

HARBOROUGH DISTRICT COUNCIL

REPORT TO COUNCIL ON 21<sup>st</sup> February 2022

PUBLIC REPORT: Yes

EXEMPT REPORT: No

<b>Report Title</b>	<b>2022/23 Budget and Medium-Term Financial Strategy (2023/24 to 2026/27)</b>					
<b>KEY DECISION</b>	Yes					
<b>Report Author</b>	Clive Mason, Director: Finance, ICT & Assets (S151 Officer)					
<b>Purpose of Report</b>	<ul style="list-style-type: none"> <li>For Council to consider proposals on the 2022/23 budget as recommended by Cabinet at its meeting on 7<sup>th</sup> February 2022.</li> </ul>					
<b>Reason for Decision</b>	<ul style="list-style-type: none"> <li>The Council must set a balanced budget. The duty to recommend a budget to the Council rests with the Cabinet.</li> </ul>					
<b>Portfolio (holder)</b>	<ul style="list-style-type: none"> <li>Councillor James Hallam; Finance</li> </ul>					
<b>Corporate Priorities</b>	<table border="1"> <tr> <td colspan="2">YOUR COUNCIL: innovative, proactive, and efficient</td> </tr> <tr> <td>CO 10</td> <td>Deliver Financial Sustainability for the future</td> </tr> </table>		YOUR COUNCIL: innovative, proactive, and efficient		CO 10	Deliver Financial Sustainability for the future
YOUR COUNCIL: innovative, proactive, and efficient						
CO 10	Deliver Financial Sustainability for the future					
<b>Financial Implications</b>	<ul style="list-style-type: none"> <li>This report presents the Council's proposed 2022/23 revenue and capital budgets across all its activities and the Medium-Term Financial Strategy (2023/24 to 2026/27). The financial implications of these proposals are given throughout the report.</li> <li>The Chancellor announced on the 3<sup>rd</sup> February a package of measures to support households in respect of their energy bills. One of these measures was a £150 rebate on all properties in Council Tax Bands A to D. This budget has been produced on the basis that this rebate will be 100% funded by the government so will have a net nil impact on the Budget, Collection Fund and Council Tax.</li> </ul>					
<b>Risk Management Implications</b>	<ul style="list-style-type: none"> <li>As required by S.25 of the Local Government Act 2003, an overall assessment of the robustness of the budget estimates, the adequacy of reserves, and the key financial risks to the Council has been undertaken by the S151 Officer and is presented in section 6 of this report.</li> </ul>					
<b>Environmental Implications</b>	<ul style="list-style-type: none"> <li>None</li> </ul>					
<b>Legal Implications</b>	<ul style="list-style-type: none"> <li>The Council is required to consult on its budget prior to formulating its budget requirement. The Council is also legally obliged to set a balanced budget by the end of February 2022.</li> </ul>					
<b>Equality Implications</b>	<ul style="list-style-type: none"> <li>None</li> </ul>					
<b>Data Protection Implications</b>	<ul style="list-style-type: none"> <li>None</li> </ul>					
<b>Consultation</b>	<ul style="list-style-type: none"> <li>Consultation was undertaken over the period from 11<sup>th</sup> January to 6<sup>th</sup> February 2022 with: <ul style="list-style-type: none"> <li>Trade Unions.</li> <li>Local Businesses and Commercial Ratepayers.</li> <li>General public through the Council's website.</li> <li>Parishes and Town Councils.</li> <li>The Performance Scrutiny Panel on the 28<sup>th</sup> January 2021.</li> </ul> </li> </ul>					

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<b>Options</b>	<ul style="list-style-type: none"> <li>The Council's annual budget incorporates the costs and income of meeting several statutory requirements as well as political choices and priorities in terms of projects, service delivery levels, and income generation opportunities. Different options for spending and/or income generation could be proposed from those set out in this report.</li> </ul>		
<b>Background Papers</b>	<ul style="list-style-type: none"> <li>Draft 2022/23 Budget and Medium-Term Financial Strategy (2023/24 to 2026/27); Cabinet report on 10<sup>th</sup> January 2022.</li> <li>Final 2022/23 Budget and Medium-Term Financial Strategy (2023/24 to 2026/27); Cabinet report on 7<sup>th</sup> February 2022.</li> </ul>		
<b>Appendices</b>	<ul style="list-style-type: none"> <li>Appendix 1: Medium-Term Financial Strategy</li> <li>Appendix 2: Changes between the Draft 2022/23 Budget &amp; MTFS (2023/24 to 2026/27) to the Final 2022/23 Budget &amp; MTFS (2023/24 to 2026/27) now presented to Council.</li> <li>Appendix 3: Summary of Budget Principles Applied in respect of Services and Government Funding</li> <li>Appendix 4: Schedule of Fees &amp; Charges 2022/23</li> <li>Appendix 5: 2022/23 Special Expenses</li> <li>Appendix 6: Capital Strategy</li> <li>Appendix 7: Treasury Management Strategy and related documents</li> <li>Appendix 8: Council Tax Resolution</li> <li>Appendix 9: Response to Budget Consultation from Performance Scrutiny Panel on the 27<sup>th</sup> January 2022</li> <li>Appendix 10: Response to Budget Consultation from the general public</li> <li>Appendix 11: Glossary of Terms</li> </ul>		
		<b>Report Paragraph/Table Ref</b>	<b>Appendix</b>
<b>Recommendations</b>	<b>A. Council is asked to approve:</b>		
	<p><b>General Fund</b></p> <ul style="list-style-type: none"> <li>For 2022/23, the Council's net revenue budget requirement of £13.0m, including the budget allocations to portfolios.</li> <li>The schedule of fees and charges for 2022/23.</li> <li>The planned contribution to reserves of £1.4m to finance the budget requirement in 2022/23.</li> <li>The Medium-Term Financial Strategy (2023/24 to 2026/27).</li> </ul>	<p>3.2 Table 1</p> <p>3.10</p> <p>3.2 Table 1</p> <p>3.2 Table 1</p>	<p>Appendix 1 (Table 1 &amp; Annex 1)</p> <p>Appendix 4</p> <p>-----</p> <p>Appendix 1</p>

