170
Air quality	120	-	(120)	-	-	-	-	-
Public health	123	131	(47)	-	207	-	(76)	131
Shared Prosperity Fund	40	-	(39)	(1)	-	-	-	-
Other	31	37	(20)	-	48	3	(2)	49
Total - Grants	792	232	(237)	(1)	786	3	(206)	583
Total General Fund revenue reserves	25,207	1,571	(4,730)	-	22,048	2,836	(4,737)	20,147

General Fund Revenue Reserves	Forecast balance at 1 April 2025 £'000	Budgeted additions to reserves 2025/26 £'000	Budgeted use of reserves 2025/26 £'000	Forecast balance at 31 March 2026 £'000	Budgeted additions to reserves 2026/27 £'000	Budgeted use of reserves 2026/27 £'000	Forecast balance at 31 March 2027 £'000
Ringfenced reserves							
Business rates	2,222	-	-	2,222	-	-	2,222
Capital slippage	-	-	-	-	-	-	-
Licensing	96	2	-	98	3	-	101
Leisure/Private Finance Initiative	707	-	(100)	607	-	(100)	507
Working balance	1,909	-	(26)	1,883	-	(21)	1,862
Total - Ringfenced reserves	4,934	2	(126)	4,810	3	(121)	4,692
Core reserves							
Commercial assets	5,024	1,000	-	6,024	1,000	-	7,024
Transformation	1,200	-	(400)	800	-	(400)	400
Medium Term Financial Strategy	7,041	3,075	-	10,116	25	(4,277)	5,864
Total - Core reserves	13,265	4,075	(400)	16,940	1,025	(4,677)	13,288
Member priorities							
Economic development	-	-	-	-	-	-	-
Planning	693	-	(15)	678	-	(15)	663
Sustainable communities	508	-	(333)	175	-	(68)	107
Climate change	164	-	(164)	-	-	-	-
Major sports facilities	-	-	-	-	-	-	-
Voluntary sector	-	-	-	-	-	-	-
Coronation celebration grants	-	-	-	-	-	-	-
Cost of living support fund	-	-	-	-	-	-	-
Total - Member priorities	1,365	-	(512)	853	-	(83)	770
Grants							
Homelessness	233	-	(112)	121	-	(120)	1
Health and wellbeing	170	-	-	170	-	-	170
Air quality	-	-	-	-	-	-	-
Public health	131	-	-	131	-	-	131
Shared Prosperity Fund	-	-	-	-	-	-	-
Other	49	3	(2)	50	3	(2)	51
Total - Grants	583	3	(114)	472	3	(122)	353
Total General Fund revenue reserves	20,147	4,080	(1,152)	23,075	1,031	(5,003)	19,103

General Fund Revenue Reserves	Forecast balance at 1 April 2027 £'000	Budgeted additions to reserves 2027/28 £'000	Budgeted use of reserves 2027/28 £'000	Forecast balance at 31 March 2028 £'000	Budgeted additions to reserves 2028/29 £'000	Budgeted use of reserves 2028/29 £'000	Forecast balance at 31 March 2029 £'000
Ringfenced reserves							
Business rates	2,222	-	-	2,222	-	-	2,222
Capital slippage	-	-	-	-	-	-	-
Licensing	101	3	-	104	3	-	107
Leisure/Private Finance Initiative	507	-	(100)	407	-	(100)	307
Working balance	1,862	-	35	1,897	-	28	1,925
Total - Ringfenced reserves	4,692	3	(65)	4,630	3	(72)	4,561
Core reserves							
Commercial assets	7,024	1,000	-	8,024	1,000	-	9,024
Transformation	400	-	(400)	-	-	-	-
Medium Term Financial Strategy	5,864	25	(2,859)	3,030	25	(2,910)	145
Total - Core reserves	13,288	1,025	(3,259)	11,054	1,025	(2,910)	9,169
Member priorities							
Economic development	-	-	-	-	-	-	-
Planning	663	-	(15)	648	-	(3)	645
Sustainable communities	107	-	-	107	-	-	107
Climate change	-	-	-	-	-	-	-
Major sports facilities	-	-	-	-	-	-	-
Voluntary sector	-	-	-	-	-	-	-
Coronation celebration grants	-	-	-	-	-	-	-
Cost of living support fund	-	-	-	-	-	-	-
Total - Member priorities	770	-	(15)	755	-	(3)	752
Grants							
Homelessness	1	-	(1)	-	-	-	-
Health and wellbeing	170	-	-	170	-	-	170
Air quality	-	-	-	-	-	-	-
Public health	131	-	-	131	-	-	131
Shared Prosperity Fund	-	-	-	-	-	-	-
Other	51	3	(2)	52	3	(2)	53
Total - Grants	353	3	(3)	353	3	(2)	354
Total General Fund revenue reserves	19,103	1,031	(3,342)	16,792	1,031	(2,987)	14,836

