

Harborough District Council

Report to the Cabinet Meeting of 15 January 2023

Report Number:	X
Title:	Draft Budget 2024/25 & the Medium-Term Financial Strategy (2025/26 to 2028/29) <i>"Committed to Financial Sustainability & Resilience to enable Community Investment".</i>
Status:	Public
Key Decision:	No
Report Author:	Clive Mason – Director of Resources (& s.151 officer)
Portfolio Holder:	Cllr Mark Graves; Finance
Appendices:	Appendix 1: Detailed “Consolidated” Draft 2024/25 Budget & Medium-Term Financial Strategy (2025/26 to 2028/29) Appendix 2: Detailed service budget pages Appendix 3: Summary of service budget changes. Appendix 4: “Consolidated” General Fund Reserve Appendix 5: Capital Programme 2024/25 to 2028/29

Executive Summary

This report sets out the Council’s Draft 2024/25 Budget and Medium-Term Financial Strategy (2025/26 to 2028/29) (MTFS) in respect of revenue, capital, and reserves.

2024/25

During 2023/24 the Council has, like most local authorities, been facing into a range of significant inflationary and service demand impacts. These have been reflected in the budget for the next financial year. Further, the council had a change in political leadership and the appointment of a new Chief Executive, both of which have brought with them new service priorities. In addition, inflation has significantly impacted on service during the year, which again has had to be reflected in 2024/25. The gross increase in expenditure is £2m with £1.1m being directly mitigated by the agreed support for the acceleration of the local plan. On the 18 December, the government issued their provisional financial settlement which awarded the Council New Homes Bonus of £1.2m, Funding Guarantee of £1.4m and other grants of £169k. The government have maintained the same Council Tax Referendum threshold as in preceding years; and for this budget an increase of

2.99% is modelled. In summary the Council has a net surplus revenue budget of £717k (gross £2.1m less earmarked reserve allocations of £1.4m).

2025/26 and following years

2025/26 is a small surplus budget (£75k), but for subsequent years the council has a significant budget gap of more than £2m per annum. The cumulative gap over the 4-years from 2025/26 is £7.2m. The main reasons for this gap are:

- 65% of 2024/25 central grant (£1.6m, NHB and Funding Guarantee) and nil from 2026/27 onwards. If the same amount was applied from 2026/27 onwards, this would have generated circa £6.7m (93%) of the cumulative gap for the period.
- There is £400k per annum growth in respect of the Waste contract extension (£1.6m over the MTFS).

Each year from 2025/26 assumes a Council Tax increase of 2.99% per annum.

Recommendations

That Cabinet

1. approves:

A. The following to be included in the Draft “Revenue” 2024/25 Budget and MTFS (2025/26 to 2028/29):

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| • various service-related budget changes noted in paragraphs: | 3.5 to 3.12 |
| • various non-service funding budget changes noted in paragraphs: | 3.13 to 3.18 |
| • Council Tax, Business Rates and Collection Fund related budget changes noted in paragraphs: | 3.19 to 3.23 |
| <i>This includes an increase in Council Tax for 2023/24 of 2.99% and a notional increase of 2.99% for each year of the MTFS (2024/25 to 2027/28).</i> | |

B. Draft Budget 2024/25 and MTFS (2025/26 to 2028/29) summarised at Table 4. The detailed service budgets are shown at Appendix 1 and 2.	3.25 to 3.25
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C. Reserves allocations summarised at Table 5, Appendix 4.	3.26 to 3.30
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D. Capital Programme for 2024/25 and for the MTFS (2025/26 to 2028/29) as shown at Appendix 5.	3.31 to 3.36
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E. Delegation of authority to the Director, Resources, following consultation with the Portfolio Holder for Finance & Assets, in respect of capital projects that are impacted by inflation. The detailed wording of the delegation is shown at paragraph 3.36	3.35
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2. endorses the continuation of the transformation programme and continuous improvement, thereby ensuring that the Council

remains <i>“Committed to Financial Sustainability & Resilience to enable Community Investment”</i> .	
Reasons for Recommendations	
To provide the opportunity for consultation on the emerging budget position for 2024/25 and the MTF5, with a focus on the revenue budget, reserve allocations and proposals for the capital programme.	

1. PURPOSE OF REPORT

1.1 For Cabinet to:

- consider the Draft Budget 2024/25 & the Medium-Term Financial Strategy (2025/26 to 2028/29) (MTFS), including potential budgetary implications of the government's provisional settlement, implications for Council Tax and consequential application of reserves.
- review and endorse inflationary implications, savings, and growth proposals, and to begin, where necessary a period of consultation.
- review capital projects proposals; including the potential revenue implications

2. BACKGROUND

Introduction

2.1 In respect of the 2023/24 budget, the Council approved the "original budget" in February 2023 ([Council approved the 2023/24 Budget and MTFS](#)); the key points to note are as follows:

- service net expenditure of £12.1m,
- budget requirement of £16.9m,
- Council Tax (Band D) of £177.97, and
- Council Tax Base of 38,251.5

As part of 2022/23 year-end, the [2022/23 Quarter 4](#) was reported to Cabinet in July and £220k in carry forwards was agreed. This resulted in a 2023/24 Updated Budget with a net expenditure of £12.5m.

2.2 Over the past few years the Council has been on a significant journey in both organisational and financial transformation:

- During 2020 it was established that the Council was facing a significant gap in financial resources and to overcome this it undertook a fundamental review of all its services budgets. This review generated an annual saving of £3.1m (known as Budget Challenge 2025, BC25).
- Extending through 2020 and 2021, the Council was impacted by the Coronavirus Pandemic. With the Council being at the centre of its local community, it led the government's response in respect of business grants and developed new and innovative ways to ensure that services continued to be delivered.

- Since February 2022, the Council, like every other council in the UK has been facing further pressures due to significant increases in inflation and the impacts of the cost-of-living crisis. These pressures have continued through 2023/24 and some of the proposed budget changes later in this report reflect the direct impact of these pressures.