<p><b>Capital programme and Capital Strategy</b></p> <ul style="list-style-type: none"> <li>The proposed capital programme 2022/23 to 2026/27 and its method of funding.</li> <li>The Capital Strategy 2022/23; including changes.</li> </ul>	<p>4.4 Table 6</p> <p>4.7</p>	<p>-----</p> <p>Appendix 6 Appendix 6.1</p>
<p><b>Council Reserves</b></p> <ul style="list-style-type: none"> <li>The Reserves Statement, including 2022/23 General Fund (Unallocated) Reserves of £2.3m.</li> </ul>	<p>3.14 Table 5</p>	<p>-----</p>
<p><b>Council Tax</b></p> <ul style="list-style-type: none"> <li>An increase in Harborough District Council's element of the Council Tax of £5 to £177.97 for a Band D equivalent property (including average special expenses but excluding precepts).</li> <li>The Special Expenses for 2022/23.</li> <li>That the Council Tax resolution for 2022/23, prepared in accordance with Sections 32-36 of the Local Government Finance Act 1992 as amended by the Localism Act 2011.</li> <li>That delegated authority be given to the Director; Finance, ICT and Assets (as s.151 officer), in consultation with the Leader of the Council and the Deputy Leader of the Council (as Portfolio Holder for Finance &amp; Assets) to approve any change to the Council Tax Resolution as a consequence of any change to the Council Tax approved by Leicestershire County Council at their meeting to be held on the 23<sup>rd</sup> February 2022.</li> </ul>	<p>2.5</p> <p>3.11 Table 4</p> <p>2.5</p> <p>2.5</p>	<p>-----</p> <p>Appendix 5</p> <p>Appendix 8</p> <p>-----</p>

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	<p><b>Treasury Management</b></p> <ul style="list-style-type: none"> <li>• The Treasury Management Strategy; including Treasury &amp; Capital Prudential Indicators and Limits, Minimum Revenue Provision Statement, the Annual Investment Strategy, and the Flexible Use of Capital Receipts.</li> <li>• The inclusion of Market Harborough Building Society on the list of approved counterparties.</li> </ul>	<p style="text-align: center;">Section 5</p> <p style="text-align: center;">-----</p>	<p style="text-align: center;">Appendix 7 (7.1 to 7.9)</p> <p style="text-align: center;">Appendix 7</p>
	<p><b>B. Council is asked to note:</b></p>		
	<ul style="list-style-type: none"> <li>• The budget consultation process that was followed and the feedback gained.</li> </ul>	<p style="text-align: center;">-----</p>	<p style="text-align: center;">Appendices 9 and 10</p>
	<ul style="list-style-type: none"> <li>• The Director; Finance, ICT &amp; Fixed Assets views on the s.25: "Robustness of Reserves" Statement.</li> </ul>	<p style="text-align: center;">Section 6</p>	<p style="text-align: center;">Appendix 1, Section 11 &amp; Annex 3</p>

## 1. Introduction

1.1 This report and its various sections, tables, and appendices set out proposals for the:

- Council's 2022/23 budget (general fund revenue budget and capital programme),
- Medium-Term Financial Strategy (2023/24 to 2025/26),
- And other related documents that are intrinsically linked to the Council's financial governance.

1.2 The report is structured as set out as follows:

- Section 2: 2022/23 Local Government Finance Settlement
- Section 3: The General Fund Revenue Budget (including the Medium-Term Financial Strategy)
- Section 4: The Proposed Capital Programme
- Section 5: Treasury Management
- Section 6: The Director, Finance and Fixed Assets (S151) Officer's "Robustness of Reserves" Statement

1.3 The Corporate Plan, which is a separate report on this Council meeting's agenda, sets out the Council's vision and outcomes. This budget report sets out the financial framework and strategy for aiding the delivery of the Corporate Plan. Many of the proposals for the revenue budget and capital investment, including those over the medium-term, will enable the delivery of the Council's vision and outcomes.

1.4 Because of the:

- Coronavirus pandemic (CV19),
- ever increasing customer demand, and the
- continued implications of the government's austerity agenda;

1.5 all Councils are facing ongoing and unprecedented uncertainty which makes robust medium-term financial forecasting problematic. However, as well as producing the budget for 2022/23, the Council has been able to develop a Medium-Term Financial Strategy (MTFS) that covers the period to 2026/27.

1.6 **Appendix 1** provides a detailed commentary on the entire MTFS period (2022/23 to 2026/27) but the key highlights of the 2022/23 budget and MTFS are shown below:

- A **Council Tax** increase of £5 (2.89%) for Harborough District Council's element of the overall Council Tax charge; the second for several years. This increase is notionally included for each year of the MTFS.
- **Service Income and Savings**; the most significant being:
  - tranches 2 and 3 savings from the **Budget Challenge 2025** process, totalling £1.1m for 2022/23, £3.1m by 2024/25.
  - following a review of the services establishment, a saving of (£130k),

