



Medium Term Financial Strategy

2021/22 – 2024/25

Foreword from Deputy Leader (Portfolio for Resources)

In recent years all local authorities have faced significant reductions in Government funding. Prior to the Coronavirus Pandemic, by the end of 2021/22 the Council's Settlement was planned to have reduced by £1.5m from £2.8m in 2020/21 to £1.3m in 2021/22. The impact of changes in the economy (such as rising inflation and the value of the pound), together with the Coronavirus Pandemic and to a lesser extent the effects of the UK's exit from the European Union, bring more uncertainty and instability.

Faced with such unprecedented cuts in government funding and a significant corporate savings target; to set a balanced budget the Council will have to become more self-sufficient which will entail generating more income from fees and charges, local taxation, and business rates, as well as critically reviewing its expenditure.

Positively, this Council has an excellent record of transforming its services to increase efficiency and we are working across the Council to achieve this. With this aim, we will invest in ICT to improve services for our customers, as well as other key areas which are important to residents such as CCTV, disabled facilities grants, housing and homelessness schemes, leisure, open spaces and play areas.

The Medium-Term financial Plan provides the framework by which we will meet our targets and ensure that the Council continues to deliver vital services to those people that live and work in the district.

Councillor James Hallam

Deputy Leader and Portfolio Holder for Resources

February 2021

1. Executive Summary

- 1.1 The Council aims to deliver cost-effective and sustainable services over the medium-term in line with its corporate priorities. The current national and local economic environment is currently severely challenged by the Coronavirus Pandemic, but local government itself has been financial challenged since the financial crisis of 2008 to 2010. The Council has met both these challenges well; it has reconfigured its services to support its local community through the pandemic and continues to address the financial challenges it faces due to the continuation of government cuts and increasing demand. It is addressing the financial challenge by undertaking a comprehensive budget challenge review of all its services. The budget challenge has enabled the Council to deliver this Medium-Term Financial Strategy (MTFS) that provides the resourcing roadmap to help the Council deliver its priorities over the medium-term. By the end of the MTFS it achieves a balanced budget for each year of the MTFS, but only by using nearly all its Earmarked Reserves.
- 1.2 Consequently, there is still significant work to do. The budget challenge process should be finished by the summer of 2021 and then the process of service transformation and continuous improvement will get underway to ensure that it can continue to deliver cost-effective and sustainable services to its community for many years to come.

2. Purpose of the Medium-Term Financial Strategy

- 2.1 The aim of Harborough District Council's MTFS is to support longer term planning with the aim of delivering a stable and sustainable financial environment to support the achievement of its vision and strategic objectives. The MTFS is a key element of the Council's corporate governance arrangements and an integral element of the Council's corporate planning process.
- 2.2 The MTFS provides a framework that will assist the Council in effectively applying its limited financial resources in a manner which achieves the strategic priorities set out in the Corporate Delivery Plan. By striving to ensure the costs of delivering its service objectives over the term of the strategy are commensurate with the overall forecast financial resources available, the Council can seek to maintain the financial health of the authority in a manner which does not place an unreasonable burden on local taxpayers.
- 2.3 The financial strategy also recognises the requirement to maintain a balance between the desire to continue to deliver services but to also deliver services

in a way that is both affordable and sustainable. It acknowledges the need to manage any reliance on balances and reserves utilised to bring about the introduction of service transformation. It will provide a framework for the detailed financial plans over the period 2021/22 to 2024/25. The MTFS should not be a static “once and for all” document; it is meant to provide a roadmap to deliver efficient and effective services over the medium-term

3. Background

3.1 The Council set the 2020/21 budget forecasting to use £1.8m in reserves to support the delivery of service; however, it did not approve an MTFS, so it was hamstrung with no ability to model future service demand and financial resourcing.

3.2 Within a few weeks; however, the Coronavirus Pandemic (CV19) severely impacted the social and financial structure of the UK. In addition, over the early summer, some initial financial modelling was showing that the Council was potentially facing an annual budget gap of £4m, even without any implications from CV19.

- **National Issues**

3.3 **CV19**; during the year, the Council has responded proactively to the CV19 pandemic. It has provided direct support to its local communities via the use of Community Hubs, direct homelessness support etc; its business community via the administration of various government funded grants schemes and new ways of working by ensuring all staff can work from home. In respect of:

- **delivering services**; to the end of December 2020 the gross cost of the CV19 crisis has been £2.4m, which has been offset £1.8m in government support giving a net cost to the Council of £600k; this is expected to be financed from reserves.
- **Business Rates**; current modelling is showing a net under collection of £2.3m; although this can be spread over the next 3 years (a one-off government permission) and will be somewhat mitigated by Tax Income Guarantee Scheme

3.4 Over and above the direct CV19 impacts on the Council’s finances, over the past year the Council has administered several grants on behalf of the government, and this support continues. As at early February 2021, the Council is administering:

- **Local Businesses**
 - National Lockdown Grant (Lockdown 3); £3.2m to 444 businesses.
 - Local Restrictions Support Grant (closed); £259k to 304 businesses.
 - Christmas Support Payment to Wet-Led Pubs; £48k to 48 businesses.
 - Discretionary Grants; £569k to 349 businesses.
 - Tier 4 payments (31st December to 4th January); £89k to 314 businesses
- **Local Residents**
 - Test and Trace; £31k to 62 individuals.
- **Government Funding**

3.6 When the Council set its 2020/21 budget, it was anticipating a significant reduction in grant for 2021/22; the loss was expected to be in the region of £1.5m (58%).

3.7 However, following the December provisional settlement, the Council will receive a range of continuation and new grants; in respect of:

a) **Continuation Funding**; this includes:

- i. New Homes Bonus; a one-year allocation of £932k, giving a total allocation for 2021/22 of £2.1m. This reduces by £1.5m (71%) to £556k in 2022/23 and then nil thereafter.
- ii. The Council also receives £134k in grants to support ongoing homelessness and similar activity. Each year these grants vary a little but £134k is a fair proxy.

b) **New Funding**; the grants that the Council will receive are as follows:

- i. General Grant, this includes Lower Tier Services Grant. This is a one-year grant to compensate Councils for changes in the government Core Spending Power assessment. The Council is expecting to receive £251k and has allocated £88k to support the 2021/22 Planning income budget.
- ii. CV19 related; the following grants are to support the Council through the ongoing impact of CV19:

- **Sales, Fees and Charges Compensation Scheme** (SFCCS); the government has extended the SFCCS for one further quarter (until June 2021). The intention of this grant is to compensate the Council for lost income. No budget has been included for this grant as the forecast loss is, at this time, not possible to reasonably quantify.
- **Sports Compensation Scheme** (SCS); the Council has submitted a bid for compensation through the SCS. The aim of this scheme is to provide some support to Councils who have an external leisure provider. No budget has been included for this grant as the allocation are only indicative at this time.
- **CV19 Emergency Funding (Tranche 5)**; the Council has been notified that in April it will receive a fifth tranche of emergency funding (£337k). The Council has committed to use this funding to support its 2021/22 and 2022/23 Interest & Investment Income Budget (£159k and £117k respectively) and its 2021/22 Planning income budget (£61k).
- **Local Council Tax Support Grant**; the government is providing a £100k allocation to support the 2021/22 Local Council Tax Support Scheme. To ensure a nil impact, the respective service budget has been grossed up by £100k.
- **Tax Income Guarantee Scheme** (TIGS); the government is providing funding to support any potential losses via the Collection Fund during 2021/22. Considering the forecast Business Rates (NDR) losses of £2.4m, or £804k per annum as the government is allowing Councils to spread any losses, the Council could expect to receive TIGS grant of approximately £603k per annum (75%). However due to the uncertainty around the scheme 50% of this loss has been included in the budget (i.e. £302k per annum; a total grant of £905k).

4. The Councils Priorities

4.1 The Council's priorities are set at Council in February of each year as part of the Corporate plan. The Council's priorities are:

- Your Council: Creative, proactive, and efficient.
- The People: A healthy, inclusive, and empowered community.
- The Place: A safe, enterprising, and vibrant place.

4.2 The corporate delivery plan, which is the plan for delivering the corporate plan and directs how front line and support services will deliver priorities is now aligned with the budget setting process. This MTFs provides the resources roadmap to deliver the corporate priorities.

5. The Medium-Term Financial Strategy

5.1 The MTFs is the Council financial roadmap that reflects that Councils priorities over the medium-term. A summarised Consolidated Final Budget for 2021/22 and MTFs (2022/23 to 2024/25) is shown in **Table 1** below. A detailed Consolidated Budget and MTFs, along with summary portfolio budgets is shown at **Annex 1**.

Summary Consolidated Final Budget 2021/22 & MTFs (2022/23 to 2024/25)	Table 1					
	2020/21		2021/22	2022/23	2023/24	2024/25
	Original Budget £000	Incl CV19 £000	£000	£000	£000	"Ideal" £000
Net Cost of Services	13,291	15,759	12,241	12,111	12,067	12,332
Capital Financing	1,043	1,043	856	912	969	1,168
Net Expenditure	14,334	16,802	13,097	13,023	13,036	13,500
Reserves Contributions to Support Services	(237)	(237)	(1,935)	(2,559)	(2,739)	(2,630)
Other Net Reserves Contributions	(1,603)	(2,166)	2,677	(342)	(503)	0
Net Reserve Contributions	(1,840)	(2,403)	742	(2,901)	(3,242)	(2,630)
Budget Requirement	12,494	14,399	13,839	10,122	9,794	10,870
Total Grant	(6,426)	(8,331)	(7,551)	(3,579)	(2,960)	(3,702)
Council Tax Requirement	6,068	6,068	6,288	6,543	6,834	7,168

5.2 In summary, between 2021/22 and 2024/25, the Council has reduced its originally anticipated £4m annual gap to an average of £2.5m over the 4-years of the MTFs. As noted earlier, the Council is in this financial position because of ever increasing demand and expected reductions in government grant. To address these two significant pressures; the Council has had to make strong leadership decisions; it has done this in two ways, by:

- increasing income (i.e. Council Tax, Car Parking Charges and Green Waste Charges), and
- reducing its costs base. It has achieved this by undertaking a fundamental budget review of all services, a review programme called Budget Challenge 2025 (BC25).

5.3 In respect of Council Tax, a £5 increase in Council Tax is the first for several years. When compared to 2020/21, it represents an increase of 2.98%. This increase permits the Council to support its ongoing delivery of services and awards the Council a cumulative gain over the MTFs of £880k; and represents a net increase of 14% (2021/22 to 2024/25).

6. Service Efficiency

- 6.1 The Council has a good track record of addressing service pressures. However, as noted earlier, the Council is currently facing two significant draws on its resources:
- 6.2 Firstly, CV19; this is being addressed by a combination of innovative uses of ongoing and future government support and the use of reserves. By allocating reserves from the outset of the MTFS this effectively “de-risks” the CV19 crisis for the Council as best as it is able at the present time. It should be noted that CV19 related demand reductions (or conversely demand increases) have not been included within this budget. Any such demand impact would be highly speculative; however, the government and the Council are providing some support for such demand fluctuations in that the government is providing a range of one-off grants and the Council is directly allocating some of these grants to fund predicted income shortfalls.
- 6.3 Secondly, increasing demand and government reductions in grant. The Council would have had to address this issue regardless of CV19; consequently, it is requiring all services to undertake Zero-Based Budgeting type review; this programme is called Budget Challenge 2025 (BC25). The leading administration have led this budget review process; their only “red-line” was that they did not want to see any change in the frequency of waste collection. For 2021/22, the MTFS includes net savings of £1.2m; these are made up of:
- the first tranche of the BC25 programme, which has generated a mix of savings and income generation totalling £751k.
 - general service savings & income generation of £859k.
 - capital financing savings of £187k, and
 - unavoidable growth and reduced income budgets of £560k.
- 6.4 The next two tranches of the BC25 programme will be concluded by the summer of 2021 and it is hoped that they will significantly contribute to closing the current £2.5m annual budget gap.