2.3 In addition to the above, the Council has delivered several projects and initiatives over the past year, including:

Place and Community

- Corporate plan delivery plan was refreshed to take into consideration new administration priorities.
- Agreed the new three-year community safety partnership strategy.
- Customer services has continued to develop the online self-service offer, making the council more accessible - in the first quarter of the year 2483 customers used self-service with 80.3% of people successfully completing their enquiry. In the last quarter 92.5% of customers rated their satisfaction score at 5 or above (from a range of 1-10) with self-service. 82.3% of all calls to the customer service centre were answered (target 75%).
- Building houses for vulnerable communities, by August an additional 50 new affordable properties have been secured from new housing sites.
- The council continues to work towards the revision of the local plan.

Creating healthy lives

- Awarded the procurement of the leisure centre contract
- The Housing Service has completed a restructure and as a result an additional 12-month post has been created specifically to support homeless Ukrainians. Additional property has been added to the council's portfolio to support homeless families and the redevelopment of Plowmans Yard is progressing. The Housing team recently completed an external Audit on our Homelessness services and recommendations are being worked through. The Homelessness and Rough Sleeping Strategy is being refreshed following a recent consultative Housing Summit event.
- In the recent S106 grants committee over £400,000 of funding was granted to local projects including: Ullesthorpe Village Memorial Hall (£65303.38), North Kilworth Parish Council (£31951), Kibworth Beauchamp Parish Council (£263953.99) and Kibworth Scouts & Guides (£60k).

Environment & Sustainability

- 250 households swapped energy provider through the Big Community Switch, 63 homes were able to have Solar and /or battery installed from the Solar Together scheme. An additional 28 homes received

additional measures to keep the property warm through the sustainable warmth competition.

- The council was awarded Gold for both East Midlands in Bloom and Britain in Bloom, and the fly tipping campaigns has been shortlisted again for an award.

Economy

- Funding from last year's UKSPF and REPF funding has been used to support the Harborough Big Weekend, Heritage Open days, walking festival, Christmas campaign and comedy festival to increase visitors to the area. £120k has been given as rural business grants – (REPF), £14K has enhanced Shop front (UKSPF), and £4K spent on the Rise and Revive retail grants(UKSPF).
- Footfall counters are back in operation In Market Harborough following a replacement programme and showed there were 124,221 (an average of 4,141) visitors in November 23.

Corporate

- Installation of a new generator at The Symington Building; thereby improving building resilience for the council and partners.
 - Replacement of heating and air conditioning at the market hall.
 - Completion of the garage conversion at Plowmans Yard to make available needed temporary accommodation.
 - Completion of the cemetery extension at Northampton Road to provide additional capacity whilst a longer term solution is found.
 - Completion of the Welland Park Toilets that now meet modern disability provision standards; significantly supported by Changing Places (government) external funding and s.106 contributions.
 - Implementation of a new asset management system; Tech Forge that will, in due course, integrate with the new financial management system, Technology One.
 - The council is continuing its transformation programme with projects such as joining the partnership arrangements with Welland for procurement and implementing a new finance and legal case management systems.
- **Some other performance statistics available from the corporate plan KPI's**
 - Disable adaptations: average of 20 weeks to complete disabled facilities in home (target 20 weeks)
 - The council's performance for the speed of planning determination for minor applications is at 78.4% (target 70%)
 - The council continues to achieve a 3-day working average for responding to reports of fly tipping (target 5 days).
 - The number of repeat homeless applications remains at 0.

- The Councils target for keeping planning appeals below 10% is currently at 0
- The Councils performance around agency costs, staff turnover and staff sickness are all reporting as Green.

Performance of the Corporate Plan/Strategic Performance KPIs can be monitored regularly via the online portal found at [Corporate Plan 2023/24 \(pentanarpm.uk\)](http://pentanarpm.uk)

Reflections on the 2023/24 Forecast Outturn

- 2.4 The [Financial Performance 2023/24 Quarter 2](#) report was discussed at Cabinet in November and is showing a net underspend of £410k, the detail for variances is shown in the report. What is significant is that the council has set-aside funds to meet the costs of procuring the new Waste contract and for financing this year's costs associated with accelerating the preparation of the Local Plan.

3. REVENUE BUDGET: Draft Budget 2024/25 and Medium-Term Financial Strategy 2025/26 to 2028/29

Base Budget 2024/25

- 3.1 When the Council approved the "original" 2023/24 budget and MTFS in February 2023; the 2023/24 "Net Direct Cost of Services" was £12.1m; following base budget changes agreed in earlier years budgets, the 2024/25 Base Budget increased by £418k; this is shown in **Table 1** below.

Reconciliation of 2023/24 Approved Budget to 2024/25 Base Budget				Table 1
Service	2023/24 Budget as approved	Previously Approved Growth/ Savings	Service Requested Budget Changes	2024/25 Base Budget
	£000	£000	£000	£000
Finance	1,906	(11)	158	2,053
Planning, Environment & Waste	5,176	(31)	0	5,145
Wellbeing, Communities & Housing Strategy (aka Planning & Regeneration)	1,019	(40)	0	979
Corporate & Regulatory Services	647	(12)	0	635
Contingency (including Pay/Services/FCC Inflation)	2,659	(246)	0	2,413
	646	600	0	1,246
Net Direct Cost of Services	12,053	260	158	12,471

Budget Changes 2024/25

- 3.2 The detailed Consolidated 2024/25 Budget and MTFS is at **Appendix 1**, with the detailed service budget pages being shown at **Appendix 2** (a summary is

shown at **Table 4** later in this report). However, the 2024/25 draft budget has been based on the [Budget Setting Principles](#) report agreed by Cabinet in November and other subsequent changes; this gives the following key budgetary items in respect of 2024/25:

- Net Direct Cost of Services of £14.5m,
- Capital financing of £560k,
- which gives a 2024/25 Draft Budget Net Expenditure of £15m.

The respective movements between the 2024/25 Base Budget and 2024/25 Draft Budget's Net Direct Cost of Services is shown in **Table 2** below with more detailed discussion later in this report.