- review of the “target operating model” (the way the Council operates) identified savings of £353k,
- shared services savings with another Leicestershire District Council of £94k
- Reductions in **Capital Financing** i.e. revenue contributions to finance capital expenditure of £400k.
- **Unavoidable Growth**, the most significant being:
  - contractor inflation of £350k,
  - pay inflation of £370k
  - support of the Councils Leisure offer of £165k, previously approved by Council,
  - reductions in income from car parking due to CV19 of £216k, and
  - increases in partner contributions to the Leicestershire Revenues & Benefits Partnership of £54k.
- The inclusion of **1-year only** continuation grants totalling £2.5m; including a one-year New Homes Bonus allocation of £1.8m.
- The budget includes a **net contribution to reserves** of £1.4m with a planned application of reserves over the MTFS to meet known collection fund pressures. However, by 2025/26 the Council has to start using reserves to meet unplanned expenditure; the total reserves applied between 2025/26 and 2026/27 is £2.5m.
- A **capital programme** totalling £31.1m over the MTFS period, of which £13.4m are new projects as a consequence of the 2022/23 capital review. This includes four significant projects:
  - i. **New Depot** (£5m); the Council will need a new depot come the start of its new Waste Contract in 2024/25. This will be financed by a capital receipt and/or revenue financing (minimum revenue provision).
  - ii. **Cemetery, Market Harborough** (£1m); the Council has only a couple of years capacity at its Market Harborough cemetery, new capacity is needed. This will be financed by a capital receipt and/or revenue financing (minimum revenue provision).
  - iii. **Transformation** (£1.5m), the Council is undertaking a significant transformation programme. It will be financed by the use of its new freedoms as a consequence of Council approving the Flexible Use of Capital Receipts Strategy in the summer of 2021.
  - iv. **Leisure Redevelopment in Market Harborough and Lutterworth**, in later summer 2021 Council approved additional redevelopments at both its current leisure centres (£3.9m). Although the Council will have to provide the capital resource, as part of the new contract the contractor will meet the additional capital financing.
  - v. **Platinum Jubilee Community Capital Fund**, to celebrate the Queen’s Platinum Jubilee by providing a fund (£700k) to which local organisations can bid to develop significant capital assets (see 1.7 below).

1.7 In respect of due consideration of the Budget, at the meeting held on the:

- **10<sup>th</sup> January 2021, Cabinet** considered the Draft Budget 2022/23 and MTFS (2023/24 to 2026/27). The day after, the Council consulted on its budget in respect of growth, savings, and capital projects.
- **27<sup>th</sup> January 2021, the Scrutiny Panel (Performance)** considered the Draft Budget 2022/23 and MTFS (2023/24 to 2026/27).
- **7<sup>th</sup> February 2021, Cabinet** considered the Final Budget 2022/23 and MTFS (2023/24 to 2026/27).). This budget included some further changes, in respect of:

**Revenue**

- i. **Services**, a net increase in cost of £149k; this was due to additional inflation in respect of the waste contract, partnership fees for the Leicestershire Revenues and Benefits Partnership, and savings within the establishment of the GOC/HIC.
- ii. **Reserves**, an additional allocation to reserves of £949k.
- iii. **Business Rates and Collection Fund**, an additional net income of business rates, due to additional s.31 grant, of £1.1m.

**Reallocation within Earmarked Reserves**

- iv. **Levelling Up Earmarked Reserve**, Cabinet agreed to allocating £75k from the Community, Economic & Infrastructure Earmarked Reserve to the Projects, Risks & Smoothing Earmarked Reserve to meet any potential future costs. This adjustment has been made within the Reserves commentary within this report.

**Capital**

- v. **Platinum Jubilee Community Capital Fund (PJCCF)**, Cabinet have announced the formation of a “capital” fund in celebration of the Queen’s Platinum Jubilee. The intention is for local organisations to bid to attain capital funds to develop significant community assets for their areas. The details of the Fund are still being worked out, but it is expected that the scheme will be approved by Cabinet in April with a total fund pot of a maximum of £700k with minimum bids of £70k. It is expected that successful “bids” will be awarded on a match-funded/contribution basis. As the fund will be financed by capital receipts, the estimated 2022/23 capital receipts, after financing of the capital programme and the PJCCF, will leave a balance of £3.8m, with a total capital receipts reserve of £4.6m by the end of the MTFS; this is summarised in a table shown at **Appendix 1** (Annex 2). It should be noted:
  - the use of capital receipts will mean that there will not be an impact on the revenue capital financing charges included in the 2022/23 Budget and MTFS. However, there will be incidental revenue costs associated with the design, administration, and governance of the scheme.
  - it is usual practice when financing a capital programme a Council would model 100% application of its capital receipts. As well as reducing the net revenue cost of capital financing, with the Council facing a considerable capital expense due to its need for a new Depot, the Council is holding back some capital receipts to potentially meet this future investment risk.

- that by using these receipts does mean that it will not be available for other future community or infrastructure development.

1.8 It should be noted that the Treasury Management Strategy and the Council Tax Resolution are included in this report rather than considered separately. Further, members will see that Recommendation (A) [*General Fund, Capital, Reserves, Council Tax, Treasury Management*] must be considered “on-block”; the reason for this is because all elements of the recommendation are intrinsically linked to the budget and must therefore be considered and approved at the same time.

## 2 2022/23 Local Government Finance Settlement

2.1 Each year, a local authority’s core funding allocations for the forthcoming financial year are announced by Government in the provisional local government finance settlement, usually in December. Following consultation, allocations were confirmed in the final settlement on the 7<sup>th</sup> February 2022.

2.2 The government issued a one-year spending provisional settlement although it has announced that it expects to implement the Fair Funding Review and reform of business rates in 2023/24.

2.3 In national terms the Local Government Finance Settlement for 2022/23 announced a 7.4% increase in [Core Spending Power in England](#) (Core Spending Power is the overall level of resources government estimates is available for funding local authority services). This is higher than the increase in 2021/22 (2.8%). The Core Spending Power increase for Harborough District is 6%:

- the highest District was 9.3% (1 Councils), lowest 0% (4 Councils).
- county was 6.9%, and for the
- two unitaries, an average of 7.55%.

2.4 The key aspects of the settlement relevant to the Council is discussed in **Appendix 1** (Section 3) and is summarised below:

- The **New Homes Bonus** (NHB) grant has been extended for one-year with an additional allocation for 2022/23 of £1.8m, along with prior year legacy payments the total NHB for 2022/23 is now £2.3m. At this time it is not known if there will be a replacement for NHB, but the government did consult on a replacement for NHB during 2021 but its replacement is not yet known,.
- The government has included one new 1-year grant; namely **Services Grant** and the Council will receive £122k and has continued the **Lower-Tier Services Grant** for a further year, the Council will receive £79k.
- Shire District Councils will be able to **increase “core” Band D Council Tax** demands by the higher of 1.99% or £5.
- The **Business Rate multiplier** has not been increased for 2022/23, and over the MTFS only marginal increases have been included (0.6% per annum).