7. Reserves

- 7.1 Reserves represent past Council Tax payer’s investment in their community and consequently reserves are the foundation of the Councils financial sustainability and underpin the effective delivery of its broad range of services and capital investment.
- 7.2 Cabinet approved a new Reserves Strategy in November 2020, which Council is asked to approve as part of this year’s Budget Setting process. Considering the key role that reserves play within the financial governance of

the Council, they should be actively used to ensure the effective delivery of services over the medium-term. To achieve this the Strategy establishes:

- a minimum level of reserves (set at 20% of net expenditure), and
- a new set of strategic earmarked reserve groupings that will help the Council to allocate reserves to meet known service risks, commitments and investment opportunities reserves; all of which will directly support the delivery of corporate priorities.

7.3 As noted earlier, in 2021/22 the Council will be receiving several one-off grants but also having to manage the ongoing CV19 crisis and its own financial challenge process. A detailed Consolidated Reserves Statement is shown at **Annex 2** and summarised in **Table 2** below. This reserves statement represents the currently estimated reserves position, it is expected that as time progresses the use of reserves to meet the then prevailing financial situation will change, and the required flexibility is embedded within the proposed Reserves Strategy.

Summary Reserves Statement for the Consolidated Final Budget 2021/22 & MTFS (2022/23 to 2024/25)				Table 2	
All numbers as at 31 March of each year	2020/21	2021/22	2022/23	2023/24	2024/25
	Incl CV19 £000	£000	£000	£000	£000
General Fund (Unallocated) Reserve	2,882	2,619	2,481	2,507	2,700
- Reserves at 20% of Net Expenditure	Yes	Yes	Yes	Yes	Yes
Earmarked Reserves					
Budget Surplus	0	0	0	0	0
CV19 Internal Recovery	947	1,074	454	0	0
Projects, Risk & Smoothing	316	919	618	316	0
Capital & Contract	403	403	403	903	120
Transformation	2,000	2,000	2,000	350	0
Community, Economic & Infrastructure	2,411	1,447	1,447	1,123	0
Commercial Investment Reserve	1,890	3,128	1,288	250	0

8. Capital Programme

8.1 The Council has reviewed its capital programme; constraining it to within an affordability envelope of currently held resources (known external funding, capital receipts and revenue financing). A summary of the capital programme is shown in **Table 3** below.

8.2 The Capital Programme includes a broad range of capital investment; as well as the routine investments in Disabled Facilities Grants (Lightbulb), this also includes significant investment in service transformation, fixed asset enhancement and technology. Approval of the capital programme, like the

revenue budget, does award permission to incur expenditure; however, the included capital items will be subject to the governance arrangements for major projects or similar agreed processes.

Summary of the Capital Programme				Table 3	
	NEW BUDGET YEAR 2021/22	MTFS			Total Capital Programme
		2022/23	2023/24	2024/25	
		£	£	£	
Capital Projects Approved in previous years (either commenced or to start)					
CCTV	20,000	20,000	20,000	20,000	80,000
Harborough Innovation Centre	20,000	20,000	20,000	50,000	110,000
Market Hall	138,000	0	0	0	138,000
Housing & Homelessness Schemes	400,000	600,000	0	0	1,000,000
Lightbulb (Disabled Facilities Grants) & Other Social Services	418,000	420,000	420,000	420,000	1,678,000
Leisure, Open Spaces & Play	740,000	5,150,000	550,000	200,000	6,640,000
Corporate Buildings	331,000	122,000	100,000	50,000	603,000
Car Parks & Similar Facilities	0	400,000	400,000	0	800,000
Capital Works-S.106	250,000	250,000	250,000	250,000	1,000,000
ICT & Transformation	195,000	75,000	75,000	75,000	420,000
	2,512,000	7,057,000	1,835,000	1,065,000	12,469,000
New Capital Proposals					
ICT & Transformation	280,000	150,000	100,000	0	530,000
Lifeline	40,000	0	0	0	40,000
Environmental	59,000	0	0	0	59,000
Lutterworth Town Centre Heritage Action Zone	530,000	0	0	0	530,000
	909,000	150,000	100,000	0	1,159,000
Total	3,421,000	7,207,000	1,935,000	1,065,000	13,628,000
Sources of Finance					
External Funding & Grants	1,571,000	720,000	720,000	720,000	3,731,000
Capital Receipts	816,000	3,650,000	450,000	50,000	4,966,000
Service Charges	61,000	6,000	6,000	17,000	90,000
Direct Revenue Financing	250,000	150,000	100,000	0	500,000
Unsupported Borrowing (MRP)	723,000	2,681,000	659,000	278,000	4,341,000
Total	3,421,000	7,207,000	1,935,000	1,065,000	13,628,000

9. Treasury

9.1 The management of cash, debt and investment is an intrinsic element of an organisations daily financial management. Within local government such activity is highly regulated; including the requirement for Council to approve the overarching Treasury Management Strategy (TMS) and receive and comment on six-monthly and end of year performance. The overarching TMS includes the following individual documents:

- Treasury Management Strategy and Prudential Indicators.
- Criteria for Investment of Surplus Funds.
- Interest Rate Forecasts.
- Economic Background, Debt Analysis, Counterparty and Temporary Investment.

9.2 It is fair to say that at the present time the Councils TM activity is relatively “vanilla”. However, with the potential service transformation that will result from the BC25 programme, there is potential for future TM activity to become less vanilla as the Council aims to deliver innovative and collaborative service and investment opportunities. It is therefore essential that the Council is continually reviewing its TMS to ensure that it is fit for purpose and duly agile to meet future needs and expectations.

10. Budgetary Control and Governance

10.1 Budgetary Control and Financial Governance are key to effective management of all organisations. The establishment of a Medium-Term Financial Strategy is key to the governance process as this provides a financial roadmap for the Council to follow; it is of course not set-in stone but should be an ongoing tool to support the delivery of the Councils policies, strategic objectives, and day-to-day financial management.

10.2 The Council formally reports its financial performance on a quarterly basis to both its Corporate Management Team and Cabinet; including review by the Scrutiny Performance Panel when required. Going forward, this reporting will also reflect impacts over the MTF period how General Fund reserves continue to support the service activity of the Council. Such forward looking budgetary control is necessary to ensure that medium-term goals are achieved, but is expressly important in times of:

- **Crisis**; such as now with the ongoing CV19 pandemic. It is essential that the Council can proactively manage its resources and know the risk and impact as the crisis continues.
- **Challenge**; such as now with the Council striving to close a significant budget gap. It is essential that the Council can see the medium-term impact of the BC25 process so it can take appropriate actions to ensure its success as far as possible.

10.3 For 2021/22, the Council will also be monitoring its Collection Fund performance and use of the Council Tax Support Scheme. Both are key strategic deliverables, and the Council needs to identify if resources are sufficient.

11. Risks; including “Robustness of Reserves”

11.1 The Council’s Responsible Finance Officer (s.151) is required to make a statutory statement in respect of the Budget and Reserves (s.25, LG Finance Act 2003) and a detailed commentary is shown in **Annex 3**. This commentary addresses the risks that both the Council and the wider local

government community face at this challenging time, including the impact of the CV19 pandemic. In addition, sensitivity analysis is applied against these risks and their impact on General Fund reserves is assessed. In summary, the key findings are:

- i. In 2021/22 the budget requirement is £13.8m, this is only achieved with a net contribution to Reserves of £742k. However, this net contribution needs to be looked at on a gross basis because it “masks” the contribution required to support the delivery of services:
 - To support the delivery of services, a contribution from Reserves is required of £1.9m.
 - But due to the amount of grant that the Council will receive next year, and its policy to use this grant for future investment or support its ongoing CV19 response, it is required to make a gross contribution to reserves of £2.7m
- ii. The Council maintains its 20% minimum level of reserves for the General Fund (Unallocated) Reserve for the entire duration of the MTFs. However, it will have significantly depleted its Earmarked Reserves as at the end of 2024/25 only £120k will be remaining. Over the life of the MTFs (April 2021 to March 2025) it will have used £8.0m of its reserves (74%).
- iii. The sensitivity analysis has shown that for 2021/22 the Council has sufficient reserves to meet a range of sensitivity scenarios. However, over the MTFs period significant financial challenge will be encountered by 2024/25.

11.2 Because the Council continues to have a budget gap for each year of the MTFs (next year and the subsequent three years) it cannot be considered self-financing. However, with the continuation of the Budget Challenge 2025 programme, it is hoped that this objective will be achieved.

11.3 Considering all the factors noted within the “Robustness” statement in respect of the 2021/22 Budget, it is considered that the combination of the:

- Councils commitment to continue to find service efficiencies via the Budget Challenge 2025 programme,
- the direction of travel in relation to governance,
- the clear indication to invest in services, and
- its prudent position relating to income recognition; including raising Council Tax to the permitted maximum and increasing discretionary fees & charges,

.... the budget proposed for 2021/22 should not give Members any significant concerns over the Council's financial position.

11.4 With regard to the MTFS (2022/23 onwards):

- New Homes Bonus will have been removed as a source of central government funding by 2023/24;
- The Council is expecting a negative impact from the Fair Funding Review, although this has been delayed until 2022/23. However, the Council has mitigated some potential risk from this review by including a negative funding adjustment;

.... but the Council is, currently, facing a significant financial challenge over the MTFS period that if not addressed will impact on financial resilience. This is discussed earlier in this report, but it is necessary to reiterate that the Council must transform its delivery model to ensure that it can deliver financial sustainable services and resilient.

Consolidated Final Budget 2021/22 & MTFS (2022/23 to 2024/25) and Service Budgets