Service Budget Changes - 2024/25 only	Table 2	
	£000	£000
2024/25 Base Budget		12,471
Pay increases		
2024/25 Pay increase change to budget for 24/25	(321)	
Consequential impact of 23/24 Pay increase of £1,925 per FTE	369	
Other payroll changes, fte changes, scale point increments, etc	135	183
Service Growth		
Inflation on fees and charges	(19)	
Estimated Net Leisure Mgmt Fee	(81)	(100)
Changes previously reported from services:		
Total "Service" Budget Changes:		291
"Political" Budget Changes		65
"Political" Budget Changes Local Plan 24/25		1,140
Cx Considerations to Support Political Priority - Rural community support/liaison		51
One Year Funding for Corporate Savings Budget Changes		385
2024/25 Draft Budget - Net Direct cost of services		14,486

Budget Review

- 3.3 Since the Budget Challenge 2025 process of a few years ago, the Council has embedded continuous improvement within day-to-day service delivery. In this way, services continually review their offer in respect of income and expenditure to ensure that they provide the best, value for money services possible. In respect of the annual budget setting process, this requires all services to undertake a Budget Challenge-Lite review which is held over the summer and autumn of each financial year. However, in respect of the 2024/25 budget setting a couple of extra steps have been included:

- **New administration;** following the election of a new coalition administration in May, they have undertaken a budget prioritisation review and included new budget items to support the delivery of their priorities.
- **Appointment of a new Chief Executive;** he has requested to hold in abeyance the savings currently included within the budget in respect of (a) the target operating model and (b) the Budget Challenge 2025 reviews in respect of enforcement and human resources terms & conditions, as well as including growth to support the work with parishes and the rural community.

Table 3 summaries these budget changes over the MTFS period and a detailed analysis is in **Appendix 3**.

Service Budget Changes: All Services over the MTFS Period						Table 3					
Type of Budget Change	2024/25					Cumulative 2025/26 to 2028/29					Total over MTFS Period
	Services	Political Prioritisation	Chief Executive Prioritisation	One-Year Savings Deferral	Total	Services	Political Prioritisation	Chief Executive Prioritisation	One-Year Savings Deferral	Total	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Inter-service transfer	(39)	0	0	0	(39)	0	0	0	0	0	(39)
Budget correction	0	0	0	0	0	6	0	0	0	6	6
Net changes in expenditure	1,191	1,155	51	385	2,782	901	(1,140)	(97)	(288)	(624)	2,158
Net changes in income	(727)	0	0	0	(727)	311	0	0	0	311	(416)
Deferment of Savings	0	0	0	0	0	0	0	0	0	0	0
Total	425	1,155	51	385	2,016	1,218	(1,140)	(97)	(288)	(307)	1,709

Budget Principles

- 3.4 In November, Cabinet agreed a series of [Budget Setting Principles](#), the following paragraphs reflect the application of these principles into the budget setting process.

GENERAL SERVICE INCOME AND SAVINGS

- 3.5 **Statutory Fees & Charges**, all statutory fees and charges have been increased. The most significant increase is in respect of Development Management (Planning) income with new statutory fees being introduced from December 2023. Based on past performance, the 2024/25 budget recognises additional income of £242k per annum.
- 3.6 **Discretionary Fees & Charges**, the October 2023 CPI rate of 6.7% has been applied, giving a general increase in income of £19k. In respect of the exceptions noted in [Appendix 1](#) of the Budget Principles report, the following should be noted.
- Regulatory (Environmental Health Services);** the fee and charges increase is based on “actual” hourly rates.
 - Car Parking Pay & Display Tariffs and Permits;** during 2023/24 the car parking service has been subject to a strategic parking review. As it

is not expected that this review will be completed until late 2023/24, no increase will be applied for 2024/25 but an increase is expected for 2025/26. A current estimate of the additional income is £104k per annum. There are also some ancillary income/savings from the parking review:

- £21k in respect of a review of car parking machines, electrical charging point income and parking permits, and
 - £22k in respect of the introduction of Automated Number Plate Recognition.
- ii. **Garden Waste**; the last increase to £61 was introduced from April 22, no increase is proposed for 2024/25 as the “break-even” is £61.42 (potential underachievement of £8k; 0.7%).
- iii. **CCTV**; annual charges will be increased by 6.7%, with new installations/set-up fees being based on actual costs
- iv. **Asset Lease Arrangements**; changes to asset leases are undertaken on an ad-hoc/when needed basis based on market comparators.

3.7 **Interest and Investment Income**; this is the one income stream that is significantly impacting the council. With the increase in interest rates over the past months the council has benefited from this additional unplanned income. As noted in the [2023/24 Mid-Year Treasury Report](#) that was reported to Cabinet in November 2023, this indicated that at that time interest rates had peaked at 5.25%. This translated into a significant increase for 2024/25, but then a gradual reduction in Interest and Investment Income over the MTF5 period as shown below:

- 2024/25; increase of £691k to £1.22m
- 2025/26; reduction of £210k to £1.01m
- 2026/27; reduction of £210k to £800k
- 2027/28; reduction of £105k to £695k, then remaining at this level for 2028/29.

3.8 **TOM Service Efficiency Review, Enforcement Review, and HR Terms & Conditions Review**; members will recall that, in respect of the:

- **TOM Services Efficiency Review**, a saving of £353k was included in the 2022/23 budget for a new “Target Operating Model”. Of this £66k has been achieved (19%); the balance of £287k remains within the base budget of each year of the MTF5.
- **Enforcement and HR Terms & Conditions Reviews**, these were both Budget Challenge 2025 reviews which would have generated a

combined savings of £97k (£75k and £22k respectively). Neither saving has been achieved.

Due to the individual impacts of each of these three reviews, they were delayed during 2022/23 due to the Council's participation in the development of the Strategic Partnership with Melton Borough Council. Following the Council's decision not to follow the Strategic Partnership and the appointment of a sovereign Chief Executive, the Chief Executive has requested one-year's grace (i.e. saving deferral) in the achievement of these savings to enable him to review the target operating model of the council and the impact of the other two reviews. This one-year's grace will be financed from an allocation from reserves.

EMPLOYMENT RELATED COSTS

3.9 **Pay Inflation**; for 2023/24, the pay-award was a flat £1,925 for grades 1 to 10, 3.88% for grades 11 to 14 and 3.5% for the Chief Executive. In respect of next year and the MTF period, it is recommended that the following increases are applied in respect of pay inflation:

- 2024/25; 3.5%, giving an annual cost of £349k.
- 2025/26 to 2028/29; 3.5%, giving an annual cost of £361k to £401k.

3.10 **Employers Oncosts**, as an employer the Council is required to charge oncosts for National Insurance and Pension. In respect of:

- **National Insurance**, this is set nationally and for budgeting purposes a standard rate of circa 13.8% is used.
- **Pensions**, the Council is part of the Leicestershire Local Government Pension Scheme. 2024/25 will be the second year of the current triennial valuation, the equated employer's oncost rate will be 33.4%.