- As announced last year, the government is permitting local authorities to “spread” any forecast 2020/21 **Collection Fund deficits** over the next 3 years, so 2022/23 is the second year of this spreading. In respect of **business rates**, there is a significant increase due to additional s.31 grant that it will receive to compensate for government intervention in respect of NDR reliefs. Further the Collection Fund deficit is considerably higher in 2022/23, however, this reflects the lower collection from business rates which, as mentioned is itself higher due to compensating government s.31 grant.

2.5 It is important to note that the government assumes in its Core Spending Power figures that the Council Tax base and Council Tax itself bill will increase; the latter by the maximum. In respect of:

- **Council Tax**; Cabinet has proposed to increase its 2022/23 Council Tax Band D equivalent by £5 (to £177.97) and by a further notional £5 for each year of the MTFS. The 2022/23 increase equates to an increase of 2.89%; this increase is calculated thus:
  - 2021/22 Council Tax: £172.97
  - 2022/23 Increase: £5.00
  - 2022/23 Council Tax: £177.97
  - Increase / 2021/22 Council Tax = 2.98%
- **Council Tax Base**; at Decembers Council meeting, Council approved a 2.84% increase in the Council Tax Base to 37,389.4 for 2022/23. This is a significant increase but reflects the growth that has occurred over the past year. For the MTFS, an increase is proposed for each year reflecting the 5-Year Housing Supply.
- the statutory **Council Tax Resolution** is attached at **Appendix 8**.
- **delegation for approval of Council Tax Resolution**, Leicestershire County Council’s Cabinet met on the 11<sup>th</sup> February to approve their MTFS and on the 23<sup>rd</sup> February their Council meets to approve their budget. As this is after Harborough District Councils Budget Setting Meeting, included in the recommendation to this report is a delegation to the Director; Finance, ICT and Assets (as s.151 officer) in consultation with the Leader of the Council and the Deputy Leader (as Portfolio Holder for Finance) to agree a change to the Council Tax Resolution if on the 23<sup>rd</sup> February Leicestershire County Council approve a different Council Tax to that included in the Council Tax Resolution (**Appendix 8**).

### 3 The General Fund Revenue Budget (including the Medium-Term Financial Strategy)

#### 2022/23 forecast outturn

- 3.1 The latest reported position on the General Fund revenue budget as at quarter 2 is an overspend of £154k; this was discussed at the 30<sup>th</sup> November 2020 Cabinet meeting.

#### Proposed 2021/22 Revenue Budget and Medium-Term Financial Strategy (2022/23 to 2024/25)

- 3.2 Detailed commentary on the 2021/22 revenue budget is given in **Appendix 1**, (Section 5) and is summarised in the **Table 1** below.

Summary Consolidated Final Budget 2022/23 & MTFS (2023/24 to 2026/27)	Table 1					
	2021/22 Original Budget £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Net Cost of Services	12,241	11,064	10,942	11,094	11,896	12,708
Capital Financing	856	506	542	741	820	906
<b>Net Expenditure</b>	<b>13,097</b>	<b>11,570</b>	<b>11,484</b>	<b>11,835</b>	<b>12,716</b>	<b>13,614</b>
Reserves Contributions to Support Services	(1,935)	0	0	0	(551)	(1,962)
Other Net Reserves Contributions	2,677	1,428	(1,451)	(725)	(804)	(31)
<b>Net Reserve Contributions</b>	<b>742</b>	<b>1,428</b>	<b>(1,451)</b>	<b>(725)</b>	<b>(1,355)</b>	<b>(1,993)</b>
<b>Budget Requirement</b>	<b>13,839</b>	<b>12,998</b>	<b>10,033</b>	<b>11,110</b>	<b>11,361</b>	<b>11,621</b>
Total Grant	(7,551)	(6,344)	(3,020)	(3,749)	(3,675)	(3,601)
<b>Council Tax Requirement</b>	<b>6,288</b>	<b>6,654</b>	<b>7,013</b>	<b>7,361</b>	<b>7,686</b>	<b>8,020</b>

- 3.3 The key information in respect of the 2022/23 Budget and MTFS is shown below:

#### i. **2022/23 Budget**

- **Net Expenditure;** £11.6m, which represents a £1.5m (11.7%) reduction when compared to 2021/22.
- **Net Reserves Contribution;** a net contribution to reserves of £1.4m, which is a net increase of £686k (92.4%).
- **Budget Requirement;** £13m, which represents a £841k (6.1%) increase when compared to 2021/22.
- **Council Tax Requirement;** a net increase of £366k (5.8%) when compared to 2021/22.

*Please note that the 5.8% increase noted above is higher than the 2.89% increase in the Councils Band D equivalent (2.5) because of the compounded impact of the Council Tax Base increase.*

ii. **MTFS (2026/27)**

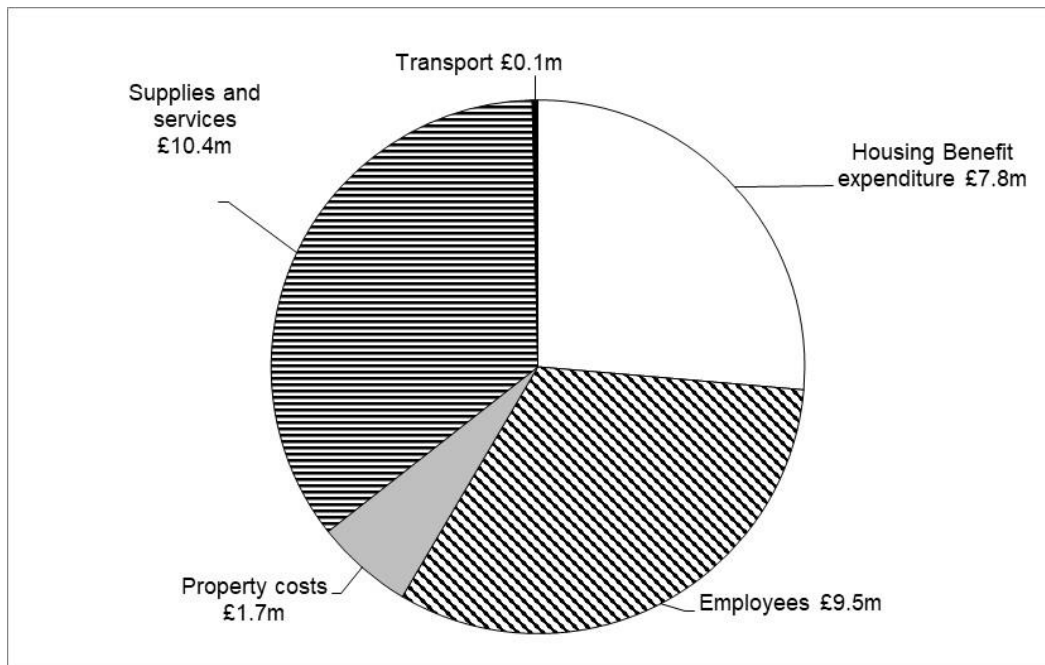
- **Net Expenditure;** £13.6m, which represents a £2m (15.2%) increase when compared to 2022/23.
- **Net Reserves Contribution;** a net contribution from reserves of £2.5m. The first contribution from reserves to meet unplanned expenditure occurs in 2025/26 (£551k).
- **Budget Requirement;** £11.6m, which represents a £1.4m (10.6%) reduction when compared to 2022/23.
- **Council Tax Requirement;** a net increase of £1.4m (20.5%) when compared to 2022/23. The MTFS has been modelled on a “notional” increase of £5 per Band D equivalent per annum.