Housing Revenue Account 5 Year Budget Model

63. The proposed Housing Revenue Account (HRA) budget for 2024/25 is set out at Appendix G. Using the assumptions set out at paragraph 30 above, a five year budget model has been developed to inform the Council's medium term financial management. This is summarised in the table on the following page:

Housing Revenue Account 5 Year Budget Model	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Current	Original	Forecast	Forecast	Forecast	Forecast
	Budget	Budget				
	£'000	£'000	£'000	£'000	£'000	£'000
Service income						
Dwelling rents	(16,506)	(18,067)	(18,668)	(19,227)	(19,497)	(19,830)
Non-dwelling rents	(279)	(286)	(290)	(293)	(298)	(304)
Service charges and other income	(1,448)	(1,328)	(1,349)	(1,370)	(1,394)	(1,422)
Subtotal - Service income	(18,233)	(19,681)	(20,307)	(20,890)	(21,189)	(21,556)
Service expenditure						
Finance and business management	114	185	190	137	141	144
Maintenance and repairs service	4,822	5,778	5,442	5,527	5,631	5,748
Management and homelessness expenditure	1,054	1,218	1,238	1,266	1,297	1,333
Additional one-off HRA revenue costs agreed in 2023/24	1,000	-	-	-	-	-
One-off transformation costs	-	750	250	-	-	-
Subtotal - Service expenditure	6,990	7,931	7,120	6,930	7,069	7,225
Other operating income and expenditure						
Depreciation	4,768	4,242	4,303	4,365	4,436	4,517
Borrowing costs	2,618	2,639	2,780	2,803	2,750	2,695
Net recharges from General Fund	1,967	2,011	2,051	2,090	2,135	2,186
Other	24	(24)	4	58	35	36
Subtotal - Other operating income and expenditure	9,377	8,868	9,138	9,316	9,356	9,434
Subtotal - Operating (surplus)/deficit	(1,866)	(2,882)	(4,049)	(4,644)	(4,764)	(4,897)
Capital financing	2,421	2,960	3,762	4,509	4,409	4,440
Transfers to/(from) earmarked reserves	(555)	(78)	287	135	355	457
(Surplus)/Deficit	-	-	-	-	-	-

64. The above table demonstrates that the HRA is able to deliver a balanced budget for the duration of the five year MTF5 period. In order to achieve this, the following changes are proposed to the previously agreed plans for financing future capital expenditure:

- new borrowing of £3 million in 2025/26; and
- a reduction in the planned rate of repayment of historic capital debt from 2026/27 onwards, from £3 million per year to £2 million per year (which will necessitate refinancing of £1 million per year of historic PWLB debt).

65. These proposals will allow the HRA capital programme to remain on track, whilst still delivering small revenue surpluses to the HRA in the years 2025/26-2028/29, thus demonstrating that the relatively low level of additional borrowing is sustainable.

66. The full 5 year budget model for the HRA is set out at Annex C2.

Uttlesford Norse Services Ltd (UNSL)

67. Since 2020, housing maintenance and capital improvement works have been carried out by Uttlesford Norse Services Ltd (UNSL), a joint venture arrangement between the Council and Norse Commercial Services Ltd. This is the Council's largest single contract, with total budgeted combined revenue and capital spend in 2024/25 of £9.938 million. The contract contains a natural break point at March 2025, with an option to extend with the agreement of both parties.

68. On 9 January 2024, Cabinet took the decision not to extend this contract due to the performance of UNSL, and notice has been served that the arrangement will end in March 2025. The Council will therefore need to put into place alternative arrangements for the delivery of these services following the end of the contract, and work is ongoing in this area.

69. For the purposes of this MTFS, it has been assumed that future spend in these areas will continue in line with the current spend with UNSL (adjusted for inflationary assumptions as set out at paragraph 30 above). However, clearly there is a risk that the new arrangements may cost more (or conversely less), which could have a significant impact on HRA surpluses and reserve balances in the medium term.