3.11 **Vacancy Factor**; a table-top exercise has been undertaken to model the gap between when vacancies occur and when posts are recruited to and the current £180k vacancy factor has been confirmed as a fair proxy.

SERVICE RELATED BUDGET CHANGES

3.12 **General Service Inflation**; a rate of 0% had been applied for general service inflation for 2024/25 and for the MTF period. As per the Budget Principles report, it was noted that some services have found it challenging to meet current inflationary pressures so these have been addressed as part of the

service review commentary discussed later in this report. In addition, some core costs relate to contracts and these are illustrated below, some of which are included in the service review commentary discussed later in this report (where this is the case, this is noted below):

- i. **Utility Costs;** in respect of:
 - **Electricity;** the 2023/24 budget is expected to be significantly exceeded (98%) by the end of the financial year. Therefore, a one-off increase for 2024/25 of £64k is proposed with a phased reduction back to £66k by March 2026.
 - **Gas;** the 2023/24 budget is expected to be significantly exceeded (150%) by the end of the financial year. The current ESPO contract is however, anticipating a reduction in prices during 2024/25 so an increase of £19k (to £40k) is proposed with a phased reduction back to £21k by March 2026.
 - **Climate Change Levy;** this has been introduced from April 2024. However, the annual charge is expected not to exceed £1k, so no budget adjustment is to be made for this.
- ii. **SLM (Everyone Active) contract;** the primary principles of the new leisure contract is to provide a net-nil cost to the Council and for the duration of; along with significant capital investment. However, the council is exploring co-financing the capital investment which would generate a positive contribution from the management fee (£81k)
- iii. **FCC (Waste) contract;** as noted in the Budget Principles report, the Council does not receive the inflationary costs until the January/February before the new financial year. To aid budget planning, the current estimate for 2024/25 is 5.6% and this is to be applied.

Over the next few years the Council will be procuring a new environment services contract. The following illustrate the budgetary changes that will be required as part of this new contract|:

- a) **Current Contract Extension:** the current contract had been expected to expire at the end of 2024/25. However, due to government delays in the changes to waste collection, the contract is to be extended for a further two years. This two-year extension is expected to cost £400k for both 2025/26 and 2026/27 over-and-above the 4.9% noted in (iii) above.
- b) **Procurement of New Contract:** in preparation for the new contract, the cost is expected to be circa £300k. The procurement process has now started and will last through to 2027/28. The profile of spend is shown below, and the funding for this has been set-aside from the current 2023/24 forecast saving:

- 2024/25: £ 50k
 - 2025/26: £100k
 - 2026/27: £ 75k
 - 2027/28: £ 75k
- c) **New Contract;** the current estimate is that the new contract will cost an additional £400k per annum from 2027/28; this will be included in each year as a block amount.
- d) **Impacts of Environmental Act:** It is still expected that the government proposed changes to waste collection will have an additional cost to the council; what isn't known is the level of cost. As last year, it is recommended that a cost escalator of 5% is added to the general costs of the current environmental services contract for the period 2026/27 onwards.
- e) **New Depot:** As noted in last year's budget, the Council does not have its own depot and the capital cost of development was increased to £10m. The associated "capital financing" charge is currently included within the base budget, this charge will also act as a proxy in case a new depot is not acquired and contract costs come with a premium to meet such an obligation.

➤ **Non-Service Funding**

- 3.13 This section of the report addresses those items of funding or budget adjustments that are based on government funding and associated assumptions.
- 3.14 **Business Rates (NDR);** For the draft budget, the NDR budget assumptions that were applied for the 2023/24 budget and MTFS have been maintained. These budget assumptions will be updated for the final budget that will be reported to Cabinet, and Council, in February.
- 3.15 **New Homes Bonus (NHB);** in the December Provisional Settlement, a NHB allocation of £1.2m was announced for 2024/25 (£1.7m, 2023/24, a reduction in grant of 30%, or 31% in Band D applicable properties). The government has discussed this as the continuation of "stability" for the duration of this parliament.
- 3.16 In respect of future years, it is fair to assume that it would be relatively catastrophic for local government if the government was to completely withdraw this funding stream in 2025/26. However, it is likely that there will be some lowering of the amount allocated and this should be reflected in the

MTFS. ***It is recommended that the Cabinet should continue the reductions that have been applied in previous years, for:***

- i. ***2025/26 a 35% reduction in NHB (£783k).*** A reduction of 35% is marginally more than the reduction between 2023/24 and 2024/25.
- ii. ***2026/27 onwards (post-general election) that no NHB allocation should be made;*** because it is likely that there will be a significant change as part of the national Fair Funding Review.

3.17 **Other Grants.** In the December Provisional Settlement, the following grants were announced. The purpose of these grants is shown below, and it is proposed that these grants are included within General Fund balances:

- i. **Rural Services Grant (£157k);** this is a long-standing grant that recognises the additional pressures associated with providing rural services. For 2025/26, it is expected that the Council will receive a similar amount to that of 2024/25. ***It is recommended that for each year of the MTFS that an allocation of £157k is recognised.***
- ii. **Services Grant (£11k);** this grant provides funding to all tiers of local government in recognition of the vital services delivered at every level of local government. However, the government has reduced this allocation in support of the 3% Funding Guarantee (iii below). Compared to 2023/24 this grant has decreased by £58k. It is not expected that the scheme will be extended for 2025/26. ***It is recommended that that for each year of the MTFS that a nil allocation is recognised.***
- iii. **3% Funding Guarantee (£1.4m);** this was a new grant created for 2023/24 to ensure that every authority has an increase in Core Spending Power of at least 3%. For 2025/26 the current expectation is that there will be some form of guarantee but the HDC allocation is likely to be less. However, as there appears to be a trend of ensuring a funding guarantee it will be fair to include an estimate similar to that of NHB (3.15 i) based on 35% less than 2024/25 (£897k). ***It is recommended that £897k is recognised for 2025/26, but nil for each year of the MTFS thereafter.***

3.18 **NDR Reset and Fair Funding Review;** the government has for a while been undertaking a review the national local government funding formula (NDR Reset and Fair Funding Review). This was initially put on hold due to the Coronavirus Pandemic and for 2023/24 it was understood these two initiatives would continue to be on hold for at least the next couple of years whilst the government concentrates on stabilising the economy as a consequence of the current inflation and cost of living crisis. However, with a general election expected later in the year, it is unlikely that the reset and

funding review will be implemented for 2025/26, and considering a new governments priorities, it is unlikely to be implemented until 2026/27.