3.4 With regard to service expenditure, the 2022/23 Budget and MTFS has been developed reflecting on the four approaches which are summarised below. This is discussed in **Appendix 1** (Section 6) and has been discussed extensively at Cabinet and Scrutiny in January and February:

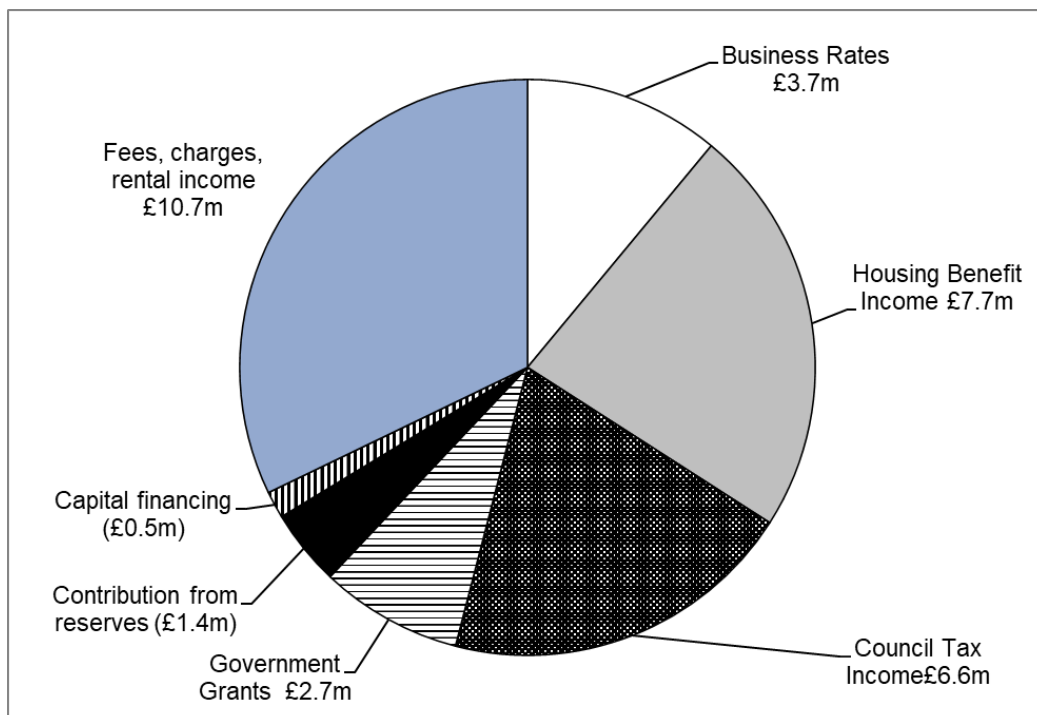
- i. **Service Income;** this primarily involves increases in fees and charges and corporate income related to investment.
- ii. **Service Savings;** there are a significant number of savings themes included within the budget. These include the embedding of savings accrued from:
  - **Budget Challenge 2025,** the transformation programme that was held from September 2020 through to September 2021. This programme will generate savings of £3.1m by 2024/25.
  - **Target Operating Model Service Efficiency,** this is savings to how the Council is operated, expected to generate savings of £354k per annum.
  - **General service savings** of £163k per annum following a review of the establishment, and
  - **Shared Services** savings of £94k per annum due to the potential savings from operating a shared service model for Development Management with a Leicestershire District Council.
- iii. **Service Growth;** this primarily is due to:
  - **Inflation** costs from the Waste Contract (£328k) and Pay (£370k).
  - **Support to the Councils Leisure Provider,** agreed by Council in early 2021/22, and
  - **Reduced income** from car parking as a consequence of CV19 (£216k).
- iv. **Capital Financing;** following a technical review of how the Council finances its Capital Expenditure, Council approved a new MRP Policy in December 2021 which has awarded the Council an annual saving of circa £400k.

3.5 The proposed gross expenditure budget for 2022/23 is £29.5m including housing benefits (£7.8m). The pie charts below show how the gross expenditure budget will be spent and funded (detailed analysis in **Appendix 1**, Annex 1).

**Pie chart 1 showing the General Fund Gross Expenditure Budget of £29.5m**



**Pie chart 2 showing how the Gross Expenditure Budget is financed**



\* Business Rates: net of NDR of £9.3m and Collection Fund Deficit of £5.6m

- 3.6 In November, Cabinet approved some Budget Principles, and how they, along with the government funding announced in the financial settlement have been applied in the 2022/23 Budget and MTFs (2023/24 to 2026/27) is attached at **Appendix 3**. However, extensive commentary on this has been reported to both Cabinet and Scrutiny in January and February; some further commentary on these items can be found in **Appendix 1** (Section 3).