Annex 1

1. Consolidated Final Budget 2021/22 & MTFS (2022/23 to 2024/25)

Consolidated Final Budget 2021/22 & MTFS (2022/23 to 2024/25)						
Key	2020/21		2021/22	2022/23	2023/24	2024/25
	Budget	Budget (reflecting CV19, minor budget adjustments & Reserves Review)	Final Budget	Final Budget	Final Budget	Final Budget
	£	£	£	£	£	£
CV19 = Covid 19 ER = Earmarked Reserve CIR = Commercial Investment Reserve PR&S = Projects, Risk & Smoothing CE&I = Community, Economic & Infrastructure NDR = Non-Domestic Rates						
Finance	2,532,876	2,809,378	2,729,779	2,687,779	2,667,779	2,646,779
Planning, Environment & Waste	5,369,899	5,369,899	5,341,999	5,209,999	5,079,999	5,029,999
Wellbeing, Communities & Housing	1,285,156	2,321,343	1,134,137	1,047,137	965,137	965,137
Strategy (aka Planning & Regeneration)	1,074,305	1,390,934	722,746	722,746	722,746	722,746
Corporate & Regulatory Services	2,978,595	3,742,947	2,365,630	2,277,607	2,167,607	2,167,607
Contingency (including Pay/Services/FCC Inflation)	50,000	124,456	(53,616)	165,394	463,657	800,112
Net Direct Cost of Services	13,290,831	15,758,958	12,240,675	12,110,662	12,066,925	12,332,380
Capital Financing	1,043,626	1,043,626	856,616	911,533	969,160	1,168,188
Net Expenditure	14,334,457	16,802,584	13,097,291	13,022,195	13,036,085	13,500,568
Cont to/(from) Reserves (amts in squ brackets=reason for movement)						
General Reserves						
- General Fund Balance "Planned" contributions to	62,202	62,202	0			
- General Fund Balance "Planned" contributions (from)	(299,278)	(299,278)	0			
- General Fund Balance "Unplanned" contributions (from)	0	0	(1,934,955)	(2,558,620)	(2,738,720)	(2,629,605)
- General Fund Balance "Unplanned" contributions to	0	0	0			
- General Fund Balance "Unplanned" contributions (from)	0	0	0			
Earmarked Reserves						
- Earmarked Reserve: Budget Surplus (2020/21 Budget Correction) (to)	82,333	82,333	0	0	0	0
- Earmarked Reserve: Budget Surplus (ER Contribution) (from)	(1,685,512)	(1,685,512)	0	0	0	0
- Earmarked Reserve: CIR (to) [New Homes Bonus: One-Off]	67.0%	0	624,440	0	0	0
- Earmarked Reserve: CE&I (to) [New Homes Bonus: One-Off]	33.0%	0	307,560	0	0	0
- Earmarked Reserve: CIR (to) [New Homes Bonus]	0	11,666	450,000	278,000	0	0
- Earmarked Reserve: CIR (to) [Lower Tier Services Grant]	0	0	250,981	0	0	0
- Earmarked Reserve: CIR (from) (cont towards Development Control Income)	0	0	(88,000)	0	0	0
- Earmarked Reserve: CV19 (to) [CV19 Emergency Funding, Tranche 5]	0	0	337,000	0	0	0
- Earmarked Reserve: CV19 (from) (cont towards Interest & Investment Income)	0	0	(159,000)	(117,000)	0	0
- Earmarked Reserve: CV19 (from) (cont towards Development Control Income)	0	0	(61,000)	0	0	0
- Earmarked Reserve: PR&S (to) (Local Council Tax Support Scheme)	0	0	100,000	0	0	0
- Earmarked Reserve: PR&S (to) (Tax Income Guarantee Scheme)	0	0	904,650	0	0	0
- Earmarked Reserve: CV19 Support (to) [CF Surplus]	0	(574,744)	10,439	(502,583)	(502,583)	0
- Earmarked Reserve: CE&I (to) [CR Surplus]	0	0	0	0	0	0
Budget Requirement	12,494,202	14,399,250	13,839,406	10,121,992	9,794,782	10,870,963
Grants						
NDR	(3,621,699)	(3,707,821)	(3,756,520)	(3,779,059)	(3,801,733)	(3,824,543)
Revenue Support Grant	0	0	0	0	0	0
Other General Fund Grants	(134,301)	(134,301)	(134,301)	(134,301)	(134,301)	(134,301)
Fair Funding Review Adj	0	0	0	86,000	172,000	257,000
Covid-19 Grants	0	(1,818,926)	0	0	0	0
New Homes Bonus - received 2020.21	(2,670,000)	(2,670,000)	0	0	0	0
New Homes Bonus - 21.22 [One-Off]	0	0	(932,000)	0	0	0
New Homes Bonus - 21.22 (75 % of 2020.21) -> to base [Legacy]	60.0%	0	(675,000)	0	0	0
New Homes Bonus - 21.22 (75 % of 2020.21) -> EarR:CIS [Legacy]	40.0%	0	(450,000)	0	0	0
New Homes Bonus - 22.23 (25 % of 2020.21) -> to base [Legacy]	50.0%	0	0	(278,000)	0	0
New Homes Bonus - 22.23 (25 % of 2020.21) -> EarR:CIS [Legacy]	50.0%	0	0	(278,000)	0	0
Lower Tier Services Grant -> to EarR: CIR	0	0	(250,981)	0	0	0
CV19 Emergency Funding (Tranche 5) -> to EarR: CV19	0	0	(337,000)	0	0	0
Local Council Tax Support Grant -> to EarR: PR&S	0	0	(100,000)	0	0	0
Tax Income Guarantee Scheme -> to EarR: PR&S	0	0	(904,650)	0	0	0
Collection Fund (Surplus)/Deficit	0	0	(10,439)	804,133	804,133	0
Total Grant	(6,426,000)	(8,331,048)	(7,550,891)	(3,579,227)	(2,959,901)	(3,701,844)
Council Tax Requirement	6,068,202	6,068,202	6,288,515	6,542,765	6,834,881	7,169,119

2. 2021/22 Gross to Net / Subjective Service Budgets

Subjective Analysis for the 2021/22 Budget			Table 4	
2020/21 Net £000	Subjective Analysis	2021/22		
		Expenditure £000	Income £000	Net £000
9,928	Employees	9,839	0	9,839
1,444	Premises	1,733	0	1,733
150	Transport	128	0	128
9,160	Supplies & Services	8,592	0	8,592
2,500	Third Party Payments (*)	2,431	0	2,431
120	Transfer Payments (**)	110	0	110
20	Housing Benefit	8,078	(8,040)	38
(10,031)	Fees & Charges, Rental Income etc	0	(10,630)	(10,630)
13,291		30,911	(18,670)	12,241

NB.
* mainly payments to other local authorities for various services

Subjective Analysis by Portfolio			Table 5
2020.21	Portfolio Name	Subjective Analysis	2021/22
2,281	Finance	Employee costs	2,338
316		Premise expense	644
24		Transport	20
1,319		Supplies and Services	895
1,339		Third Party Payments	1,346
7,770		Transfer Payments	8,148
(10,516)		Fees, charges, rental income	(10,661)
2,533		2,730	
810	Strategy	Employee costs	681
122		Premise expense	117
8		Transport	4
474		Supplies and Services	260
45		Third Party Payments	45
(384)		Fees, charges, rental income	(384)
1,075		723	
3,438	Corporate & Regulatory Services	Employee costs	3,405
343		Premise expense	348
44		Transport	37
1,095		Supplies and Services	932
522		Third Party Payments	474
(2,464)		Fees, charges, rental income	(2,830)
2,978		2,366	
2,504	Planning, Environment & Waste	Employee costs	2,477
660		Premise expense	612
59		Transport	51
5,707		Supplies and Services	5,909
510		Third Party Payments	483
(4,070)		Fees, charges, rental income	(4,190)
5,370		5,342	
895	Wellbeing, Communities & Housing	Employee costs	937
3		Premise expense	12
17		Transport	15
514		Supplies and Services	596
84		Third Party Payments	84
50		Transfer Payments	40
(277)		Fees, charges, rental income	(550)
1,286		1,134	
50	Contingency	Supplies and Services	(54)
50			(54)
13,292	Total		12,241

3. Portfolio Service Budgets

BUDGET PAPERS 2021/22 - FINANCE (Summary Budget)									
Cost Centre	Cost Centre Description	Service	Responsible Director	CURRENT YEAR:	NEW BUDGET YEAR:	MTFS YEAR 1:	MTFS YEAR 2:	MTFS YEAR 3:	2025/26
				2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
				Budget for Year	Budget for Year	Budget for Year	Budget for Year	Budget for Year	Base Budget
				£	£	£	£	£	£
10025	Accountancy Services	Finance	C MASON	583,881	564,625	564,625	564,625	564,625	564,625
10029	Payroll	Finance	C MASON	42,400	24,500	24,500	24,500	24,500	24,500
10030	Insurance	Finance	C MASON	191,800	216,800	216,800	216,800	216,800	216,800
10048	Treasury Management	Finance	C MASON	9,900	9,500	9,500	9,500	9,500	9,500
10050	Interest & Investment Income	Finance	C MASON	(400,800)	(241,800)	(283,800)	(303,800)	(324,800)	(324,800)
10052	Non Distributed Costs	Finance	C MASON	58,000	58,000	58,000	58,000	58,000	58,000
10053	Corporate Managmnt (Resources)	Finance	C MASON	52,000	52,000	52,000	52,000	52,000	52,000
10301	The Symington Building	Finance	C MASON	44,823	41,983	41,983	41,983	41,983	41,983
10524	Pension Scheme	Finance	C MASON	75,000	75,000	75,000	75,000	75,000	75,000
10027	Internal Audit	CO (151), Assets, Internal Audit, GoS	C MASON	62,300	62,300	62,300	62,300	62,300	62,300
10202	Doddridge Road Offices	CO (151), Assets, Internal Audit, GoS	C MASON	(6,700)	(6,700)	(6,700)	(6,700)	(6,700)	(6,700)
10235	Corporate Asset Management	CO (151), Assets, Internal Audit, GoS	C MASON	287,070	287,401	287,401	287,401	287,401	287,401
10307	Grow On Space	CO (151), Assets, Internal Audit, GoS	C MASON	177,400	177,400	177,400	177,400	177,400	177,400
10031	It Services	ICT	C MASON	701,590	690,230	690,230	690,230	690,230	690,230
10036	Telephony	ICT	C MASON	25,800	25,800	25,800	25,800	25,800	25,800
10040	Revenues & Benefits	Revs & Bens	C MASON	1,089,900	1,085,300	1,085,300	1,085,300	1,085,300	1,085,300
10042	Non Domestic Rates	Revs & Bens	C MASON	(146,300)	(160,300)	(160,300)	(160,300)	(160,300)	(160,300)
10044	Council Tax Collection Costs	Revs & Bens	C MASON	(100,920)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
10046	Benefits	Revs & Bens	C MASON	(1,170)	0	0	0	0	0
10187	Housing Benefits	Revs & Bens	C MASON	(136,900)	(136,900)	(136,900)	(136,900)	(136,900)	(136,900)
10263	Discretionary Discount Scheme	Revs & Bens	C MASON	20,000	15,000	15,000	15,000	15,000	15,000
10264	Council Tax Support Scheme	Revs & Bens	C MASON	(46,000)	51,000	51,000	51,000	51,000	51,000
10308	Revenue And Benefits Support	Revs & Bens	C MASON	(1,540)	20	20	20	20	20
10169	Energy Management	Facilities Mgmt - Public Realm	C MASON	0	0	0	0	0	0
10196	Garages	Facilities Mgmt - Public Realm	C MASON	500	500	500	500	500	500
10203	Off-Site Storage (Incl Decant)	Facilities Mgmt - Public Realm	C MASON	3,200	3,200	3,200	3,200	3,200	3,200
10229	Commissioning Services	CCTV, Control Centre	V WENHAM	88,100	86,340	86,340	86,340	86,340	86,340
10248	Harborough Innovation Cntr Hdc	HIC	D ATKINSON	(140,458)	(151,420)	(151,420)	(151,420)	(151,420)	(151,420)
10280	Hdcs Trading Account	Joint Chief Execitives	N PROUDFOOT	0	0	0	0	0	0
	Total			2,532,876	2,729,779	2,687,779	2,667,779	2,646,779	2,646,779

BUDGET PAPERS 2021/22 - PLANNING, ENVIRONMENT & WASTE (Summary Budget)