Indicative assessment of the rest and funding review show a range of potential impacts on the council. It is likely however that the council will be a “net loser” in that some of the business rates growth that the council has benefited from over the past few years will be lost. It is therefore fair to include an amount to recognise the risk if any loss. ***It is recommended that the Councils budget reflects the following risk adjustments:***

- 2023/24 £ 0
- 2024/25 £ 0
- 2025/26 £ 99k
- 2026/27 £198k
- 2027/28 £297k

➤ **Council Tax Related Issues**

- 3.19 The **Council Tax Base** (CTB) was approved by [Council in December 2023](#). The methodology allows for respective changes in property numbers based on current known properties and planning intelligence in respect of future development. For 2024/25, the approved CTB (Band D equivalent) is 38,921.9 (2023/24; 38,251.5); this is an increase of 670.4 (1.7%). This increase was dampened by an “irrecoverable debt” amount of 2% to reflect the ongoing impacts of the inflationary economy, cost of living crisis and the potential for a recession.
- 3.20 To provide an estimate for future years, ***it is recommended that the future years CTB rates reflect the planned growth rates based on the 5-Year Housing Land Supply***. The estimated growth rates are:
- 2024/25 increase over 2023/24; 1.75%
 - 2025/26 increase over 2024/25; 1.15%
 - 2026/27 increase over 2025/26; 1.13%
 - 2027/28 increase over 2026/27; 1.24%
 - 2028/29 increase over 2027/28; 1.17%
- 3.21 **Council Tax** (CT); in Decembers Provisional Settlement, it was confirmed that Councils are permitted to increase their Council Tax by the higher of 2.99% or £5 (the referendum limit being 3%). It should be noted that the government, in their funding calculations, do expect every local authority to increase their CT to the maximum allowable. ***It is recommended that the Council should increase its 2024/25 Council Tax by 2.99% and for each year of the MTF5.***

In respect of the 2.99% increase; the 2024/25 CT would increase to £183.29 (2023/24: £177.97, an increase of £5.32) and the additional Tax generated is £326k. However, the following is worth noting:

- i. If CT was increased by £5, the CT would have been £182.97 and generate £314k in additional tax, by increasing by 2.99% the tax gain is £12k.
- ii. If CT was increased by 1%, based on the 2024/25 CT Base, the additional tax equates to £189k.
- iii. If the CT increase was nil and any additional CT income was only generated by the increase in the CT Base, the net tax gain would be £119k.

More detailed commentary is shown below.

Current Year 2023/24		2024/25	2025/26	2026/27	2027/28	2028/29
6,807,619	Council Tax Requirement	7,133,995	7,431,478	7,740,220	8,070,047	8,408,605
38,251.5	- Council Tax Base (No. of Band D Equivalent Properties)	38,921.9	39,367.9	39,813.9	40,305.9	40,776.9
862.1	- Increase in Council Tax Base:	670.4	446.0	446.0	492.0	471.0
2.31%	- % Increase in Council Tax Base:	1.75%	1.15%	1.13%	1.24%	1.17%
£ -	- £ Increase per Band D:	£ 5.32	£ 5.48	£ 5.64	£ 5.81	£ 5.99
£ 177.97	- Council Tax Per Band D:	£ 183.29	£ 188.77	£ 194.41	£ 200.22	£ 206.21
0.00%	- % Increase in Band D Council Tax:	2.99%	2.99%	2.99%	2.99%	2.99%
£ 153,427	- £ Increase in total Council Tax Debit:	£ 326,376	£ 297,483	£ 308,742	£ 329,827	£ 338,558
£ 182.97	Options for Council Tax Increase	£ 182.97	£ 188.29	£ 193.77	£ 199.41	£ 205.22
	- if increase at £5, CTax would be:	£ 313,921	£ 278,587	£ 283,261	£ 297,180	£ 298,188
	- if increase at £5, £ increase in total Council Tax Debit compared to last year:	-£ 0.32	-£ 0.48	-£ 0.64	-£ 0.81	-£ 0.99
	- Increase of CTax compared to proposed	-£ 12,455	-£ 18,896	-£ 25,481	-£ 32,647	-£ 40,370
£ 0.32	- Additional Value of proposed increase compared to £5	£ 0.32	£ 0.48	£ 0.64	£ 0.81	£ 0.99
£ 12,240	- Increase of CTax (2.99% to £5):	£ 12,455	£ 18,897	£ 25,481	£ 32,648	£ 40,369
	- Additional Value of "higher of 2.99% or £5"					
	Council Tax key comparator information					
66,541	- a 1% increase in Council Tax, based on Previous Years Council Tax Base equates to:	£ 68,077	£ 71,340	£ 74,315	£ 77,403	£ 80,701
221,504	- a 1% increase in Council Tax, based on Council Tax Base for this year equates to:	£ 188,581	£ 153,905	£ 159,349	£ 174,009	£ 175,947
154,963	- additional Council Tax, based on new Council Tax Base equates to:	£ 120,504	£ 82,565	£ 85,034	£ 96,606	£ 95,246
	Council Tax at Nil Increase, only reflecting increase in new years Base	£ 119,312	£ 81,747	£ 84,192	£ 95,650	£ 94,304
	- additional Council Tax based on proposed increase and a Nil increase in base.	£ 207,064	£ 215,736	£ 224,550	£ 234,177	£ 244,254

3.22 Collection Fund Surplus/(Deficit) (CFSD); the Collection Fund is the statutory account through which CT and NDR income is held and from which payments to preceptors of their respective shares are accounted for. For budget setting purposes, the Council is required to estimate a projected surplus or deficit for both CT and NDR for the forthcoming year end and to share this with preceptors; this:

- enables the preceptors to bring their share of any surplus or deficit into their budget setting process,
- must be shared by the end of January.