**Changes between Original Budget 2021/22 and Final Budget 2022/23**

- 3.7 It is important that members understand the changes in budgets; both between years and from the Draft budget presented to Cabinet in January to the budget now being presented to Council.
- 3.8 In this respect of the changes between the Approved 2021/22 Budget and the Final Budget for 2022/23, these have been reported in detail to Cabinet in January and February and reviewed by Scrutiny in January. A summary of the changes are shown in **Table 2** below.

Reconciliation of Budget Changes:		Table 2	
1) 2021/22 Budget to 2022/23 Base Budget		£000	£000
2) 2022/23 Base Budget to 2022/23 Final Budget			
<b>1) 2021/22 Budget to 2022/23 Base Budget (*)</b>			
<b>2021/22 Budget Approved February 2021</b>			<b>12,241</b>
Virements	(37)		
Previously Approved Growth/Savings	(151)		
Previously Approved BC25 Savings	(17)		(205)
<b>2022/23 Base Budget</b>			<b>12,036</b>
<b>2) 2022/23 Base Budget to 2022/23 Final Budget</b>			
<b>Net Expenditure</b>	<b>£000</b>		
<b>2022/23 Base Budget</b>			<b>12,036</b>
<u>Budget Changes: Draft Budget (*)</u>			(a)
- Service Income & Savings	(2,131)		
- Service Growth	1,010		
- Capital Financing	506	(615)	(b)
<u>Budget Changes: Final Budget (**)</u>			
- Service Income & Savings	(36)		
- Service Growth	185	149	(466)
<b>2022/23 "Final" Net Expenditure Budget (**)</b>			<b>11,570</b>
<b>Reserves</b>			
<b>2022/23 Draft Budget (*)</b>			<b>479</b>
Budget Changes: Final Budget (**)			949
<b>2022/23 Final Budget (**)</b>			<b>1,428</b>
<b>Government Funding</b>			
<b>2022/23 Draft Budget (*)</b>			<b>(5,245)</b>
Budget Changes: Final Budget (**)			
- NDR		(2,234)	
- Collection Fund		1,136	(1,098)
<b>2022/23 Final Budget (**)</b>			<b>(6,343)</b>
<b>Council Tax</b>			
2022/23 Draft Budget		6,655	(a+b+c+d)
2022/23 Final Budget		6,655	(1+2+3)
<b>NB</b> * - Draft Budget approved by Cabinet 10th January 2022; reviewed by Scrutiny 27th January 2022.			
** - Final Budget approved by Cabinet 7th February 2022.			

3.9 Budgets are, by their very nature evolving financial management plans and as ever with such plans, changes routinely occur. The 2022/23 changes between the draft budget and the budget now presented to Council are net nil in respect of Council Tax but have required an additional contribution to reserves in 2022/23 of £949k and by 2026/27, a contribution from reserves of £388k. This is summarised in **Table 3** below and a detailed analysis is shown in **Appendix 2**.

Changes between Draft 2022/23 Budget & MTFS (2023/24 to 2026/27) and Final 2022/23 Budget & MTFS (2023/24 to 2026/27)		Table 3				
		Budget 2022/23 £000	Medium-Term Financial Strategy			
		2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	
Changes in Service Costs and Income	149	260	339	393	442	1,583
Changes in Capital Financing	0	0	0	0	0	0
Changes in Reserves	949	(236)	(315)	(369)	(417)	(388)
Change in Grant (incl. NDR, NHB etc)	(1,098)	(24)	(24)	(24)	(25)	(1,195)
<b>Net Changes in Council Tax</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Fees and Charges

- 3.10 Each year the Council is required to approve a schedule for Fees & Charges. This represents a 4.9% increase for not statutory fees and charges, members should note that there has not been an increase in Green Bin Charges. The schedule for 2022/23 is attached at **Appendix 4**.

### Special Expenses

- 3.11 The overall Council Tax bill (excluding precepts) will separately show the Harborough District Council Element (charged to all residents in the district) and Special Expenses which relate to specific localities where the Council is providing services which are provided by Parish Councils elsewhere. **Appendix 5** gives the proposed charges for Special Expenses for 2022/23 and **Table 4** below provides a summary of how Special Expenses equates in the Council Tax bill.

Special Expenses - Redistribution by Parish Area						Table 4
Area within the District	Basic amount of HDC council tax before special expense redistribution	Total special expense amount in HDC budget to be redistributed	Redistributed special expense by parish area	Net special expenses adjustment	Parish element	Basic amount of Council Tax by Parish (1)
	£	£	£	£	£	£
Blaston	177.97	(15.62)	11.08	(4.54)	0.00	173.43
Foxtton	177.97	(15.62)	10.09	(5.53)	41.93	214.37
Great Bowden	177.97	(15.62)	8.18	(7.44)	56.09	226.62
Great Easton	177.97	(15.62)	14.38	(1.24)	37.55	214.28
Lutterworth	177.97	(15.62)	11.73	(3.89)	108.30	282.38
Market Harborough	177.97	(15.62)	52.26	36.64	0.00	214.61
Saddington	177.97	(15.62)	17.16	1.54	11.12	190.63
Thurnby & Bushby	177.97	(15.62)	24.24	8.62	55.45	242.04
Broughton Astley	177.97	(15.62)	4.32	(11.30)	102.15	268.82
Fleckney	177.97	(15.62)	0.73	(14.89)	90.16	253.24
Great Glen	177.97	(15.62)	1.85	(13.77)	116.07	280.27
Scraptoft	177.97	(15.62)	5.35	(10.27)	89.23	256.93

NB.

(1) agrees to Appendix 8: Council Tax Resolution.

3.12 Special expenses are applied when Harborough District Council provides a service in a parish (or unparished area) which is provided in other parishes by a town or parish council. Special Expenses are paid to the District Council for; cemetery provision, allotment provision, Harborough in Bloom, Harborough Town Centre Support (including specified events), parks and recreation grounds, memorial gardens, bus shelters and space considered to be in the public realm.

