

## Medium-Term Financial Forecast (MTFF) 2024/25 to 2028/29

*Updated January 2024*

### 1. Background

- 1.1 The preparation of a Medium-Term Financial Forecast (MTFF) provides the cornerstone on which the Council can build and deliver services in accordance with the aims and objectives outlined in the Corporate Plan 2023-2026 (“A City fit for the Future”), which is focussed on six priority themes:
- Respond to the climate emergency
  - Deliver modern services for a modern city
  - Improve health, wellbeing, and happiness
  - Deliver homes for those most in need
  - Grow our economy so everyone benefits; and
  - Celebrate our city, heritage, and culture.
- 1.2 Through ‘horizon scanning’ and anticipating necessary change at the earliest opportunity, providing resilience, and the ability to react to and withstand ‘major shocks’ is achieved.

### 2. Introduction

- 2.1 The MTFF is a forward-looking document that provides a tentative look at the Council’s General Fund and HRA financial picture over the next five years (2024/25 through to 2028/29) and re-evaluates the position in the light of the development and completion of the draft 2024/25 budgets.
- 2.2 This is the second iteration of the General Fund element of MTFF within the 2024/25 budget cycle following the *Indicative* version prepared in October 2023, which effectively reset the MTFF to reflect changed circumstances, especially in the light of progress against savings assumptions included in the 2023/24 budget and in response to feedback on the presentation of previous iterations.
- 2.3 The HRA element of the MTFF presented here updates the previous iteration adopted by the Cabinet in January 2023.

### 3. Updated General Fund MTFF 2024/25 to 2028/29

- 3.1 The *Indicative* October 2023 MTFF revealed a projected General Fund deficit of £1.446 million for 2024/25, which reflected a range of inflationary pressures, the inclusion of emerging intelligence on the Local Government Finance Settlement, the removal of previously assumed savings targets and updated longer-term capital financing assumptions. Estimated net expenditure was £26.320 million, compared to funding of just £24.874 million.

- 3.2 Members should note that, although the *Indicative* October 2023 General Fund MTFF provided an essential building block in the development of the 2024/25 budget, it was prepared prior to the announcement of the *provisional* 2024/25 Local Government Finance Settlement, before the 2023/24 Pay Settlement had been agreed, and during the early stages of the detailed budget preparation process. The October 2023 MTFF projections can be summarised as follows:

<b>General Fund Indicative MTFF (@ October 2023)</b>		
<b>Financial Year</b>	<b>(Surplus)/Deficit</b>	<b>Comment</b>
	<b>£000's</b>	
2024/25	1,446	Assumed Local Government Finance Settlement of "Core Spending Power +3.0%", 2023/24 Pay Settlement of 4.0%, Net Contributions <i>from</i> Reserves of £0.121 million. No Savings assumed. General Fund Capital Programme extended to five-years (to align with MTFF) with indicative revenue consequences of likely 'rolling capital investment' requirements added.
2025/26	2,327	Stepped increase in Deficit – to a large extent – reflecting likely increase in Capital Financing Costs (up £2.311 million in 2025/26).
2026/27	1,566	
2027/28	1,271	
2028/29	897	

- 3.3 A Pay Settlement for 2023/24 (a fixed sum of £1,925 for all pay grades) has now been reached and the provisional Local Government Finance Settlement for 2024/25 was announced by the Government in December 2023 and further – more detailed – work has been completed by Finance officers on a range of issues (discussed in detail in **Appendix A**). The budget development process has been further aided by extensive engagement across the Council's political spectrum. A balanced budget is therefore presented for consideration by Cabinet at this meeting.

## Appendix C

3.4 The updated MTFF (2024/25 through to 2028/29), reflecting the final draft General Fund budget for 2024/25, is illustrated in the table below.