Cost Centre	Cost Centre Description	Service	Responsible Director	CURRENT YEAR:	NEW BUDGET YEAR:	MTFS YEAR 1:	MTFS YEAR 2:	MTFS YEAR 3:	2025/26
				2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
				Budget for Year £	Budget for Year £	Budget for Year £	Budget for Year £	Budget for Year £	Base Budget £
10026	Health & Safety	Operational Services	J SMITH	35,745	26,475	26,475	26,475	26,475	26,475
10088	Street Cleaning	Operational Services	J SMITH	912,845	907,845	907,845	907,845	907,845	907,845
10125	Open Spaces & Amenity Areas	Operational Services	J SMITH	246,869	205,869	173,869	173,869	173,869	173,869
10140	S.E. Allotments	Operational Services	J SMITH	72	(928)	(928)	(928)	(928)	(928)
10147	S.E. Market Harborough Recn	Operational Services	J SMITH	256,973	256,973	256,973	256,973	256,973	256,973
10148	S.E. Lutterworth Recn / Park	Operational Services	J SMITH	37,635	37,635	37,635	37,635	37,635	37,635
10159	Trade Refuse	Operational Services	J SMITH	(171,667)	(191,167)	(241,167)	(241,167)	(241,167)	(241,167)
10160	Waste Management	Operational Services	J SMITH	351,702	323,292	323,292	323,292	323,292	323,292
10161	Residual Waste Collections	Operational Services	J SMITH	1,295,685	1,278,685	1,278,685	1,198,685	1,198,685	1,198,685
10162	Recycling Collections	Operational Services	J SMITH	1,327,426	1,049,656	1,049,656	1,049,656	1,049,656	1,049,656
10197	External Grounds Maintenance	Operational Services	J SMITH	(43,619)	(43,619)	(43,619)	(43,619)	(43,619)	(43,619)
10242	S.E. Fleckney	Operational Services	J SMITH	300	300	300	300	300	300
10243	S.E. Great Glen	Operational Services	J SMITH	2,400	2,400	2,400	2,400	2,400	2,400
10244	S.E. Scraftoft	Operational Services	J SMITH	5,400	5,400	5,400	5,400	5,400	5,400
10246	S.E. Broughton Astley	Operational Services	J SMITH	11,600	11,600	11,600	11,600	11,600	11,600
10272	Flytipping	Operational Services	J SMITH	61,200	30,000	30,000	30,000	30,000	30,000
10010	Development Control	Development Control, Enforcement	D ATKINSON	(388,226)	(239,296)	(289,296)	(339,296)	(389,296)	(389,296)
10016	Archaeological & Ecolog Advice	Development Control, Enforcement	D ATKINSON	46,775	46,775	46,775	46,775	46,775	46,775
10019	Footpath/Bridleway Orders	Development Control, Enforcement	D ATKINSON	0	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
10084	Enforcement	Development Control, Enforcement	D ATKINSON	25,963	15,943	15,943	15,943	15,943	15,943
10151	Planning Enforcement	Development Control, Enforcement	D ATKINSON	212,880	199,240	199,240	199,240	199,240	199,240
10081	Quick Response Team	Facilities Mgmt - Public Realm	C MASON	26,140	16,810	16,810	16,810	16,810	16,810
10082	Abandoned Vehicles	Facilities Mgmt - Public Realm	C MASON	5,200	2,200	2,200	2,200	2,200	2,200
10086	District-Wide Bus Shelters	Facilities Mgmt - Public Realm	C MASON	3,400	3,400	3,400	3,400	3,400	3,400
10089	Street Furniture Etc	Facilities Mgmt - Public Realm	C MASON	18,400	12,700	12,700	12,700	12,700	12,700
10115	S.E. Public Conveniences	Facilities Mgmt - Public Realm	C MASON	29,101	27,101	27,101	27,101	27,101	27,101
10145	S.E. Thurnby	Facilities Mgmt - Public Realm	C MASON	31,100	30,400	30,400	30,400	30,400	30,400
10170	Flood Prevent & Land Drainage	Facilities Mgmt - Public Realm	C MASON	17,000	17,000	17,000	17,000	17,000	17,000
10245	S.E. War Memorial/Public Realm	Facilities Mgmt - Public Realm	C MASON	18,200	15,200	15,200	15,200	15,200	15,200
10009	Section 106 Agreements	Strategic Planning/Policy	D ATKINSON	(38,470)	5,280	5,280	5,280	5,280	5,280
10013	Env Enhancemnts/Conservtn	Strategic Planning/Policy	D ATKINSON	7,650	0	0	0	0	0
10112	Planning Policy	Strategic Planning/Policy	D ATKINSON	247,110	245,060	245,060	245,060	245,060	245,060
10207	Local Plan Evidence	Strategic Planning/Policy	D ATKINSON	13,500	9,300	9,300	9,300	9,300	9,300
10208	Local Plan General	Strategic Planning/Policy	D ATKINSON	0	292,000	292,000	292,000	292,000	292,000
10011	Building Control	Building Control	D ATKINSON	88,571	66,051	66,051	66,051	66,051	66,051
10150	Environmental Health	Car Parking, Lightbulb etc	V WENHAM	541,520	543,550	543,550	543,550	543,550	543,550
10175	Pest/Dog Services	Car Parking, Lightbulb etc	V WENHAM	25,700	25,700	25,700	25,700	25,700	25,700
10219	Head Of Planning	CO (Planning), Eco Strategy (Talent)	D ATKINSON	107,820	108,170	108,170	108,170	108,170	108,170
	Total			5,369,899	5,341,999	5,209,999	5,079,999	5,029,999	5,029,999

BUDGET PAPERS 2021/22 - WELLBEING, COMMUNITIES & HOUSING

Cost Centre	Cost Centre Description	Service	Responsible Director	CURRENT YEAR:	NEW BUDGET YEAR:	MTFS YEAR 1:	MTFS YEAR 2:	MTFS YEAR 3:	2025/26
				2020/21	2021/22	2022/23	2023/24	2024/25	
				Budget for Year	Budget for Year	Budget for Year	Budget for Year	Budget for Year	Base Budget
				£	£	£	£	£	£
10122	Physical Activity	Recreation	J SMITH	116,750	103,481	103,481	103,481	103,481	103,481
10124	Recreation Development	Recreation	J SMITH	76,410	(109,190)	(109,190)	(109,190)	(109,190)	(109,190)
10136	Youth Awareness Initiatives	Corporate Support	V WENHAM	700	0	0	0	0	0
10155	Health Services	Car Parking, Lightbulb etc	V WENHAM	7,150	(4,090)	(4,090)	(4,090)	(4,090)	(4,090)
10239	Lightbulb Social Care	Car Parking, Lightbulb etc	V WENHAM	48,000	48,000	48,000	48,000	48,000	48,000
10260	Head Of Communities	CO, Communities	J SMITH	107,980	110,480	110,480	110,480	110,480	110,480
10241	Anniversary Events	CO, Communities	J SMITH	2,000	2,000	2,000	2,000	2,000	2,000
10179	Flat 51 Eden Ct. Adam & Eve St	Housing & Homelessness	J SMITH	4,200	(23,800)	(88,800)	(118,800)	(118,800)	(118,800)
10188	Homelessness	Housing & Homelessness	J SMITH	90,276	150,276	150,276	150,276	150,276	150,276
10201	Housing Services	Housing & Homelessness	J SMITH	426,470	470,400	501,400	472,400	472,400	472,400
10076	Grants To External Bodies	Grants, Parishes & Community Safety	J SMITH	186,900	177,140	127,140	107,140	107,140	107,140
10077	Advice To Parishes	Grants, Parishes & Community Safety	J SMITH	46,790	46,180	46,180	46,180	46,180	46,180
10121	Safer Communities Laa Fund	Grants, Parishes & Community Safety	J SMITH	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
10168	Community Safety	Grants, Parishes & Community Safety	J SMITH	90,980	89,470	89,470	89,470	89,470	89,470
10270	Local Lottery	Grants, Parishes & Community Safety	J SMITH	0	(7,000)	(10,000)	(13,000)	(13,000)	(13,000)
10017	S.E. Harborough In Bloom	Community Partnerships	J SMITH	7,000	7,000	7,000	7,000	7,000	7,000
10265	Community Partnerships	Community Partnerships	J SMITH	78,550	78,790	78,790	78,790	78,790	78,790
	Total			1,285,156	1,134,137	1,047,137	965,137	965,137	965,137

BUDGET PAPERS 2021/22 - STRATEGY (incl. Planning & Regeneration)

Cost Centre	Cost Centre Description	Service	Responsible Director	CURRENT YEAR:	NEW BUDGET YEAR:	MTFS YEAR 1:	MTFS YEAR 2:	MTFS YEAR 3:	2025/26
				2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
				Budget for Year	Budget for Year	Budget for Year	Budget for Year	Budget for Year	Base Budget
				£	£	£	£	£	£
10012	Strategic Planning & Housing	Strategic Planning/Policy	D ATKINSON	149,840	152,510	152,510	152,510	152,510	152,510
10262	Market Harb Town Team Project	Strategic Planning/Policy	D ATKINSON	(3,770)	(3,770)	(3,770)	(3,770)	(3,770)	(3,770)
10210	Joint Strategic Planning	Strategic Planning/Policy	D ATKINSON	31,300	31,300	31,300	31,300	31,300	31,300
10015	Ed Strat - Potential	Economic Strategy/Development	D ATKINSON	93,900	43,900	43,900	43,900	43,900	43,900
10043	S.E. Town Centre Support	Economic Strategy/Development	D ATKINSON	45,190	40,300	40,300	40,300	40,300	40,300
10055	Market Hall	Economic Strategy/Development	D ATKINSON	(33,454)	(45,884)	(45,884)	(45,884)	(45,884)	(45,884)
10065	The Square	Economic Strategy/Development	D ATKINSON	(12,560)	(12,560)	(12,560)	(12,560)	(12,560)	(12,560)
10206	Ed Strat - Location	Economic Strategy/Development	D ATKINSON	298,520	236,590	236,590	236,590	236,590	236,590
10069	Communication	Communication	J SMITH	194,497	198,880	198,880	198,880	198,880	198,880
10233	Ed Strat - Talent	CO (Planning), Eco Strategy (Talent)	D ATKINSON	130,000	20,000	20,000	20,000	20,000	20,000
10211	Strategic Growth Team	Planning - Growth	D ATKINSON	180,842	61,480	61,480	61,480	61,480	61,480
	Total			1,074,305	722,746	722,746	722,746	722,746	722,746