**Reserves**

3.13 In November 2021, Cabinet approved a new Reserves Strategy. As well as the Strategy introducing a new approach to the governance of reserves, it also introduced a minimum level of General Fund (Unallocated) Reserves of 20% of Net Expenditure.

3.14 Forecast balances at the end of each year of the MTFS are shown in **Table 5** below. Reserves are also discussed at **Appendix 1** (Section 7/Annex 2). This reflects an allocation of £75k in respect of the Levelling-Up Earmarked Reserves, which is now nested within the Projects, Risks & Smoothing Earmarked Reserve and was allocated from between the Community, Economic & Infrastructure Earmarked Reserve. This allocation was agreed by Cabinet in February.

Summary Reserves Statement for the Consolidated Final Budget 2022/23 & MTFS (2023/24 to 2026/27)	Table 5					
	2021/22 Original Budget £000	2022/23 £000	2023/24 £000	2024/24 £000	2025/26 £000	2026/27 £000
All numbers as at 31 March of each year						
<b>General Fund (Unallocated) Reserve</b> - Reserves at 20% of Net Expenditure	2,619 Yes	2,291 Yes	2,297 Yes	2,367 Yes	2,543 Yes	2,723 Yes
<b>Earmarked Reserves</b>						
Budget Surplus	0	0	0	0	0	0
CV19 Internal Recovery	1,074	2,157	1,140	1,000	1,000	1,000
Projects, Risk & Smoothing	919	3,794	3,370	2,944	2,440	2,708
Capital & Contract	403	748	748	748	748	748
Transformation	2,000	1,067	1,067	1,067	1,067	1,067
Community, Economic & Infrastructure	1,447	1,872	1,872	2,012	2,012	941
Commercial Investment Reserve	3,128	2,857	2,857	2,786	2,059	988
<b>Total Reserve Balances</b>	<b>11,590</b>	<b>14,786</b>	<b>13,351</b>	<b>12,924</b>	<b>11,869</b>	<b>10,175</b>

3.15 It is a statutory requirement for the Council to set a balanced budget and it achieves this for 2022/23; as shown in **Table 1** it makes a net contribution to reserves of £1.4m.



3.16 However, in respect of the 5-years of the MTFs and the:

- **“unplanned” use of reserves**, the Council will not use reserves to meet the costs of such expenditure until 2025/26. Between 2025/26 and 2026/27, the Council estimates to apply £2.5m in reserves; primarily to meet future years pay award and the increased costs associated with Waste Collection. The:
  - average annual reserves needed to finance “unplanned” expenditure for the 2022/23 MTFs is £503k (5-years); this is £2m less than the average included in the MTFs approved last year .
  - in last year’s MTFs, for the 3-year period 2022/23 to 2024/25 the Council would have been required to use £7.9m in reserves, this year it is nil.
- **“planned” use of reserves**, the Council will use £1.6m in reserves contributions (average of £317k per annum) to meet ongoing obligations due to annual contractual inflation (waste contract and pay award) and the forecast annual collection fund deficits. However, it should be noted that this reserve is primarily due to the Council setting-aside the additional New Homes Bonus and Business Rates income expected to be received in 2021/22.

3.17 The Director: Finance, ICT and Fixed Assets’ view on the robustness of the reserves position is given in section 6 of this report.

## 4 The Proposed Capital Programme

### Definition of capital expenditure

- 4.1 Capital expenditure is strictly defined as expenditure on the creation or enhancement of assets.
- 4.2 Unless expenditure qualifies as capital it will normally be charged to the revenue budget in the period that the expenditure is incurred. If the expenditure meets the definition of capital, there may be opportunities available to finance the outlay from capital receipts (income from selling assets), capital grants, section 106 money, or by spreading the cost over future years’ revenue budgets by borrowing (capital financing/minimum revenue provision).

### 2021/22 revised budget

- 4.3 The Council approved a capital programme in February 2021 of £3.4m for 2021/22. In June 2021, the Cabinet approved capital carry forwards from 2020/21 into the current financial year of a further £2.6m.

### 2022/23 to 2026/27 Capital Programme and Capital Ambition

- 4.4 The proposed capital programme for 2022/23 to 2026/27 is summarised in **Table 6** and shown in **Appendix 1**, (Section 8); it has also been extensively reported to Cabinet and Scrutiny in January and Cabinet in February. The

capital programme totals £30.8m over the MTFS period; £13.4m being new capital proposals; including the Platinum Jubilee Community Capital Fund (1.7).

Summary of the Capital Programme						Table 6																					
	Current Year	New Budget Year	MTFS				Total Capital Programme																				
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	£000																				
	£000	£000	£000	£000	£000	£000																					
<b>Capital Projects Approved in Previous Years</b>	5,303	4,261	3,835	1,960	1,160	860	17,379																				
<b>New Capital Proposals</b>																											
Frank Whittle Monument			75				75																				
The Symington Building: External Works		222	250				472																				
Welland Park Public Toilet Refurbishment		260					260																				
EV Charging Points (Car & Bike)		90					90																				
Finance & Assets System		430					430																				
New Depot					5,000		5,000																				
Cemetery: Market Harborough				1,000			1,000																				
Service Transformation (Flexible Use of Capital Receipts)		1,500					1,500																				
Hybrid Democratic Virtualisation	40						40																				
Platinum Jubilee Community Capital Fund		700					700																				
A Market Harborough Leisure Centre - Additional Funds			1,000	2,000	550		3,550																				
A Lutterworth Leisure Centre - Additional Funds			100	250			350																				
<b>Total New Capital Proposals</b>	<b>40</b>	<b>3,202</b>	<b>1,425</b>	<b>3,250</b>	<b>5,550</b>	<b>0</b>	<b>13,467</b>																				
<b>Total Capital Programme</b>	<b>5,343</b>	<b>7,463</b>	<b>5,260</b>	<b>5,210</b>	<b>6,710</b>	<b>860</b>	<b>30,846</b>																				
<b>Sources of Finance</b>																											
External Funding & Grants	3,474	1,626	1,820	3,328	1,270	720	12,238																				
Capital Receipts	703	4,626	500	450	50	50	6,379																				
Service Charges	6	6	6	6	6	6	36																				
Direct Revenue Financing	250	630	100	0	0	0	980																				
Unsupported Borrowing (MRP/Capital Financing)	910	575	2,834	1,426	5,384	84	11,213																				
<b>Total Sources of Finance</b>	<b>5,343</b>	<b>7,463</b>	<b>5,260</b>	<b>5,210</b>	<b>6,710</b>	<b>860</b>	<b>30,846</b>																				
<p>A This is the additional allocation to the Leisure Centre Redevelopment approved by Cabinet in September 2021. As noted in the report, the future contractor will reimburse the Council for the revenue capital financing cost. The total "gross" capital commitment at each site is as follows:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th>Current</th> <th>Additional</th> <th>Total</th> </tr> <tr> <th></th> <th>£000</th> <th>£000</th> <th>£000</th> </tr> </thead> <tbody> <tr> <td>Market Harborough</td> <td>5,200</td> <td>3,550</td> <td>8,750</td> </tr> <tr> <td>Lutterworth</td> <td>650</td> <td>350</td> <td>1,000</td> </tr> <tr> <td></td> <td><b>5,850</b></td> <td><b>3,900</b></td> <td><b>9,750</b></td> </tr> </tbody> </table>									Current	Additional	Total		£000	£000	£000	Market Harborough	5,200	3,550	8,750	Lutterworth	650	350	1,000		<b>5,850</b>	<b>3,900</b>	<b>9,750</b>
	Current	Additional	Total																								
	£000	£000	£000																								
Market Harborough	5,200	3,550	8,750																								
Lutterworth	650	350	1,000																								
	<b>5,850</b>	<b>3,900</b>	<b>9,750</b>																								