70. In terms of transitional costs, the following provisions have been made:

- one-off spend of £426,000 in 2024/25 on specific additional agency and consultancy costs, including (but not limited to) additional support for exiting the UNSL contract and setting up replacement arrangements; and
- a transformation reserve of £1 million which will be set aside to fund as yet unknown transitional costs which may arise, for example linked to the transfer of staff under TUPE arrangements.

71. In addition, the MTFS assumes ongoing spend of £402,000 per year (subject to usual inflation) on the expansion of the Council's housing repairs contract management function, in order to ensure sound management of whatever future arrangements are put into place.

72. The Council can therefore be confident that there is sufficient resource available to ensure an orderly transition to the new arrangements over the coming years. The main residual risk, as set out above, is that the final cost of the new arrangements will exceed current forecasts – this will be revisited as part of next year's MTFS when there is more certainty around the nature and cost of future arrangements.

Housing Revenue Account Reserves

73. As at 1 April 2023, unallocated revenue reserves in the HRA stood at £201,000. It was recognised that this balance is low in the context of the size of the HRA (equivalent to just over 1 weeks' gross service expenditure), and this year's MTFS makes provision to increase this balance over the five year period to a more prudent and sustainable level of £2.162 million.

74. The tables below set out the forecast movements on HRA revenue reserves over the five year MTFS period:

Housing Revenue Account Revenue Reserves	Balance at 1 April 2023	Forecast Additions to Reserves 2023/24	Forecast Use of Reserves 2023/24	Forecast Balance at 31 March 2024	Budgeted Additions to Reserves 2024/25	Budgeted Use of Reserves 2024/25	Forecast Balance at 31 March 2025
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Ringfenced reserves							
Working balance	549	45	-	594	61	-	655
Subtotal - Ringfenced reserves	549	45	-	594	61	-	655
Usable reserves							
Revenue reserves	201	299	-	500	193	-	693
Transformation	160	420	-	580	420	(750)	250
Subtotal - Usable reserves	361	719	-	1,080	613	(750)	943
Earmarked for capital purposes							
Potential projects reserve	10	-	-	10	-	-	10
HRA capital slippage reserve	858	-	(856)	2	-	(2)	-
Subtotal - Earmarked for capital purposes	868	-	(856)	12	-	(2)	10
Total - HRA revenue reserves	1,778	764	(856)	1,686	674	(752)	1,608

Housing Revenue Account Revenue Reserves	Forecast Balance at 1 April 2025	Forecast Additions to Reserves 2025/26	Forecast Use of Reserves 2025/26	Forecast Balance at 31 March 2026	Forecast Additions to Reserves 2026/27	Forecast Use of Reserves 2026/27	Forecast Balance at 31 March 2027
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Ringfenced reserves							
Working balance	655	12	-	667	-	(17)	650
Subtotal - Ringfenced reserves	655	12	-	667	-	(17)	650
Usable reserves							
Revenue reserves	693	525	-	1,218	152	-	1,370
Transformation	250	-	(250)	-	-	-	-
Subtotal - Usable reserves	943	525	(250)	1,218	152	-	1,370
Earmarked for capital purposes							
Potential projects reserve	10	-	-	10	-	-	10
HRA capital slippage reserve	-	-	-	-	-	-	-
Subtotal - Earmarked for capital purposes	10	-	-	10	-	-	10
Total - HRA revenue reserves	1,608	537	(250)	1,895	152	(17)	2,030

Housing Revenue Account Revenue Reserves	Forecast Balance at 1 April 2027	Forecast Additions to Reserves 2027/28	Forecast Use of Reserves 2027/28	Forecast Balance at 31 March 2028	Forecast Additions to Reserves 2028/29	Forecast Use of Reserves 2028/29	Forecast Balance at 31 March 2029
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Ringfenced reserves							
Working balance	650	8	-	658	12	-	670
Subtotal - Ringfenced reserves	650	8	-	658	12	-	670
Usable reserves							
Revenue reserves	1,370	347	-	1,717	445	-	2,162
Transformation	-	-	-	-	-	-	-
Subtotal - Usable reserves	1,370	347	-	1,717	445	-	2,162
Earmarked for capital purposes							
Potential projects reserve	10	-	-	10	-	-	10
HRA capital slippage reserve	-	-	-	-	-	-	-
Subtotal - Earmarked for capital purposes	10	-	-	10	-	-	10
Total - HRA revenue reserves	2,030	355	-	2,385	457	-	2,842

75. Note that the above assumes that any surpluses not required for the financing of capital expenditure are added to revenue reserves. The movement on the 'Revenue reserves' line above, therefore, indicates the net overall surplus arising on the HRA in any given year, after capital financing and statutory reserve movements. The table shows a modest planned net surplus (after other reserve movements) in each year of the MTFS period, which results in the overall increase in revenue reserves described above.