BUDGET PAPERS 2021/22 - CORPORATE & REGULATORY SERVICES

Cost Centre	Cost Centre Description	Service	Responsible Director	CURRENT YEAR:	NEW BUDGET YEAR:	MTFS YEAR 1:	MTFS YEAR 2:	MTFS YEAR 3:	2025/26
				2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
				Budget for Year	Budget for Year	Budget for Year	Budget for Year	Budget for Year	Base Budget
				£	£	£	£	£	£
10003	Corporate Administration	Corporate Support	V WENHAM	723,090	730,500	730,500	730,500	730,500	730,500
10032	Postages	Corporate Support	V WENHAM	48,200	47,400	47,400	47,400	47,400	47,400
10037	Corporate Printing	Corporate Support	V WENHAM	24,400	22,000	22,000	22,000	22,000	22,000
10051	Land Charges	Corporate Support	V WENHAM	(78,200)	(78,200)	(78,200)	(78,200)	(78,200)	(78,200)
10066	Performance/Change Management	Corporate Support	V WENHAM	2,700	2,700	2,700	2,700	2,700	2,700
10165	Public Burials	Corporate Support	V WENHAM	2,500	2,500	2,500	2,500	2,500	2,500
10231	Central Stationery Store	Corporate Support	V WENHAM	16,100	16,100	16,100	16,100	16,100	16,100
10022	Legal Services	Legal & Democratic Support	V WENHAM	292,250	293,140	293,140	293,140	293,140	293,140
10072	Members Allowances & Expenses	Legal & Democratic Support	V WENHAM	344,600	340,450	340,450	340,450	340,450	340,450
10073	Committee Servicing	Legal & Democratic Support	V WENHAM	200,630	194,820	194,820	194,820	194,820	194,820
10213	Smarter Services Programme	Legal & Democratic Support	V WENHAM	59,820	59,992	59,992	59,992	59,992	59,992
10023	Human Resources	HR & Training	V WENHAM	283,920	282,450	282,450	282,450	282,450	282,450
10024	Corporate & Mangmnt Training	HR & Training	V WENHAM	57,400	57,400	57,400	57,400	57,400	57,400
10060	Elections	Elections	V WENHAM	18,300	16,600	16,600	16,600	16,600	16,600
10061	Registration Of Electors	Register of Electors	V WENHAM	69,100	69,100	69,100	69,100	69,100	69,100
10078	Emergency Plan/ Bus Continuity	Car Parking, Lightbulb etc	V WENHAM	30,600	29,800	29,800	29,800	29,800	29,800
10096	Car Park Services	Car Parking, Lightbulb etc	V WENHAM	(742,710)	(1,207,031)	(1,207,031)	(1,207,031)	(1,207,031)	(1,207,031)
10101	Hackney Carriage Licencing	Car Parking, Lightbulb etc	V WENHAM	(31,500)	(31,800)	(31,800)	(31,800)	(31,800)	(31,800)
10117	On Street C.P.E	Car Parking, Lightbulb etc	V WENHAM	(55,486)	160,604	(55,486)	(55,486)	(55,486)	(55,486)
10118	Car Parks Administration	Car Parking, Lightbulb etc	V WENHAM	58,238	51,440	58,238	58,238	58,238	58,238
10119	Off Street C.P.E.	Car Parking, Lightbulb etc	V WENHAM	49,971	(162,477)	49,971	49,971	49,971	49,971
10154	Licences	Car Parking, Lightbulb etc	V WENHAM	(90,840)	(79,600)	(90,840)	(90,840)	(90,840)	(90,840)
10163	S.E.Cemeteries & Burial Ground	Facilities Mgmt - Public Realm	C MASON	27,981	16,581	27,981	27,981	27,981	27,981
10164	Closed Churchyards	Facilities Mgmt - Public Realm	C MASON	38,570	38,570	38,570	38,570	38,570	38,570
10167	Cctv	CCTV, Control Centre	V WENHAM	15,948	13,875	15,948	15,948	15,948	15,948
10193	Control Centre	CCTV, Control Centre	V WENHAM	128,540	108,512	128,540	128,540	128,540	128,540
10173	Licensing Team	Car Parking, Lightbulb etc	V WENHAM	114,980	115,420	114,980	114,980	114,980	114,980
10232	Section 151 Officer	CO (151), Assets, Internal Audit, GoS	C MASON	128,180	114,080	114,080	114,080	114,080	114,080
10237	Corporate In Year Savings	CO (151), Assets, Internal Audit, GoS	C MASON	(170,000)	(120,000)	(120,000)	(120,000)	(120,000)	(120,000)
10230	Head Of Legal & Democratic	CO Legal & Democratic	V WENHAM	108,480	108,680	108,680	108,680	108,680	108,680
10305	External Audit	Finance	C MASON	40,000	40,000	40,000	40,000	40,000	40,000
10238	Apprentice Levy Costs	Finance	C MASON	13,600	13,600	13,600	13,600	13,600	13,600
10035	Customer Services	Customer Services	J SMITH	375,093	349,790	349,790	349,790	349,790	349,790
10104	Consultation	Customer Services	J SMITH	5,500	0	0	0	0	0
10302	Charnwood Contact Centre Serv	Customer Services	J SMITH	464,660	414,660	301,660	191,660	191,660	191,660
10236	Equalities & Safeguarding	Customer Services	J SMITH	32,960	33,020	33,020	33,020	33,020	33,020
10021	Chief Executives Group	Joint Chief Execitives	N PROUDFOOT	6,000	3,500	3,500	3,500	3,500	3,500
10054	Lga Subscriptions	Joint Chief Execitives	N PROUDFOOT	18,000	18,000	18,000	18,000	18,000	18,000
10071	Corporate Activities	Joint Chief Execitives	N PROUDFOOT	49,900	0	0	0	0	0
10222	Joint Chief Executive (1)	Joint Chief Execitives	N PROUDFOOT	148,760	0	0	0	0	0
10226	Joint Chief Executive (2)	Joint Chief Execitives	N PROUDFOOT	148,360	279,454	279,454	279,454	279,454	279,454
	Total			2,978,595	2,365,630	2,277,607	2,167,607	2,167,607	2,167,607

BUDGET PAPERS 2021/22 - CONTINGENCY & INFLATION PROVISIONS

Cost Centre	Cost Centre Description	Service	Responsible Director	CURRENT YEAR: 2020/21	NEW BUDGET YEAR: 2021/22	MTFS YEAR 1: 2022/23	MTFS YEAR 2: 2023/24	MTFS YEAR 3: 2024/25	2025/26
				Budget for Year £	Budget for Year £	Budget for Year £	Budget for Year £	Budget for Year £	Base Budget £
10509	Central Items - Contingency	Finance	C MASON	50,000	0	0	0	0	0
Nominal	Inflation - Pay - Services 2 NCS	Corporate - Finance	C MASON	0	0	92,048	231,500	420,226	420,226
Nominal	Inflation - Pay to Capital Fin	Corporate - Finance	C MASON	0	0	7,228	18,178	32,997	32,997
Nominal	Inflation - Services	Corporate - Finance	C MASON	0	0	0	0	0	0
Nominal	Inflation - Employer Oncosts	Corporate - Finance	CMASON	0	0	44,872	112,854	204,856	204,856
Nominal	Inflation - FCC	Operational Services	J SMITH	0	(53,616)	21,246	101,125	142,033	142,033
	Total			50,000	(53,616)	165,394	463,657	800,112	800,112

Consolidated Final Budget 2021/22 & MTFs (2022/23 to 2024/25) and Service Budgets

Annex 2

Consolidated General Fund (Unallocated) Reserve + Budget Surplus/Other Earmarked Reserves Statement			2020/21	2021/22	2022/23	2023/24	2024/25
	Budget	Budget (reflecting CV19, minor budget adjustments & Reserves Review)	Final Budget	Final Budget	Final Budget	Final Budget	Final Budget
	£	£	£	£	£	£	£
General Fund (Unallocated) Reserve							
b/f	9,238,000	9,238,000	2,881,783	2,619,458	2,480,522	2,506,700	
Cont from/(to) Services	(237,076)	(237,076)	(1,934,955)	(2,558,620)	(2,738,720)	(2,629,605)	
Cont from/(to) Budget Surplus Reserve	0	(6,119,141)	1,672,630	2,419,684	2,764,898	2,823,019	
c/f	9,000,924	2,881,783	2,619,458	2,480,522	2,506,700	2,700,114	
Budget Surplus Reserve							
b/f	4,014,000	4,014,000	1	1	1	1	
Cont from/(to) Services	(1,603,179)	(1,603,179)	0			0	
Cont from/(to) BS Reserve	0	0				0	
Cont from/(to) General Fund	0	6,119,141	(1,672,630)	(2,419,684)	(2,764,898)	(2,823,019)	
Cont from/(to) CV19 Internal Recovery Reserve	0	(1,900,000)	0	0	0	0	
Cont from/(to) ER: Projects & Risk	0	(316,000)	401,550	301,550	301,550	316,000	
Cont from/(to) ER: Capital & Contract	0	(403,140)	0	0	(500,000)	783,584	
Cont from/(to) ER: Transformation	0	(2,000,000)	0	0	1,650,000	350,000	
Cont from/(to) ER: Community, Economic & Infrastructure	0	(2,410,821)	1,271,080	0	323,866	1,123,435	
Cont from/(to) CIS Reserve	0	(1,500,000)	0	2,118,134	989,482	250,000	
c/f	2,410,821	1	1	1	1	1	
Earmarked Reserve: CV19 Internal Recovery Reserves							
b/f	0	0	946,551	1,073,990	454,407	0	
Cont (to) Services	0	(574,744)	0	(502,583)	(502,583)	0	
Cont from/(to) Services (cont towards Interest & Investment Income)	0	0	(159,000)	(117,000)	0	0	
Cont from/(to) Services (cont towards Development Control Income)	0	0	(61,000)	0	0	0	
Cont from/(to) Funding Statement: Collection Fund (Surplus)/Deficit	0	0	10,439	0	0	0	
Cont from/(to) Funding Statement: CV19 Emergency Funding, Tranche 5	0	0	337,000	0	0	0	
Cont from/(to) BS Reserve	0	1,521,295	0	0	0	0	
Cont from/(to) ER: Capital & Contracts	0	0	0	0	0	0	
Cont from/(to) ER: Transformation	0	0	0	0	0	0	
Cont from/(to) ER: Community, Economic & Infrastructure	0	0	0	0	0	0	
Cont from/(to) ER: CLR	0	0	0	0	48,176	0	
c/f	0	946,551	1,073,990	454,407	0	0	
Earmarked Reserve: Projects, Risk & Smoothing							
b/f	0	0	316,000	919,100	617,550	316,000	
Cont from/(to) Funding Statement: Local Council Tax Support Scheme	0	0	100,000	0	0	0	
Cont from/(to) Funding Statement: Tax Income Guarantee Scheme	0	0	904,650	0	0	0	
Cont from/(to) BS Reserve	0	316,000	(401,550)	(301,550)	(301,550)	(316,000)	
c/f	0	316,000	919,100	617,550	316,000	0	
Earmarked Reserve: Capital & Contract							
b/f	0	0	403,140	403,140	403,140	903,140	
Cont from/(to) BS Reserve	0	403,140	0	0	500,000	(783,584)	
c/f	0	403,140	403,140	403,140	903,140	119,556	
Earmarked Reserve: Transformation							
b/f	0	0	2,000,000	2,000,000	2,000,000	350,000	
Cont from/(to) BS Reserve	0	2,000,000	0	0	(1,650,000)	(350,000)	
c/f	0	2,000,000	2,000,000	2,000,000	350,000	0	
Earmarked Reserve: Community, Economic & Infrastructure							
b/f	0	0	2,410,821	1,447,301	1,447,301	1,123,435	
Cont from/(to) Funding Statement: New Homes Bonus [2021.22 One-Off]	0	0	307,560	0	0	0	
Cont from/(to) BS Reserve	0	2,410,821	(1,271,080)	0	(323,866)	(1,123,435)	
c/f	0	2,410,821	1,447,301	1,447,301	1,123,435	0	
Earmarked Reserve: Commercial Investment Reserve							
b/f	0	0	1,890,371	3,127,792	1,287,658	250,000	
Cont from/(to) Services (cont towards Development Control Income)	0	11,666	(88,000)	0	0	0	
Cont from/(to) Funding Statement: New Homes Bonus [2021.22 One-Off]	0	0	624,440	0	0	0	
Cont from/(to) Funding Statement: New Homes Bonus [Legacy]	0	0	450,000	278,000	0	0	
Cont from/(to) Funding Statement: Lower Tier Services Grant	0	0	250,981	0	0	0	
Cont from/(to) BS Reserve	0	1,878,705	0	(2,118,134)	(989,482)	(250,000)	
Cont from/(to) ER: Projects, Risk & Smoothing	0	0	0	0	0	0	
Cont from/(to) ER: CV19 Internal Recovery Reserve	0	0	0	0	(48,176)	0	
c/f	0	1,890,371	3,127,792	1,287,658	250,000	0	

1.1 Introduction

1.1.1 The Section 25 of Local Government Act 2003 requires me, as the Council’s Responsible Financial Officer, to report on the robustness of the 2021/22 budget and the adequacy of reserves to assist you in making your decisions on the Budget and the level of Council Tax. Further, this is an opportunity for me to provide some commentary in respect of the period covered by the Medium-Term Financial Strategy (MTFS). This section of the report will address:

- **Budget Setting**; the approach followed, and actions being taken to help deliver service efficiency.
- **Challenges Facing the Council**; the more significant challenges that the Council face immediately and over the medium-term.
- **Governance**; reflections on recent commentary in respect of Governance at the Council.
- **Risks**; commentary on the immediate and medium-term the risks that the Council may face.
- **Sensitivity**; the modelling of risk to comment on the achievement of the Councils MTFS.