<b>2024/25 Budget: GENERAL FUND (Base Budget only)</b>						
	<b>Opening Budget (2023/24)</b>	<b>Estimated Budget Requirement 2024/25</b>	<b>Estimated Budget Requirement 2025/26</b>	<b>Estimated Budget Requirement 2026/27</b>	<b>Estimated Budget Requirement 2027/28</b>	<b>Estimated Budget Requirement 2028/29</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Employees	29,505	31,462	32,298	32,897	34,065	35,256
Premises	9,493	11,445	11,113	10,026	10,577	10,788
Transport	2,064	2,117	2,006	2,046	2,087	2,129
Supplies & Services	9,594	9,466	9,427	9,719	9,913	10,112
Third Party Payments	5,909	7,381	7,529	7,679	7,833	7,989
Transfer Payments	32,966	40,001	40,001	40,001	40,001	40,001
Capital Financing Costs	10,659	13,177	15,488	16,083	16,025	16,134
<b>Gross Expenditure</b>	<b>100,190</b>	<b>115,049</b>	<b>117,862</b>	<b>118,452</b>	<b>120,501</b>	<b>122,410</b>
Government Grant	(32,375)	(36,454)	(36,454)	(36,454)	(36,454)	(36,454)
Other Grants & Contributions	(5,896)	(4,604)	(4,804)	(5,004)	(5,004)	(5,004)
Customer & Client Receipts	(27,112)	(35,932)	(36,445)	(37,397)	(37,640)	(37,885)
Income-Interest	(6,943)	(9,956)	(9,956)	(9,956)	(9,956)	(9,956)
Inter-Account Transfers	550	550	550	550	550	550
HRA/NEPP Recharges	(3,679)	(3,694)	(3,694)	(3,694)	(3,694)	(3,694)
<b>Net Expenditure</b>	<b>24,735</b>	<b>24,959</b>	<b>27,059</b>	<b>26,497</b>	<b>28,303</b>	<b>29,967</b>
<b>Funding:</b>						
Council Tax	(13,936)	(14,411)	(15,249)	(15,859)	(16,494)	(17,154)
Business Rates	(6,456)	(6,975)	(7,111)	(7,249)	(7,390)	(7,534)
Collection Fund Adjustments	323	(584)	0	0	0	0
Council Tax Sharing Agreement (CTSA)	0	(350)	(350)	(350)	(350)	(350)
<i>Non-Specific Grants:</i>	0	0	0	0	0	0
New Homes Bonus	(576)	(634)	0	0	0	0
Funding Guarantee Allocation	(1,685)	(1,940)	(1,940)	(1,940)	(1,940)	(1,940)
2023-24 Services Grant	(175)	0	0	0	0	0
Revenue Support Grant (RSG)	0	(218)	(218)	(218)	(218)	(218)
Contribution to/(from) Reserves	(2,230)	153	(200)	(200)	0	0
<b>Total Funding</b>	<b>(24,735)</b>	<b>(24,959)</b>	<b>(25,068)</b>	<b>(25,816)</b>	<b>(26,392)</b>	<b>(27,196)</b>
<b>In-Year (Surplus)/Deficit</b>	<b>0</b>	<b>0</b>	<b>1,991</b>	<b>(1,310)</b>	<b>1,230</b>	<b>859</b>
<b>Cumulative (Surplus)/Deficit</b>	<b>0</b>	<b>0</b>	<b>1,991</b>	<b>681</b>	<b>1,912</b>	<b>2,771</b>

- 3.5 As presented in **Appendix A**, the initially identified deficit for 2024/25 in the *Indicative* MTFF in October 2023 (as well as subsequent budget pressures identified in November 2023) has now been addressed and the budget balanced. It is a very complex exercise to draw detailed comparisons between the different iterations of the MTFF; there are multiple variables that ‘roll up’ cumulatively as the years progress. However, it is possible to highlight the key influences in Years 2 (2025/26) and 3 (2026/27) as follows:
- **2025/26 (£1.991 million deficit)** – this is a reduced deficit compared to the Indicative October 2023 MTFF (which was a deficit of £2.327 million) as can be expected. However, given the elimination of the of the originally anticipated deficit (£1.446 million) from the base budget in 2024/25, this would normally be expected to reduce to around £900,000. However, as explained in **Appendix A** (Paragraphs 1.9 and 2.1), further budget pressures of £923,000 were identified in November 2023, which exerted immediate budget pressure on the 2024/25 budget, so is therefore included in the base budget (from which the forecast for 2025/26 is extrapolated). This pushes the forecast deficit back up again and closer to £2.0 million; and
  - **2026/27 (£1.310 million surplus)** – in contrast, this represents an improved position compared to the Indicative October 2023 MTFF (which was a deficit of £1.566 million) i.e. there has been a positive swing of £2.876 million, which primarily reflects the inclusion of £2.675 million in assumed in new savings as part of the “Fit for the Future” Programme (covered in detail below in Section 4).
- 3.6 The key assumptions included in the Indicative October MTFF 2023 remain virtually unaltered. Thus:
- **Pay Award** - although – based on blanket annual awards of £1,925 to all staff in 2022/23 and 2023/24 – pay increases have recently exceeded the budgetary provision, pay increase expectations for 2024/25 have been lowered in the context of forecast declining inflation in the economy. Therefore 3.0% has been assumed for 2024/25, with 2.0% thereafter.
  - **Core Inflation** based on declining CPI forecasts as of Autumn 2023, 3.5% has been assumed for 2024/25, with 2.0% thereafter.
  - **Interest Rates** – ‘blended’ interest rate assumptions are now utilised as part of early Section 151 (Finance) shared services arrangements with Epping Forest District Council (taking the average forecast of two separate professional Treasury Management advisors). An average interest rate assumption of 4.8% has been included for 2024/25, 3.4% for 2025/26, 2.8% for 2026/27, 2.8% for 2027/28, 2.8% for 2028/29.
  - **Council Tax increase** – 2.99% recommended for 2024/25 followed by 3.0% thereafter.