Capital Reserves

76. 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 tables below:

Usable Capital Reserves	Balance at 1 April 2023	Forecast Additions to Reserves 2023/24	Forecast Use of Reserves 2023/24	Forecast Balance at 31 March 2024	Budgeted Additions to Reserves 2024/25	Budgeted Use of Reserves 2024/25	Forecast Balance at 31 March 2025
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund capital reserves							
Capital grants unapplied	1,487	870	(1,500)	857	961	(1,424)	394
Capital receipts	58	1,775	(563)	1,270	383	(383)	1,270
Subtotal - General Fund capital reserves	1,545	2,645	(2,063)	2,127	1,344	(1,807)	1,664
HRA capital reserves							
Major repairs reserve	1,183	4,547	(4,549)	1,181	4,242	(5,423)	-
Capital grants unapplied	-	-	-	-	900	(900)	-
Capital receipts	4,291	1,862	(1,254)	4,899	3,235	(1,132)	7,002
Subtotal - HRA capital reserves	5,474	6,409	(5,803)	6,080	8,377	(7,455)	7,002
Total - Capital reserves	7,019	9,054	(7,866)	8,207	9,721	(9,262)	8,666

Usable Capital Reserves	Forecast Balance at 1 April 2025	Forecast Additions to Reserves 2025/26	Forecast Use of Reserves 2025/26	Forecast Balance at 31 March 2026	Forecast Additions to Reserves 2026/27	Forecast Use of Reserves 2026/27	Forecast Balance at 31 March 2027
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund capital reserves							
Capital grants unapplied	394	235	(235)	394	235	(235)	394
Capital receipts	1,270	400	(400)	1,270	418	(418)	1,270
Subtotal - General Fund capital reserves	1,664	635	(635)	1,664	653	(653)	1,664
HRA capital reserves							
Major repairs reserve	-	4,303	(4,303)	-	4,365	(4,365)	-
Capital grants unapplied	-	2,100	(2,100)	-	-	-	-
Capital receipts	7,002	2,234	(800)	8,436	2,235	(800)	9,871
Subtotal - HRA capital reserves	7,002	8,637	(7,203)	8,436	6,600	(5,165)	9,871
Total - Capital reserves	8,666	9,272	(7,838)	10,100	7,253	(5,818)	11,535

Usable Capital Reserves	Forecast Balance at 1 April 2027	Forecast Additions to Reserves 2027/28	Forecast Use of Reserves 2027/28	Forecast Balance at 31 March 2028	Forecast Additions to Reserves 2028/29	Forecast Use of Reserves 2028/29	Forecast Balance at 31 March 2029
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund capital reserves							
Capital grants unapplied	394	235	(235)	394	235	(235)	394
Capital receipts	1,270	437	(437)	1,270	456	(456)	1,270
Subtotal - General Fund capital reserves	1,664	672	(672)	1,664	691	(691)	1,664
HRA capital reserves							
Major repairs reserve	-	4,436	(4,436)	-	4,517	(4,517)	-
Capital grants unapplied	-	-	-	-	-	-	-
Capital receipts	9,871	2,234	(800)	11,305	2,235	(800)	12,740
Subtotal - HRA capital reserves	9,871	6,670	(5,236)	11,305	6,752	(5,317)	12,740
Total - Capital reserves	11,535	7,342	(5,908)	12,969	7,443	(6,008)	14,404

77. The HRA capital receipts forecast above is based upon an assumption of an average of 12 right-to-buy sales per year from 2024/25 onwards. The table shows the level of resource this would generate, but current development plans are insufficient to utilise all of this resource, which presents a risk that some funds would need to be returned to central government if they cannot be applied within the relevant time limits. As set out in the Capital Programme (Appendix F), there is a need to undertake a wider review of HRA capital development and financing plans alongside development of the new 30 Year Business Plan, and this will include consideration of the best way to utilise these receipts going forward.

Longer Term Financial Planning

78. In addition to the medium term factors set out in this report, the Council is also required to consider risks which may have a significant impact on its finances beyond the five year MTFS period. The only such risk identified this year relates to the Council's leisure PFI (Private Finance Initiative) arrangement. In 2031 this arrangement 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