1.2 Budget Setting

1.2.1 At the time of writing, the 2020/21 Quarter 2 Financial Performance Report is reporting a forecast overspend of £154k in respect of service expenditure. This is the first overspend that the Council has had for several years. The main reasons for the overspend still centre largely around a reduction in the anticipated planning fee income for 2020/21 and is also due to the changing business of the Council, the market that the Council operates in and the impact of CV19.

1.2.2 Over the summer of 2020, it was ‘confidentially’ reported to members that the Council was facing a significant financial challenge of around £4m per annum over the MTFS period. To close this gap, the Council has commenced a Budget Challenge process, known as “Budget Challenge 2025” (BC25) – this review is being undertaken based on Zero Based Budgeting principles. All services will be reviewed and will be reviewed in three Tranches; Tranche 1 concluded in December 2021 – with the results being reported to a Cabinet led working group (Star Chamber) and the service recommendations being included in this budget. Tranches 2 and 3 will be concluded by the summer of 2021 and their recommendations will be implemented as the year progresses.

1.2.3 For Tranche 1, the results have shown a cumulative saving of more than £2m; with an immediate saving for 2021/22 of £751k. The BC25 is being led by the Director; Finance & Assets and supported by an external consultant and the Finance Team who have provided central support to services.

1.2.4 In addition the Council continues to:

- embed the Change Programme (formerly known as Smarter Services). The Smarter Services Strategy was approved in February 2020, and at that time savings were not an objective of the strategy. However, BC25 has changed the context of the Strategy and Smarter Services is now within the Change Programme, with savings having a much higher priority. As at the end of 2020; £40k has been allocated to the programme to support project.
- Work with its arms-length, wholly owned company “Harborough Commercial Services”. The aim of the company is to deliver business and wider community benefits and in due course, to deliver an income stream to Council, and
- Cabinet has chosen to increase Council Tax by £5 for a Band D equivalent property.
- The Councils is working with partners across Leicestershire to develop joint working arrangements in respect of strategic planning policy; the aim being to streamline services and achieve efficiencies in delivery.

1.2.5 However, as noted elsewhere within this report, the Council still had a budget gap for 2021/22 and for each year of the MTF5. Although significantly less than the cumulative £16m notified to members in the summer of 2021, a gap of £9.9m is still a hurdle to overcome.

1.2.6 Councillors need to be mindful of this gap.

1.3 **Challenges Facing the Council**

1.3.1 The challenges that the Council faces are like those being faced by many councils across the local government community. The principal challenges that the Council is tackling are illustrated below:

Coronavirus Pandemic (CV19)

1.3.2 CV19 has had a significant impact on local government, regardless of whether you are Unitary, County or District Council. At the start of 2020/21, the Council very quickly reconfigured services to enable it to deliver immediate support to its local community; this included:

- i. The formation of a Community Hub; this required a significant number of staff to be redeployed to undertake different duties to facilitate the effective operation of the Hub.
- ii. Administration of Business Grants; the government introduced several business grant schemes to support local businesses. The Council, and its partners via the Leicestershire Revenues & Benefits Partnership, have distributed several tens of millions of pounds to local businesses. This work has required considerable alternative working and some relaxation in some “business as usual” practices, i.e. debt recovery.

- iii. The delay, and for some services the waiving, of fees and charges for local provided commercial type services (i.e. tenants at Harborough Market Hall, Harborough Innovation Centre).
- iv. The use of reserves to fund significant additional costs and income losses; currently this is estimated to be £575k.

Public Sector Austerity – Cuts in grant funding

- 1.3.3 For the past few years, the public sector has been facing the most significant austerity programme in a generation and because of the government's ring-fencing of some government departments/services (i.e. NHS, Overseas Aid etc.); this has meant that local government has met a significant share of the austerity programme. More recently, independent insights into future government funding propositions are clearly showing a direction of travel that indicates an even more challenging financial environment. However, over the past few years the Council has taken proactive action to try to mitigate the financial consequences of austerity; including the current BC25 programme.
- 1.3.4 Following the 2021/22 provisional settlement announced in December 2020, **Table 4** clearly shows that the core grant funding streams for the Councils MTFS for 2020/21 to 2024/25 has remained the same except for 2021/22. The Council was expecting a significant drop in New Homes Bonus of £1.6m between 2020/21 (£2.7m) and 2021/22 (£1.1m). Originally, the newly elected government had planned to undertake a Comprehensive Spending Review but as a direct consequence of the CV19 pandemic, the government has chosen to issue a one-year settlement – this has benefited the Council by it receiving a one-off (no legacy) New Homes Bonus allocation of £932k.

Comparison of "Core" Grants 2020/21 Budget - to - 2021/22 Budget and MTFS (2022/23 to 2024/25)				Table 4	
	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
2020/21 Budget & MTFS					
NDR (*)	3,708	3,529	3,557	3,578	3,633
Revenue Support Grant (*)	0	0	0	0	0
Other General Fund Grants (*)	134	134	134	134	134
New Homes Bonus (**)	2,670	1,125	556	0	0
Total	6,512	4,788	4,247	3,712	3,767
2021/22 Budget & MTFS					
NDR		3,529	3,557	3,578	3,633
Revenue Support Grant		0	0	0	0
Other General Fund Grants		134	134	134	134
New Homes Bonus		2,057	556	0	0
Total		5,720	4,247	3,712	3,767
Variance between Grant Assumptions					
NDR		0	0	0	0
Revenue Support Grant		0	0	0	0
Other General Fund Grants		0	0	0	0
New Homes Bonus		(932)	0	0	0
Total		(932)	0	0	0
NDR		0.0%	0.0%	0.0%	0.0%
Revenue Support Grant		0.0%	0.0%	0.0%	0.0%
Other General Fund Grants		0.0%	0.0%	0.0%	0.0%
New Homes Bonus		-45.3%	0.0%	0.0%	0.0%
Total		-16.3%	0.0%	0.0%	0.0%
NB. This excludes the new grants announced for 2021/22 that are, in the main, the governments response to CV19					
* At the time the 2020/21 Budget was approved, no MTFS was approved by members. Therefore, the numbers calculated in this analysis are based on an extrapolation of 2020/21 using the agreed percentage increases for 2020/21.					
** New Homes Bonus legacy amounts have been known since the original award.					
*** Excludes one-off CV19 related grants					

Programme of Service Review

- 1.3.5 It is probably fair to say that all councils are undertaking some form of service review and seeking to ensure that services are provided with affordability and value for money at their core. As mentioned earlier, the Council is undertaking a fundamental budget report, BC25 based on the principles of Zero-Based Budgeting with services being split over three Tranches, the first starting in September 2020 and the last concluding in the summer of 2021.
- 1.3.6 Due to the timing of the review programme, it is not possible for conclusions of all tranches to be included in the 2021/22 Budget and MTFS. However, it is expected that the transformational recommendations of Tranches 2 and 3 will be implemented through 2021/22 and subsequent years – this does inevitably mean that in setting the 2021/22 budget reserves will need to be applied to ensure that the Council meets its statutory requirement of setting a balanced budget.

1.4 Governance

1.4.1 The last Annual Governance Statement (AGS) is that in respect of 2019/20, in this the Leader and the Chief Executive consider that:

- **Governance**
 - During 2019/20, the Council's governance arrangements have remained generally consistent with previous years.
 - There are no significant governance issues that I wish to draw to the attention of the Council for inclusion in its Annual Governance Statement, based on the findings of Internal Audit work in 2019/20.
- **Financial control**
 - Controls relating to the key financial systems which were reviewed during the year were concluded to be generally operating effectively, with a level of Good Assurance given for the control environment and compliance.
- **Risk management**
 - Established structures and processes for identifying, assessing, and managing risk remained consistent during 2019/20. During 2019/20 the Governance & Audit Committee has started to receive copies of risk registers, upon recommendation by Internal Audit, and this has strengthened the committee's awareness of risk management and their role in exercising this key element of their terms of reference.
 - Internal Audit work is targeted upon the Council's key areas of risk and work completed in 2019/20 has assessed assurances in relation to controls in some of these areas.
- **Internal control**
 - For the audits completed in 2019/20, 100% of the opinions given in relation to the control environment and compliance have been of at least Satisfactory Assurance. There have been no opinions given of Limited Assurance or Major organisation risk during the last twelve months.

1.4.2 On the 15th October 2020, the Council's Head of Internal Audit reported to the Audit and Standards Committee that the assurance given for the year to 31 March 2020 was:

"Based upon the work undertaken by Internal Audit during 2019/20, the Head of Internal Audit's overall opinion on the Council's control environment is that Satisfactory Assurance can be given that there is generally a sound system of internal control, designed to meet the organisation's objectives and that controls are generally operating effectively in practice."

1.4.3 In respect of Treasury Management and Capital, the Council has a good record of effective management of both. It reports to Cabinet and Council as required by statute, and where there are breaches of respective thresholds etc these are duly reported. The Council has a record of under-achievement in respect of the Capital Programme; hence for this year's capital programme it has been rationalised to be more reflective of "achievability" and revenue "affordability". Going forward, the Council will be looking more forensically at how it finances capital expenditure which will make its Treasury Management more active than at present – but if the Council is to take on debt, this will

be based on prevailing treasury conditions, the Councils Treasury Management Strategy (and associated documents) and cost-effectiveness over the medium-term. Further, the Council has reviewed its Minimum Revenue Provision Policy to increase affordability.

1.5 Risks

1.5.1 Because of the nature of the macro and microenvironment that the wider local government family and the Council operates within, there are a whole host of risks that the Council faces on a day-to-day basis. In such an environment, budget setting is not a science but more a guide on how financial resources will be allocated to services over the forthcoming year and to give an indication into the medium term. There will always be items that emerge after the budget has been approved and these can range from a programme under or overachieving or an unexpected event occurring (such as CV19).

Mitigation of Unforeseen Events

1.5.2 The Council has always taken a “very” prudent position in ensuring that it maintains its General Fund (Unallocated) Reserve at 70% of Net Expenditure. In November 2020 Cabinet agreed that the minimum threshold for the General Fund (Unallocated) Reserve was to be 20%, this is now introduced as part of this budget approval by Council.

1.5.3 However, to help mitigate a situation whereby an event could occur that would potentially have a negative financial impact on the Council, the Council operates a process to help mitigate the financial impact of unforeseen events; where a situation has occurred that is ‘service’ specific, the

- first call for funding will be from compensating savings from elsewhere within the service, and if none are possible then savings from the wider Councils budget (service first, wider Council thereafter),
- second call for funding will be general service reductions. Such an approach will inevitably have an impact on service delivery,
- and finally, the use of General Fund reserves would be considered.

Where a situation arises that is ‘corporate’ in nature, then consideration will be given to the first and second calls, but there is likely to be earlier considerations of using General Fund reserves (this has been the situation in respect of CV19; especially the impact of the legislated change to the closure of the Councils leisure centres due to CV19 national lockdowns).

1.5.4 As part of the review of reserves that was reported to Cabinet in November 2020, and as is now introduced as part of this budget setting, the Council will introduce a Budget Surplus Earmarked Reserve; the aim of this reserve is to “mop-up” service underspends that would cause the General Fund to be higher than the minimum threshold.