3.23 As with the past couple of years, the forecast outturns for CT and NDR have been particularly unpredictable because of the varying industry impacts post the CV19 pandemic and consequential recovery. For the Draft 2024/25 Budget and MTFs, a "net nil" surplus or deficit has been applied to the

budget – this will be updated for the Final 2024/25 Budget and MTFS when this is reported in February. The reason for a “nil” estimate is so that a neutral position is reported at this draft stage before:

- i. the statutory NDR 1 Business Rates return is completed, and
- ii. the preceptors calculations are calculated for the statutory deadline of the end of January

DRAFT BUDGET 2024/25 AND MEDIUM-TERM FINANCIAL STRATEGY 2025/26 TO 2028/29

3.24 The Councils Consolidated Draft Budget 2024/25 and MTFS (2025/26 to 2028/29) is summarised in **Table 4** below with the detailed budget and MTFS being shown at **Appendix 1** and the detailed service budgets being shown at **Appendix 2**. After reflecting the various budget changes in paragraphs 3.3 to 3.24 there is no forecast negative budget gap for 2024/25 or 2025/26 (*reserve contributions to support services*). However, a £2.1m gap appears in 2026/27 and increases to £2.7m by 2027/28. The main reasons for this gap are a combination of future years pay award, consequences of the current high inflationary environment, significant changes in customer and resident demand, additional costs relating to the Waste/Environment contract and a significant reduction in central government support (grant).

Summary Consolidated Budget 2024/25 & MTFS (2025/26 to 2028/29) (Final Budget & MTFS to be approved February 2024)							Table 4	
	2023/24			2024/25	2025/26	2026/27	2027/28	2028/29
	Original Budget £000	In-Year Changes £000	Updated Budget £000	£000	£000		£000	£000
Net Cost of Services	12,053	(1)	12,053	14,486	14,727	15,352	15,897	16,255
Capital Financing	424	0	424	560	703	806	843	896
Net Expenditure	12,477	0	12,477	15,046	15,430	16,158	16,740	17,151
Reserves Contributions to Support Services	5,212	0	5,212	2,158	75	(2,131)	(2,468)	(2,657)
Other Net Reserves Contributions	(790)	1	(789)	(1,440)	(325)	(281)	(260)	(206)
Total Reserve Contributions	4,422	1	4,423	718	(250)	(2,412)	(2,728)	(2,863)
Budget Requirement	16,899	1	16,900	15,764	15,180	13,746	14,012	14,288
Total Grant	(10,092)	0	(10,092)	(8,629)	(7,749)	(6,006)	(5,942)	(5,879)
Council Tax Requirement	6,807	1	6,808	7,135	7,431	7,740	8,070	8,409

3.25 ***It is recommended that Cabinet approves the Draft Budget 2024/25 and MTFS (2025/26 to 2028/29) shown at Table 4 (Appendix 1) and the detailed service budgets at Appendix 2.***

Members should note that:

- **Appendix 2** provides budget information to “cost centre” level, and
- this is the most granular information that can be provided to ensure that personal and commercial sensitivity is maintained.

RESERVES

- 3.26 In December 2023, Cabinet approved an updated version of the Reserves Strategy as part of the Budget Principles report; the Strategy includes:
- A General Fund (Unallocated) Reserve; which has a minimum level of reserves set at 20% of net expenditure (Service Expenditure & Minimum Revenue Provision).
 - The establishment of a series of earmarked reserves based on strategic groupings. The current strategic reserve groupings support:
 - **financial sustainability**; a Budget Surplus Reserve that demonstrates throughout the year whether the Council needs more or less reserve allocations.
 - **the delivery of services by managing known risks and commitments**. These reserves include a CV19 Internal Recovery Reserve; Projects, Risks & Smoothing Reserve; Capital & Contract Reserve; Transformation Reserve and a Strategic Collaboration Reserve.
 - **the delivery of community ambition and community investment**. These reserves include a Community, Economic & Infrastructure Reserve and an Investment Reserve.
- 3.27 These reserve allocations will be considered formally by Council in February when the Final 2024/25 Budget and MTFS (2025/26 to 2028/29) is approved. However, it is opportune to consider the Reserves impact of the Draft 2024/25 Budget and MTFS and **Table 5** summaries the estimated impact on the Councils General Fund and Earmarked Reserves over the life of the MTFS (a detailed analysis of Reserves is shown at **Appendix 4**). For the Draft 2024/25 Budget, the current 2023/24 Q2 forecast underspend has been reflected in the net brought forward balances.
- 3.28 ***It is recommended that the reserves allocations noted within Table 5 are accepted.***