- **Settlement** - “Core Spending Power + 3.0%” in 2024/25, and frozen thereafter.
- **New Homes Bonus** – discontinued from 2025/26; and
- **Fees & Charges** – increased 6.7% 2024/25 and 2% thereafter.

**4. Transformation Savings (“Fit for the Future”) (2024/25 to 2026/27)**

- 4.1 As explained in **Appendix A** (Paragraphs 1.9 to 2.1), the Council is embarking on a strategic programme of review, entitled “Fit for the Future” with the objective of delivering a council with a net operating cost of only three-quarters of what it would have been without this action.
- 4.2 The aim of this programme is to deliver a leaner, fitter organisation, offering improved services to residents, but which operates sensibly within the projected financial resources available to it, avoiding the need for repeated annual cuts exercises.

4.3 The projected financial benefits from the “Fit for the Future” Programme are expected to deliver total savings of £4.772 million over three years (2024/25 to 2026/27). These are now embedded in the updated MTFP presented above in Paragraph 3.4 and are summarised in the table below.

<b>“Fit for the Future” Savings Programme (2024/25)</b>				
<b>Service Area</b>	<b>Description</b>	<b>Budget Impact</b>		
		<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
		<b>£000’s</b>	<b>£000’s</b>	<b>£000’s</b>
Waste Services	Garden Waste Chargeable Service	955	103	0
Waste Service	Waste Strategy	0	0	1,000
Waste Service	Business Waste Service Expansion	100	0	0
Greening & Street Care	Service Options Appraisal	100	150	750
Culture & Heritage	Museums Delivery Model Review	120	0	0
Culture & Heritage	Hollytree Admission Charging	100	0	0
Active & Wellbeing	Interim Transition	0	0	725
Active & Wellbeing	Gladstone	20	0	0
Active & Wellbeing	Digi Ticket	6	0	0
Assets	Corporate Landlord Model	300	0	0
Housing	Homelessness Prevention	0	0	200
Corporate	Channel Experience with Contact Centre (Digital Customer)	100	0	0
Corporate	Building Control (Shared Services)	43	0	0
<b>Total</b>		<b>1,844</b>	<b>253</b>	<b>2,675</b>

4.4 The table below provides further details on the individual elements of the “Fit for the Future” Programme.

Description of Saving	Details of how the saving will be achieved	Budget Impact 2024/2025 £000's
Garden Waste Chargeable Service	High levels of uptake of the new garden waste scheme have been experienced, and this is the revised forecast income from the scheme for 24/25	955
Business Waste Expansion	A revised 3-year business plan for the business waste collection service has been produced underpinned by customer surveys. This will result in net income growth in 24/25.	100
Greening and Street Care Programme	This will involve reviewing the model of delivery of both Street Care Services and Grounds Maintenance to secure efficiencies across both services. As a first stage all tasks are being reviewed to identify opportunities to reduce cost with the least impact resulting in a budget saving for 24/25.	100
Museums Delivery Model Review	New delivery models are being considered that can result in a more entrepreneurial Museums Service. This includes new service offers and income opportunities such as a partnership with Suffolk University to deliver university courses and a review of the VAT on income associated with the service.	120
Holytrees Admission Charging	By introducing a charge for entry an additional income stream can be developed to support the continued operation of the museum.	100
Gladstone	Efficiencies can be delivered against the contract for the main Sport and Leisure management system.	20
Digi Ticket	Efficiencies can be delivered as a result of the main online booking system for Sport and Leisure.	6
Corporate Landlord Model	By developing a new approach and the new corporate landlord approach a more efficient staffing structure can be created. This will then allow the new assets strategy to be delivered to ensure property is maintained effectively and commercial and income generation opportunities are maximised.	300
Channel Experience with Contact Centre	A review of the customer contact centre was initiated in 22/23 to maximise channel shift requiring less staff resource which creates further budget savings in 24/25.	100
Building Control	A review of the service and revised staffing structure creates a budget saving in 24/25	43

4.5 Further details on the “Fit for the Future” Programme will be presented to Cabinet in March 2024, explaining in more detail how the targets committed to here will be delivered.

## 5. Updated Housing Revenue Account (HRA) MTF 2024/25 to 2028/29

- 5.1 The January 2023 MTF revealed a projected HRA breakeven position over the five-year period, including the (now forthcoming) 2024/25 financial year. However, in terms of presentation, the HRA does not have a such a strict (annual) balanced budget requirement and budgeted surpluses and deficits are allowed within the controlled framework of its (30-Year) Business Plan. For example, the Council's HRA Business Plan assumes the maintenance of a minimum reserve level of £1.6 million as a contingency against *unplanned* overspends.
- 5.2 The Council's established MTF approach to balance the HRA after adjustment is made for Revenue Contributions to Capital (with the size of such contributions mirroring forecast Net Operating Income). Revenue Contributions to Capital are therefore subject to fluctuations as presented in the table below.