1.5.5 The technical definition of General Fund Reserves includes the General Fund (Unallocated) Reserve as well as all 'revenue' Earmarked Reserves. In the context of making General Fund Reserve balances available to meet unforeseen events, any subsequent analysis of "robustness of reserves" will consider:

- General Fund (Unallocated) Reserve, and then the
- Budget Surplus Earmarked Reserve, along with the following Earmarked Reserves:
 - Projects, Risks & Smoothing
 - Transformation
 - Community Economic & Infrastructure
 - Commercial Investment

The following two reserves are excluded from any "robustness" sensitivity as these reserves have been established to meet the costs of known service delivery/revenue commitments:

- CV19 Internal Recovery Reserve; to meet unfunded revenue costs and future years collection fund deficits.
- Capital & Contract Reserve; to meet the costs of known capital obligations or contractual commitments that require revenue funding (e.g. s.106 Commuted Sums, Special Expenses, Local Lottery, and external grant agreements).

Risk Modelling

1.5.6 It is essential that relevant risks are identified, and appropriate sensitivity analysis applied to determine the impact of such risks on the Councils financial standing – and consequently the delivery of the Councils day-to-day business. By no means is the following list a definitive list of the risks that a District Council will face; however, it does represent some of the more significant potential risks that the Council will face; including some in respect of the ongoing impact of CV19:

- Normal Business Risks
 - under achievement of savings.
 - higher inflation.
 - further reductions in income (mainly from fees and charges).
 - non-achievement of savings; including Shared Services.
 - failure of a borrower.
 - an emergency.
 - estate property enhancement/development.
 - increased demand on services (e.g. benefits and homelessness).
- Risks Associated with the Continuation of CV19
 - Underachievement of income not mitigated elsewhere in the budget.
 - Additional unspecified spend not compensated by government grants.

1.5.7 Taking each of the above in turn, this following provides some commentary on how these risks may impact on the Council:

1.5.8 Normal Business Risk

i. **Underachievement of Net Savings & Additional Income**

The net savings included within the budget total £1.1m. These savings cover those services reviewed as part of BC25, Tranche 1 and other saving. However as ever with savings they are dependent on market, management and political conditions prevailing at the time. It is therefore prudent to assume that some of these savings may not be achieved; a fair assumption is that there is 30% underachievement which equates to £339k.

ii. **Inflation**

Regarding:

- **Pay;** the budget for 2021/22 includes an “across the board” nil pay increase. Considering employer oncosts (national insurance and pension), this equates to a total cost of £9.8m; a further 1% for sensitivity equates to £98k.
- **Business Rates** (those payable by HDC); the budget for 2021/22 includes a Business Rates budget of £415k. Several of the Council’s property are occupied by tenants, but it is possible that there could be rating implications for different parts of the Councils buildings. However, a marginal 5% change has been anticipated which has a sensitivity impact of £21k.
- **General Inflation;** no general inflation has been included in the 2021/22 budget as services are now expected to contain inflationary spend within their current budgets; the only exceptions to this are unavoidable increases in respect of insurance and the Councils own liabilities in respect of business rates. Consequently, no further sensitivity has been carried-out.
- **Borrowing;** the budget for 2021/22 assumes a net borrowing cost of £7k based on an average rate of 1.36%, between 0.35% (short-term) and 2.36% (10-year PWLB). If this rate increased by 0.25% (to 1.61%) the cost of borrow would increase proportionally, for sensitivity purposes a 75% impact is modelled which equates to £5k.

iii. **Reduced income: Fees and Charges**

Total fees and charges are £10.6m, therefore, for sensitivity analysis a 20% loss of income from fees and charges would amount to £2.1m. The largest income streams that are susceptible to variation include:

- Planning Fees, £1.3m
- Car Parks, £1.5m (Off-Street)
- Trade Waste, £800k
- Market Hall, £300k

iv. **Reduced income: Grants**

For 2021/22 the Councils total grant receivable is £2.9m and is expected to reduce to £690k in 2022/23; this is because:

- New Homes Bonus will reduce to £556k (£2.1m, 2021/22).
- There are no guarantees on the extension of 2021/22 Lower Tier Services Grant, Local Council Tax Services Grant and CV19 Emergency Funding (totalling £737k).

However, for sensitivity purposes the Council is including a notional 10% reduction in the total grant receivable to reflect potential future losses (£293k).

v. **Government Grant: Non-Domestic Rates**

- Since the localisation of Non-Domestic Rates in April 2013 it has become increasingly clear that the levels that the authority will be able to retain are more and more difficult to forecast. Whilst there are some opportunities for estimating i.e. the development of new buildings, it is difficult to judge when development will commence on allocated land even if planning permission has been granted.
- For 2021/22 the government has not proposed an increase in the NDR multiplier which causes a “notional” flat increase. In addition, in calculating the expected business rates income in the NDR 1 the Council has assumed no growth, due to the uncertainties caused by CV19 and when the current lockdown and restrictions will be eased. For each year of the MTFs, the Council has taken a prudent line by increasing by 0.6%. Directly linked to NDR are S.31 grants, this is government grant that compensates local government for it being required to exceed the minimum statutory regulations for certain thresholds because of government priorities (i.e. increasing the ‘small business relief’ limit above that required by law). The assessed S.31 receipts for 2021/22 are £1.7m.
- Although it is fair to say that any NDR reduction would be limited by the existence of the safety net (i.e. it provides a statutory limitation to losses), it is fair to apply sensitivity to the gap between the safety net and the estimated NDR receipt. Losses can be accrued in several ways; reduced NDR because of business failure, demolition, or catastrophic event, but are more usually impacted due to rating appeals (some of which can take many years to conclude). Further, the Leicestershire NDR Pool will have a wider mitigating effect. In respect of:

- NDR, the gap between the estimated income (£3.7m) and the safety net (£1.6m) is £2.9m; 10% sensitivity reduction will be applied giving £k.
 - S.31, a 10% sensitivity reduction will be applied giving £166k.
- o The Council is anticipating its share of the NDR Deficit to be of £804k (1.4.7), a 15% sensitivity will be applied giving £121k.

vi. **Failure of a Borrower**

The current counterparty limit is lending of £6m to a single institution; except for nationalised/semi-nationalised UK banks which have a maximum limit of £8m.

The main “borrowing” risk rests whether the lending is either on a short- or long-term basis. The £6m limit is restricted to bodies with a credit rating of F1+ or Building Societies with more than £2 billion in assets. The impact of a “failure of borrower” will be the loss of revenue cash flow and the potential costs involved of “making good” the lost investment.

There are, however, good governance arrangements around the Council’s Treasury activity and therefore the likelihood of loss is expected to be minimal, but such losses cannot be ruled out; especially considering the impacts of Brexit are still not unknown it would be prudent to include some sensitivity in respect of cash flow. Therefore, the average amount lent to an institution at any given time is around £3.8m; if this amount were lost and the Council had to borrow from the PWLB, at current rates this would amount to a cost of £33k. This block amount is included in the sensitivity analysis.

vii. **Emergency**

As is normal for a business, different types of risk are mitigated in many difference ways Some risks are insured against, so losses are limited to the excesses payable and, the Government’s Bellwin Scheme can meet a large proportion, over a threshold, of the costs of any significant peacetime emergencies (e.g. severe flooding). Further, the Council does maintain its General Fund Reserves at a fair ‘minimum’ level and their use in respect of Mitigation of Unforeseen Events is discussed earlier.

With specific regard to flooding, the Council does reside within a flood risk area and there have been occasions where the Council has been required to meet the cost of local flooding incidents; however, such costs have been met from within current resources. With the reduction in budgets, it is anticipated that such ad-hoc spend will not be able to be as easily accommodated so it would be prudent to include an element within any sensitivity to meet this cost. The Councils Constitution permits Corporate Management to incur “emergency spend” but no limit is currently included. For sensitivity purposes, a block allocation of £300k has been made, with 50% applied for sensitivity analysis.

viii. **Property Related Costs**

- **Utility Costs;** the current costs associated with utilities are £243k. These costs are managed via contract, but it is prudent to include a small sensitivity (10%) for potential increases.
- **Property Maintenance;** the Councils estate is a mix of purpose-built office accommodation, market halls and pavilions. All such property requires ongoing enhancement and maintenance, and this is estimated at £932k. A sensitivity allowance of 20% has been included, reflecting the potential for additional one-off costs.

ix. **Increased demands on services**

Many of the services provided by the Council are susceptible to an increase in demand. However, over the past few years the most susceptible that has had a significant revenue impact is homelessness and Council Tax Support.

Regarding:

- homelessness, the budget for 2021/22 is £621k, and for
- Council Tax Support is £3.1m;

If there was a 10% increase in demand for each this would require an additional £377k (£62k and £315k respectively).

In addition, ICT is a service under considerable demand. The current budget is £716k, so if there was a 10% increase in costs this would amount to £72k.

x. **Transformation**

The Capital Programme includes £500k in respect of transformation. It is currently envisaged that the cost of this transformation will be met from a direct contribution from reserves. If this cost increased by 15%, this would mean a further £75k contribution from reserves.

xi. **Council Tax**

The Council has chosen to increase Council Tax by £5, the maximum permissible. This is a prudent step as it helps to maintain the financial foundation of the Council and awards it opportunities for future investment. An increase of £5 increase represents around £220k, as this is a marginal increase no further sensitivity has been undertaken.

1.5.9 **Risks Associated with the Continuation of CV19**

The direct and indirect/macro and micro impacts of the CV19 pandemic are expected to continue well into 2021/22, and potentially into future years as well. However, some of these impacts have already been recognised:

- i. **within this budget.** These include:
- The spreading of 2021/22 Collection Fund deficits over the next three years.
 - The receipt of additional £100k government support for the Local Council Tax Support Scheme into 2021/22.
 - The continuation of the governments general support scheme in respect of CV19 emergency funding; the extension of the Sales, Fees & Charges Compensation Scheme up until June 2021 and the potential for support in respect of losses to be incurred via the Tax Income Guarantee Scheme.
 - Adjustments made to reflect lower income within the Interest and Investment Income and Planning (Development Control) Income budgets.
- ii. **elsewhere within the “Normal Business Risk” sensitivity analysis.** By way of example, the potential losses from income and expenditure budgets i.e. Reduced Income and service demand, such as Homelessness, Council Tax Support Scheme, and ICT.

Consequently, no further sensitivity in respect of CV19 has been applied as this could effectively represent a double count.