Summary General Fund + Budget Surplus/Other Earmarked Reserves (Final Budget & MTFS to be approved February 2024)					Table 5		
2023/24			2024/25	2025/26	2026/27	2027/28	2028/29
Forecast Outturn Q2 2023/24 £000			£000	£000	£000	£000	£000
2,405	General Fund (Unallocated Reserve)	b/f	2,509	3,009	3,086	3,232	3,348
5,342		Cont from/(to) Services	2,158	75	(2,131)	(2,468)	(2,657)
(5,238)		Cont from/(to) Budget Surplus Reserve	(1,657)	1	2,277	2,584	2,739
2,509		c/f	3,010	3,085	3,232	3,348	3,430
Balanced	Reserve > 20% Minimum Level of Reserves Threshold		Balanced	Balanced	Balanced	Balanced	Balanced
Earmarked Reserves							
0	Budget Surplus Reserve	b/f	0	0	0	0	0
0		Cont from/(to) Services	0	0	0	0	0
5,238		Cont from/(to) General Fund	1,657	(1)	(2,277)	(2,584)	(2,739)
(5,238)		Cont from/(to) Specific Earmarked Reserves	(1,657)	1	2,277	2,584	2,739
0		c/f	0	0	0	0	0
Balanced	Reserve: Balanced/Unbalanced		Balanced	Balanced	Balanced	Balanced	Balanced
Specific Earmarked Reserves							
301 (301) 0	CV19 Internal Recovery	b/f	0	0	0	0	0
		Cont from/(to) Funding etc	0	0	0	0	0
		c/f	0	0	0	0	0
2,238 1,029 0 0 0	Projects, Risk & Smoothing	b/f	3,267	1,114	1,206	1,317	1,428
		Cont from/(to) Services	(973)	92	111	111	111
		Cont from/(to) Funding etc	0	0	0	0	0
		Cont from/(to) Budget Surplus Reserve	0	0	0	0	0
		Cont from/(to) Specific Earmarked Reserves	(1,180)	0	0	0	0
3,267		c/f	1,114	1,206	1,317	1,428	1,539
1,601 52 1,000 2,653	Capital & Contract	b/f	2,653	1,603	1,503	1,428	1,374
		Cont from/(to) Services	(50)	(100)	(75)	(54)	0
		Cont from/(to) Specific Earmarked Reserves	(1,000)	0	0	0	0
		c/f	1,603	1,503	1,428	1,374	1,374
837 (116) 279 1,000	Transformation	b/f	1,000	900	900	900	900
		Cont from/(to) Services	(100)	0	0	0	0
		Cont from/(to) Specific Earmarked Reserves	0	0	0	0	0
		c/f	900	900	900	900	900
0 2,909 2,909	Financial Sustainability	b/f	2,909	6,870	7,062	5,052	2,607
		Cont from/(to) Budget Surplus Reserve	1,781	192	(2,010)	(2,445)	(2,607)
			2,180	0	0	0	0
		c/f	6,870	7,062	5,052	2,607	0
0 1,000 1,000	Collection Fund	b/f	1,000	1,000	1,000	1,000	1,000
		Cont from/(to) Budget Surplus Reserve	0	0	0	0	0
		c/f	1,000	1,000	1,000	1,000	1,000
0 (301) (305) 1,329 723	Corporate Plan & Strategy	b/f	723	600	406	139	0
		Cont from/(to) Services	0	0	0	0	0
		Cont to Capital Financing	0	0	0	0	0
		Cont from/(to) BS Reserve	(123)	(194)	(267)	(139)	0
		c/f	600	406	139	0	0
1,000 0 1,000	Community, Economic & Infrastructure	b/f	1,000	1,000	1,000	1,000	1,000
		Cont from/(to) Specific Earmarked Reserves	0	0	0	0	0
		c/f	1,000	1,000	1,000	1,000	1,000
2,508 (1,279) 1,229	Investment	b/f	1,229	1,229	1,229	1,229	1,229
		Cont from/(to) Specific Earmarked Reserves	0	0	0	0	(132)
			1,229	1,229	1,229	1,229	1,097
10,890 5,400 16,290	Total Reserves	b/f	16,290	17,325	17,392	15,297	12,886
		In-year movements	1,036	66	(2,095)	(2,411)	(2,546)
			17,326	17,391	15,297	12,886	10,340

Reflections on the “Revenue” Draft 2024/25 Budget and MTFs and its impact on Reserves

3.29 In respect of:

- i. the **General Fund**; for 2024/25 and each year of the MTFs the Council maintains a minimum level of “unallocated” General Fund reserves at 20% of Net Expenditure. This demonstrates financial resilience over the medium-term in that the Council considers it has sufficient “emergency” funding to support its community. However, it should be noted that to the maintain services over the MTFs period, it is required to set-aside surplus funds in the first two years (£2.2m) to be drawn down against the unfunded gap in the last three years (which totals £7.3m). If the Council wished to use these surplus funds to fund capital projects; this would mean that the Council would have to cut services, generate more income (likely to be well above inflation increases) or delivering services via alternative means (sharing services with others).
- ii. the **Budget Surplus Reserve**; members will note that for 2024/25 and each year of the MTFs, a positive balance is maintained which demonstrates that the Council is effectively managing its reserves and maintains a positive reserves position.

However, to maintain this positive reserve position, it is necessary for the Budget Surplus Reserve to be supported by contributions of:

- £723k from the Corporate Plan & Strategy Reserve,
 - £132k from the Investment Reserve.
- iii. **Earmarked Reserves**; the Council maintains significant reserves to meet its operational risks, provide funds to support community investment and meet its future funding gap.

3.30 What must not be forgotten however is that this proposed MTFs maintains services at current levels as well as some investment in services. To maintain this, it is essential that:

- services achieve the previously approved and new savings proposals.
- current inflationary pressures are effectively managed within the current budgetary framework. If inflation becomes a more sustained economic driver, then this will erode the Councils spending power and consequently the delivery capacity of the Council.
- agreed service transformation is delivered from 2025.26 i.e. savings related to the TOM, Enforcement and HR, as well as ICT and service transformation.

If the ambition of the Council is to “invest” in its services, it is essential that it has continuous improvement at its core and explores and delivers alternative

and innovative ways to deliver; including collaborative working and service transformation. If the macro and micro economic climate does not improve, it will become very challenging for the Council to investment in its local community.

Capital Programme

- 3.31 The Draft Capital Programme for the period 2024/25 to 2028/29 totals £28.2m and is shown at **Appendix 5**; these tables show the:
- Draft Capital Programme for 2024/25 through to 2028/29, and
 - How the Capital Programme is to be financed.
- 3.32 The 2024/25 Capital Programme consolidates prior year capital projects that, as at Quarter 2 of 2023/24 are likely to slip and new propositions.
- 3.33 The capital programme is quite broad and reaches across most Council services; it includes items in respect of Assets, Customer Services, Economic Development, Parks, Projects and Regulatory. There are a limited number of new projects for 2024/25 onwards, but worthy of note are:
- **Lutterworth Town Centre, Heritage Action Zone 2** (£457k); Zone 2 is to be financed from UKSPF funding and is effectively an enhancement to the Zone 1 scheme that is currently planned to be completed during 2023/24 (if Zone 1 is not completed, this will slip into 2024/25).
 - **Depot** (£10m) **and New Cemetery** (£950k); the council continues to search for suitable sites for a new depot and cemetery.
 - The Symington Building (£703k); the various works for the TSB have remained in the capital programme pending the completion of the TSB review (which is progressing at pace). It is expected that, even though the current plan is for some rationalisation of the councils use of the building, some element of capital works will be required to it is prudent to maintain a capital allocations.
 - **Temporary Accommodation** (£843k); a couple of years ago the council purchased 4, Roman Way to help alleviate the councils homelessness need. However, now the council is significantly passed the end of the pandemic it is apparent that provision is needed across the district not centralised in Market Harborough.
 - **Leisure Redevelopment** (£5.3m); this is split between physical assets allocations (£4.9m) and equipment (£590k). In respect of physical assets; this is the amount that the councils new contractor has requested to be allocated. However, as a consequence of post tender discussions the council is now choosing to 50% part-finance the capital allocation with the contractor financing the balance. In respect of equipment, this will be wholly financed by the council.