4.5 The Sources of Finance noted above are indicative sources at the time of approving the budget. The Council currently is effectively “debt-free” but in time there might be a need to replace internal borrowing with external borrowing, which brings with it associated capital financing costs. However, with prevailing low rates of external borrowing, the Council will need to consider the most cost-effective means of financing its capital expenditure and this might entail:

- wholly borrowing internally,
- wholly borrowing externally (either short or long-term), or a
- combination of both internal and external financing.

However, such decisions will be determined based on:

- prevailing treasury conditions at that time,
- the Councils approved Treasury Management Strategy, and the
- most cost-effective means of financing over the medium-term.

4.6 Capital expenditure does have a direct revenue impact. During 2021/22 a review was undertaken into its approach to capital financing and a new Minimum Revenue Provision Policy was approved by Council in December 2021. As a consequence of this new policy, the Council is able to generate a considerable saving; for 2022/23 the Councils capital financing cost is £506k; this is:

- £351k (41%) less than 2021/22 (856k), and
- £406k (45%) less than what last year's MTFS was estimating for 2022/23 (£912k).

### **Capital Strategy**

4.7 The Council approved the Capital Strategy in February 2020, much of this document remains applicable to the 2022/23 Budget and MTFS (2023/24 to 2026/27) and only requires minor updating. The updated strategy is attached at **Appendix 6** and the updates are shown in **Appendix 6.1** and summarised below:

- Capital Programme 2022/23 to 2026/27.
- Leicester & Leicestershire Strategy Growth Plan.

## **5 Treasury Management**

5.1 Treasury Management is an intrinsic part of the budget; especially relevant to the financing of capital expenditure and budgets relating to interest and investment income; further explanation is shown at **Appendix 7**. Cabinet considered and approved the Treasury Management Strategy and its associated policies (including the Councils Flexible Use of Capital Receipts Strategy) at its meeting in February; these are shown at **Appendix 7.1 to 7.9**.

## **6 The Director; Finance, ICT and Fixed Assets (S151) Officer's "Robustness of Reserves" Statement**

### **Statutory requirements**

6.1 Section 25 of the Local Government Act 2003 places specific responsibilities on the Responsible Financial Officer (RFO) (also known as the s151 Officer) to report on the robustness of the budget and the adequacy of proposed financial reserves when the Council is considering its budget requirement. The Council is required to have regard to this statement when it sets the budget.

6.2 In addition, the Chartered Institute of Public Finance and Accountancy (CIPFA) recommended good practice is that the RFO refers to:

- Treasury related items, including the range of prudential and capital indicators (addressed at **Section 5** and **Appendices 7 to 7.9**).
- financial resilience, primarily CIPFA’s resilience index (addressed at **Appendix 1**, Annex 3: paragraph 1.8)
- Prudential Code and the deliverability, affordability, & the risks associated with the capital strategy (addressed at paragraph 4.7 and **Appendix 6**).

**Detailed Commentary and Conclusion on “Robustness of Reserves”**

6.3 A detailed commentary on the “robustness of reserves” is shown in **Appendix 1** (Section 11/Annex 3) and it is recommended that members review this. In summary, following extensive sensitivity analysis of potential risks and estimated uses of reserves it is fair to conclude that in respect of:

- i. the use of the General Fund (Unallocated) Reserve, the Budget Surplus and some of the 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.
  - where in future years drawdowns from reserves are considered; the Council needs to be cognisant that this will reduce the available funds to meet potential financing stresses towards the end of the MTFS. However, the Council needs to take a balance approach between investing in its community and securing longer term financial security.
- ii. the Council is not self-sufficient over the medium-term in respect of “income = expenditure” as there is an “unplanned” use of reserves in the last two years of the MTFS. However, it is fair to say that in respect of its total resource availability, other than in an extreme scenario, the Council can meet its medium-term financial commitments.

**CONCLUSIONS**

**2022/23 Budget**

5.9.1 Considering all the factors noted within the “Robustness” statement in respect of 2022/23, I (as your RFO) consider that the combination of the:

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

the budget proposed for 2022/23 should not give Members any significant concerns over the Council’s financial position.

**Medium Term Financial Strategy (2023/24 to 2026/27)**

5.9.2 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 is likely to continue to face a challenging financial future.

5.9.3 The Council has taken proactive action to address its budgetary concerns by undertaking the Budget Challenge 2025 programme and a number of other transformational and cost control initiatives. However, the current programme of change must continue and 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.