1.6 Sensitivity of the 2021/22 Budget and Reserves

1.6.1 Considering the risks noted above and the stated budget assumptions, the accumulated total “cash” risk is £4.3m. However, it is highly unlikely that all these risks will occur at the same time, so it is fair to apply “sensitivity” to each risk and then model the likelihood of occurrence. **Table 5** shows this detailed analysis and in summary the additional pressure within 2021/22, based on the likelihood of occurrence, is as follows:

- Pessimistic view, additional pressure of £1.9m
- Middle-View, additional pressure of £1.8m
- Optimistic View, additional pressure of £606k

Sensitivity of Risks to 2021/22 Budget & Funding Options										Table 5	
Risk Determinant		Costs Included in 2021/22 Budget £000	Risk	Sensitivity Impact		Likelihood of Occurrence					
				+/-	Cost £000	Pessimistic Factor	£000	Middle-Way Factor	£000	Optimistic Factor	£000
Underachievement of Net Savings & Additional Income		1,130	Savings not achieved.	30%	339	0.5	170	0.4	136	0.1	34
Inflation	Pay (incl other pay related costs)	9,838	Pay increase from 2.75% to 3.75%	1%	98	0.6	59	0.3	30	0.1	10
	Business Rates (HDC Payable)	415	Business Rates vary due to change in liability etc.	5%	21	0.6	12	0.2	4	0.2	4
	Short-Term Investment/Borrowing Costs	7	Difference between Borrowing; increased from 0.35% (short-term) to 2.36% (10 year PWLB).	75%	5	0.2	1	0.5	3	0.3	2
Reduced Income	Fees & Charges, Sales and Rents (including £500k for Car Parking Fees & Charges)	10,630	Reduction in income.	20%	2,128	0.4	851	0.5	1,064	0.1	213
Government Grant	Grants	2,928	Reduction in NHB following change to "needs" system and consequential redistribution.	10%	293	0.3	88	0.4	117	0.3	88
	NDR (Difference between Safety Net and Budgeted Receipts)	2,119	Reduced NDR receipts	10%	212	0.6	127	0.3	64	0.1	21
	S.31 Grant	1,657	Reduced s.31 grant	10%	166	0.6	99	0.3	50	0.1	17
	Collection Fund NDR (Surplus)/Deficit	804	Collection Fund Surplus less than expected.	15%	121	0.6	72	0.3	36	0.1	12
Failure of Borrower		33	Potential cost of borrowing from PWLB.	100%	33	0.2	7	0.5	17	0.3	10
Emergency		300	Immediate use of funds in the event of a local emergency.	50%	150	0.2	30	0.5	75	0.3	45
Maintenance	Utilities Property Costs	243	Cost of Utility Bills at HDC premises.	10%	24	0.3	7	0.6	15	0.1	2
	Property Maintenance and Enhancement	932	Estate property enhancement/development.	20%	186	0.8	149	0.1	19	0.1	19
Increased Demand of Services	Homelessness	621	Increase in demand.	10%	62	0.4	25	0.5	31	0.1	6
	ICT	716	Additional service requirement.	10%	72	0.8	57	0.1	7	0.1	7
	Council Tax Support	3,148	Increase in demand.	10%	315	0.4	126	0.3	94	0.3	94
Transformation		500	Additional transformation costs	15%	75	0.4	30	0.3	23	0.3	23
Total Sensitivity (A)					4,300	1,911	1,782	606			

1.7 Sensitivity of Reserves and the Impact over the Budget/MTFS (2021/22 to 2024/25)

- 1.7.1 There is no statutory minimum level of reserves; however, as noted elsewhere, Cabinet approved a new minimum threshold for its General Fund (Unallocated) Reserves of 20% of the Net Revenue Budget of the Council. The primary aim of the General Fund is to provide a safety net for unforeseen expenditure.
- 1.7.2 In addition to the General Fund, the Council will operate several reserves; including the Budget Surplus Reserve and various Earmarked Reserves. The purpose of the latter is to meet known potential liabilities arising from Statutory Commitments, Known Risks, Future or Political Commitments and costs associated with Transformation and Commercialisation.
- 1.7.3 However, to ensure the adequacy of the Councils Reserves (i.e. their robustness) it is essential to determine if the Councils revenue reserves are sufficient to meet the assessed risks over the MTFS period. To determine this, a two-stage comparison will be undertaken in that the “likelihood of occurrence” of a risk will be compared to two sets of reserves. The detailed analysis is shown in **Table 6** and relevant commentary is shown below. *Please note that this is only an extrapolation of the 2021/22 reserve position extended over the MTFS period reflecting the Pessimistic, Middle-Way and Optimistic Sensitivity noted above.*

Stage 1 – The Primary Test of Financial Resilience

- 1.7.4 The “likelihood of occurrence” of the assessed risks will be compared against the General Fund (Unallocated) Reserve only.

As shown in **Table 6**, when only the General Fund (Unallocated) Reserve is considered **(1)**, the Council can meet all three sensitivity options for 2021/22, but from 2022/23 onwards only the Optimistic option can be met. This demonstrates that although “risk” is mitigated for 2021/22, for future years the Council does face financial resilience issues.

When the cumulative impact of the estimated contributions from reserves is also considered **(2)**, this shows that the General Fund (Unallocated) Reserve alone is not sufficient to meet the modelled risks (except for the Optimistic Option in 2021/22).

Stage 2 – The Secondary Test of Financial Resilience

- 1.7.5 The Stage 2 assessment is a ‘complete’ test, in that it also brings into the assessment the Councils proposed Earmarked Reserves except for the reserves in respect of CV19 Internal Recovery and the Capital & Contracts Reserves as these two reserves are in place to mitigate known risks and potential revenue-based contracts.

- 1.7.6 At **(3)**, this clearly shows that the Council would have sufficient resources to meet the modelled risks all the way through the duration of the MTFS. In fact, by March 2025 current Reserve modelling is showing that it maintains its General Fund (Unallocated) Reserve at the agreed minimum threshold of 20% and maintains a balance of £120k in earmarked reserves. However, with such depleted earmarked reserves does mean that the Council would not be able to invest in either its community or in potentially revenue generating opportunities. However, it is highly unlikely that the Stage 2 scenario would occur as management would significantly intervene before the Council got anywhere near to this position.

When the cumulative impact of the estimated contribution from reserves is also considered **(4)**, this shows that when compared to all Reserves, the Council faces a significant financial challenge from 2023/24 onwards. In this situation, the Council would be facing the issuing of a s.114 notice sometime during 2023.

Impact of 2021/22 Sensitivity of Risks on the MTFs General Fund Reserves Profile													Table 6			
Stage 1: The Primary Test of Financial Resilience	General Fund Reserve and Budget Surplus Reserve			2021/22 £000			2022/23 £000			2023/24 £000			2024/25 £000			
	1	General Fund Reserve c/f (*)			2,619	2,619	2,619	708	837	2,013	(1,203)	(946)	1,407	(3,114)	(2,728)	800
		Pessimistic	Middle-Way	Optimistic	Pessimistic	Middle-Way	Optimistic	Pessimistic	Middle-Way	Optimistic	Pessimistic	Middle-Way	Optimistic	Pessimistic	Middle-Way	Optimistic
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
		Reduction in Reserves (in year)	1,911	1,782	606	1,911	1,782	606	1,911	1,782	606	1,911	1,782	606	1,911	1,782
	Estimated Reserves c/f	708	837	2,013	(1,203)	(946)	1,407	(3,114)	(2,728)	800	(5,025)	(4,510)	194			
	- Do Reserves remain positive	Yes	Yes	Yes	No	No	Yes	No	No	Yes	No	No	Yes	No	No	Yes
	2	Adjusting General Fund Reserve for Estimate Contribution from Reserves														
		Cumulative Estimated Contribution from Reserves			1,935	1,935	1,935	4,494	4,494	4,494	7,233	7,233	7,233	9,863	9,863	9,863
		Estimated Reserves c/f			(1,227)	(1,098)	78	(5,697)	(5,440)	(3,087)	(10,347)	(9,961)	(6,433)	(14,888)	(14,373)	(9,669)
- Do Reserves remain positive			No	No	Yes	No	No	No	No	No	No	No	No	No	No	
Stage 2: The Secondary Test of Financial Resilience	General Fund Reserve, Budget Surplus Reserve and Non-committed Earmarked Reserves			2020/21 £000			2021/22 £000			2022/23 £000			2023/24 £000			
	3	General Fund Reserve c/f (*)			2,619	2,619	2,619									
		Budget Surplus Reserve c/f			0	0	0									
		All Earmarked Reserves (except Covid-19 + Capital & Contract)			7,494	7,494	7,494									
					10,113	10,113	10,113	8,202	8,331	9,507	6,291	6,548	8,901	4,380	4,766	8,294
	Pessimistic	Middle-Way	Optimistic	Pessimistic	Middle-Way	Optimistic	Pessimistic	Middle-Way	Optimistic	Pessimistic	Middle-Way	Optimistic	Pessimistic	Middle-Way	Optimistic	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
	Reduction in Reserves (in year)	1,911	1,782	606	1,911	1,782	606	1,911	1,782	606	1,911	1,782	606	1,911	1,782	606
	Estimated Reserves c/f	8,202	8,331	9,507	6,291	6,548	8,901	4,380	4,766	8,294	2,469	2,984	7,688			
	- Do Reserves remain positive	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4	Adjusting General Fund Reserve, Budget Surplus and Non-committed Earmarked Reserves for Estimated Contribution from Reserves															
	Cumulative Estimated Contribution from Reserves			1,935	1,935	1,935	4,494	4,494	4,494	7,233	7,233	7,233	9,863	9,863	9,863	
	Estimated Reserves c/f			6,267	6,396	7,572	1,797	2,054	4,407	(2,853)	(2,467)	1,061	(7,394)	(6,879)	(2,175)	
	- Do Reserves remain positive			Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	No	No	No	

* = The minimum level of reserves is 20% of Net 'Budgeted' Expenditure + is the reserves position as at the 31st March 2022

1.7.7 Consequently, it is fair to say that:

- i. Considering the aforementioned sensitivity analysis, with the use of the General Fund (Unallocated) Reserve, the Budget Surplus and some of Earmarked Reserves the Council should be able to absorb considerable additional financial risk. It should be noted however:
 - it is unlikely that all these risks would occur all at the same time.
 - if the future years draw-downs from reserves are considered; this would mean that the Council will be facing a significant financial challenge from 2023/24. However, with Tranche 2 and 3 of the Budget Challenge 2025 review programme reporting in the summer of 2021; this should help to mitigate this situation.
- ii. when the Council's MTFS is considered, it is not self-sufficient over the medium-term. At this point in time, the Council must draw-down considerable reserves to meet service expenditure; however, it is able to maintain its minimum level of reserves for the General Fund (Unallocated) Reserves in 2024/25 but has minimal Earmarked Reserves. If this situation was the chosen path, then the Council would likely be facing a s.114 notice sometime during 2024/25 leading into 2025/26.

1.7.8 However, the Council is taking the right steps to remedy the current financial resilience and sustainability issues that it faces. The results of Tranche 1 are encouraging but a significant amount of the identified saving is due to additional income generation from higher Green Bin charges; also members have also agreed to increase Car Parking charges and Council Tax. It is essential that Tranches 2 and 3 deliver significant service transformation which will require both members and management taking difficult decisions that will impact on the services provided to our community; but decisive action now will mean that the long-term financial resilience of the Council can be secured.

1.8 **CIPFA Resilience Index**

1.8.1 For the past few years the Chartered Institute of Public Finance and Accountancy (CIPFA) has issued its Resilience Index. However, due to the CV19 pandemic; it has not been updated to reflect 2019/20 financial performance because many local authorities have, yet not been able to publish their final Annual Financial Reports (Statements of Accounts). Consequently, for this year's budget setting no commentary is included on this matter.

1.9 Conclusion

2021/22 Budget

1.9.1 Considering all the factors noted within the “Robustness” statement in respect of 2021/22, I consider that the combination of the:

- Councils commitment to continue to find service efficiencies,
- the direction of travel in relation to governance,
- its clear intention to invest in services,
- its prudent position relating to income recognition (including raising Council Tax), treasury and capital management,

has enabled the Council to produce a balanced budget; indeed a budget that contributes to reserves. Therefore, the budget proposed for 2021/22 should not give Members significant concerns over the Council’s financial position.

Medium Term Financial Strategy (2022/23 to 2024/25)

1.9.2 With regard to the period covered by the MTFs; at this point in time the Council does face some significant future funding risk with the:

- expected reduction in NHB,
- the implications of Fair Funding and
- the ongoing issues pertaining to the localisation of Business Rates, and if
- current levels of service are maintained,

the Council will be facing a particularly challenging financial future. This is demonstrated by the annual requirement to draw from reserves to balance its budget over the medium-term.

1.9.3 The Council has taken proactive action to address its budgetary concerns by undertaking the Budget Challenge 2025 programme, which will hopefully be bringing with it fundamental service transformation as well as increasing Council Tax and significant Fees & Charges. However, the Budget Challenge 2025 programme will not be the “end” of transformation – for the Council to achieve financial self-sufficiency and resilience, and be able to invest in its local community, the Council will have to have “continual improvement” at the centre of its future service delivery model.

Clive Mason FCPFA

Director, Finance and Fixed Assets
Responsible Financial Officer (Section 151)