- **Market Hall** (£396k); some of the infrastructure at the Market Hall is coming to the end of life; as reflected in previous years condition surveys.
- **Projects** (£983k); the council is exploring a potential solar farm, so there is a small allocation of £40k for this. However, the administration is also keen to have an allocation for projects to be allocated during its administration so created a generic allocation for this purpose.
- **Regulatory** (£4.9m); of the amount allocated to regulatory services £4.2m is allocated to the provision of the Flex D green vehicle initiative (£2.1m) and its annual contribution to Lightbulb, the shared service with Blaby DC in respect of Disabled Facilities Grants.
- **Contingency**; as per the constitution the capital programme is required to include a contingency amount in case of project over-runs. This contingency allows the council to continue to deliver service priorities.

3.34 All capital proposals have been subject to internal officer scrutiny.

3.35 As noted elsewhere within this report, the Council is facing considerable inflationary pressure, and this is particularly true in respect of the capital programme. In these challenging times it is possible that increases in costs could cause unnecessary delay in the development of capital projects due to required increases in budgetary provision. To avoid this and to keep capital projects on their timeline, the following delegation is proposed:

“Where it is apparent that a capital project will exceed its capital programme allocation due to inflationary pressures; the Director, Resources, following consultation with the Portfolio Holder for Finance is authorised to exceed the capital programme allocation providing:

- a. It can be clearly demonstrated that the increase in cost is due to project inflationary pressures.
- b. It can be clearly demonstrated that value engineering has been undertaken to establish the minimisation of costs.
- c. Where cost increases cannot be avoided, approval is given to either:
 1. The use of the contingency within the capital programme or, an
 2. increase in the project cost providing the additional capital cost can be financed from:
 - i. unallocated capital receipts, or
 - ii. where other capital projects have not started (slippage) and can have their financing diverted to fund the potential overspend.

The use of this delegation will be reported in the next Quarterly monitoring report.”

- 3.36 ***It is recommended that Cabinet approves the capital programme and sources of finance noted in Appendix 5, and the proposed delegation at 3.36.***

BUDGET CONCLUSION

- 3.37 In conclusion, for the Council to

- meet its financial commitments and risks,
- ensure it can undertake the service transformation needed to deliver financial sustainability and resilience, including where possible collaboration with partners, and
- deliver sound economic and community investment opportunities that will provide long-term secure income;

it is necessary that the Council continues its programme of transformation and continuous improvement.

4. Implications of Decisions

4.1. Corporate Priorities

The contents of this report supports the Council in the delivery of the Corporate Plan and its agreed priorities.

4.2. Financial

The 2024/25 budget and MTFS is balanced for the next two years and then requires funding thereafter; this will be achieved by setting-aside surpluses from 2023/24 ad 2024/25 into a new Financial Sustainability Earmarked Reserve that will be spread, with allocations from other reserves to finance the councils budget.

The Capital Programme is duly financed in its entirety and includes a number of proposals that will seek to minimize medium term risks relating to asset obsolesce and revenue service risks.

It should be noted that the budget does include:

- The use of both NDR Leicestershire Pool monies, and an allocation from reserves, to meet the acceleration of the local plan (as agreed by council on the 18 December),
- One-year deferrals of savings relating to the TOM efficiency programme and from an Enforcement and HR-T&C's reviews.
- Increased budget allocations relating to a 2-year extension of the current waste contract and a new contract following the extension. Council has chosen to not proceed with the Strategic Partnership with Melton Borough Council; this would have been the best means of addressing this pressure. For the time being this "unachieved saving" will be met from reserves; however, it is expected that this pressure will

be closed over 2023/24 to ensure that future Council Tax payers do not continue to carry-burden.

- Significant inflationary impacts across many services.
- Provisional settlement grant allocations for 2024/25 and reduced estimated amounts for 2025/26 (based on the assumption that it is unlikely that a new government next year will have in place a new funding regime for local government).

However, it should also be noted that the draft budget does not include estimates relating to NDR and collection fund surpluses and deficits for 2024/25 and subsequent years. The reason for this is because last year there was a late notification of additional NDR receipts that was not reported as part of the draft budget but was for the final budget; to avoid this situation this year it has been decided to wait for the completion of the NDR 1 (statutory return for next years estimate for NDR) and the statutory calculation of the surplus and deficit – both of which have to be completed by the end of January.

As discussed earlier in this report, service transformation and continuous improvement are key to the continued successful delivery of modern services. In respect of:

- **Transformation**, this budget builds on a number of transformational projects that are now bearing both financial and service benefits; including the implementation of the ICT Strategy ([Rec to Council / Covering Report / ICT Strategy](#)), Customer Services Transformation ([Agenda Cabinet May 2021](#), exempt report), [Leisure Procurement](#) and the capital programme which is approved each year. The budget includes new initiatives; such as service restructurings within the legal and development management teams, a revised approach to homeless accommodation and a number of environmental projects including a grants scheme and feasibility into a solar farm.
- **Continuous improvement**, is a requirement on all local authorities and is embedded within the arrangements to deliver Best Value; which centres on the achievement of value for money in service delivery([DHLUC Best Value Stds & Intervention](#)).

4.3. **Legal**

This report supports the Chief Financial Officer in meeting his statutory responsibilities in respect of the proper administration of the Councils financial affairs [s.151 of the Local Government Act 1972].

4.4. **Policy**

No policy issues arise directly from this report other than this budget and MTFs seeks to allocate resources to meet policy objectives and expected outcomes.

4.5. **Environmental Implications including contributions to achieving a net zero carbon Council by 2030**

There are no direct environment implications arising from this report.

4.6. Risk Management

Main implications: The budget proposals are subject to a risk assessment in their formulation and subsequent delivery. An overall assessment of the risks in the budget proposals will be undertaken by the S151 Officer and will form part of the report to Cabinet on in February 2023 and Council later in February 2023

4.7 Equalities Impact

The equality implications arising from this budget, including savings programmes, have been addressed through each of those individual reviews.

4.8 Data Protection

There are no direct data protection implications arising from this report.

5. Summary of Consultation and Outcome

Consultation has been undertaken with Cabinet and in due course with the Scrutiny Panel (Performance). Further, the statutory consultation in respect of Business Rates will take place between the January and February Cabinet meetings.

6. Alternative Options Considered

Not applicable.

7. Background papers

DHLUC Provisional Settlement.
Services budget working papers.