Housing Revenue Account MTF (@ February 2023)				
Financial Year	Revenue Contributions to Capital	Increase/ (Decrease) in Net Operating Income	(Surplus)/ Deficit	Comment
	£000's	%	£000's	
2023/24	3,304	N/A	0	
2024/25	3,603	9.0%	0	
2025/26	4,450	23.5%	0	53 Week Rent Year
2026/27	3,915	(12.0%)	0	
2027/28	4,449	13.6%	0	
2028/29	N/A	N/A	N/A	N/A



5.3 The updated MTFP (2024/25 through to 2028/29), reflecting the final draft HRA budget for 2024/25, is illustrated in the table below.

<b>COLCHESTER BOROUGH COUNCIL</b>						
<b>Housing Revenue Account - Medium Term Financial Forecast Summary</b>						
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Income & Expenditure Analysis	Original	Original	Original	Original	Original	Original
	Budget	Budget	Budget	Budget	Budget	Budget
	£000's	£000's	£000's	£000's	£000's	£000's
<b>INCOME</b>						
Dwelling Rents (Gross)	(30,131)	(32,580)	(34,425)	(35,320)	(36,682)	(37,663)
Non-Dwelling Rents (Gross)	(1,189)	(1,225)	(1,249)	(1,274)	(1,300)	(1,326)
Charges for Services and Facilities	(3,283)	(3,260)	(3,273)	(3,336)	(3,400)	(3,466)
Contributions towards Expenditure	(65)	(70)	(71)	(73)	(74)	(76)
<b>Total Income</b>	<b>(34,668)</b>	<b>(37,135)</b>	<b>(39,018)</b>	<b>(40,003)</b>	<b>(41,456)</b>	<b>(42,531)</b>
<b>EXPENDITURE</b>						
Repairs and Maintenance	6,521	7,923	7,993	8,292	8,942	8,721
CB Homes Ltd Management Fee	4,872	5,021	5,121	5,224	5,328	5,435
Supervision and Management	7,691	7,587	7,740	7,947	8,110	8,275
Rents, Rates and Other Charges	190	197	201	205	209	213
Negative Subsidy - payment to Secretary of State	0	0	0	0	0	0
Increased provision for Bad or Doubtful Debts	250	250	263	268	281	302
Interest Payable	6,045	8,333	8,515	9,077	8,967	9,491
Cost of Capital Charge	0	0	0	0	0	0
Depreciation and Impairments of Fixed Assets	6,000	6,000	6,190	6,447	6,684	6,818
Amortisation of Deferred Charges	0	0	0	0	0	0
Debt Management Costs	58	64	66	67	68	70
<b>Gross Expenditure</b>	<b>31,627</b>	<b>35,375</b>	<b>36,089</b>	<b>37,527</b>	<b>38,589</b>	<b>39,325</b>
<b>Net Cost of Services</b>	<b>(3,041)</b>	<b>(1,760)</b>	<b>(2,929)</b>	<b>(2,476)</b>	<b>(2,867)</b>	<b>(3,206)</b>
Net HRA Income from the Asset Management Account	0	0	0	0	0	0
Amortised Premiums and Discounts	0	0	0	0	0	0
Disposal of Fixed Assets	0	0	0	0	0	0
HRA Investment Income (including mortgage interest and interest on Notional Cash Balances)	(263)	(699)	(475)	(411)	(419)	(427)
<b>Net Operating Expenditure</b>	<b>(3,304)</b>	<b>(2,459)</b>	<b>(3,404)</b>	<b>(2,887)</b>	<b>(3,286)</b>	<b>(3,633)</b>
Revenue Contributions to Capital Expenditure	3,304	2,459	3,404	2,887	3,286	3,633
Transfer from Capital Financing Reserve	0	0	0	0	0	0
Transfer to/(from) Major Repairs Reserve	0	0	0	0	0	0
<b>(Surplus) / Deficit for the Year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

5.4 The overall revenue position for 2024/25 shows anticipated Net Operating Income of £2.459 million (as presented in **Appendix A**, Paragraph 3.1 and explained in Paragraph 3.3). As explained in **Appendix A**, in keeping with the established strategy, a balanced budget is achieved through the adjustment of Contributions to Capital thereby protecting the £1.6 million contingency Balance in accordance with the 30-Year HRA Business Plan. The 53-week rent year peak in 2025/26 still occurs in 2025/26 as identified in January 2023 and presented above in Paragraph 4.2.