

## Harborough District Council

### Report to the Cabinet Meeting of 20 January 2025

<b>Title:</b>	Draft Budget 2025/26 & Medium-Term Financial Strategy (2026/27 to 2029/30)  <i>"Committed to Financial Sustainability &amp; Resilience to enable Community Investment".</i>
<b>Status:</b>	Public
<b>Key Decision:</b>	No
<b>Report Author:</b>	Clive Mason – Director of Resources (& s.151 officer)
<b>Portfolio Holder:</b>	Cllr Mark Graves; Finance
<b>Appendices:</b>	<b>Appendix 1:</b> Detailed "Consolidated" Draft 2025/26 Budget & Medium-Term Financial Strategy (2026/27 to 2029/30) <b>Appendix 2:</b> Detailed service budget pages <b>Appendix 3:</b> Summary of service budget changes. <b>Appendix 4:</b> "Consolidated" General Fund Reserve <b>Appendix 5:</b> Capital Programme 2025/26 to 2029/30

#### Executive Summary

This report sets out the Council's Draft 2025/26 Budget & Medium-Term Financial Strategy (2026/27 to 2029/30) (MTFS) in respect of revenue, capital, and reserves.

#### REVENUE

##### 2025/26

During 2024/25 the Council has, like most local authorities, been faced with a range of significant inflationary and service demand impacts; although in the latter months of 2024 inflation had levelled off at around 2% but costs are significantly higher than 24 months previously. In contrast, the council has continued to benefit from higher investment income. These impacts continue to be reflected in the budget for the next financial year. This is the second budget since local government elections in 2023 and the priorities adopted in the Council Plan are still paramount within the budget itself. The increase in direct cost of services is £3m, with £1.4m (47%) being related to one-off special projects, including a further £1m community grant scheme and a £370k allocation to support various service reviews/priorities. On the 18 December, the government issued their provisional financial settlement, this:

- awarded the Council
  - £895k for New Homes Bonus,
  - £1.6m for Minimum Funding Guarantee, and
  - £126k for other grants;
- abolished the Rural Services Delivery Grant and the Services Delivery Grant (2024/25, £194k).
- confirmed the Council Tax Referendum threshold as in preceding years (with 2.99% being applied).

Outside of the provisional financial settlement is the DEFRA grant of £1.6m relating to the “Extended Producer Responsibility”, this is an estimate which is expected to be confirmed in the new year. This amount is expected to be annual but decrease each year until producers have changed their packaging to a more sustainable type.

In summary the Council has a surplus revenue budget of £2.1m (before the application of earmarked reserves).

### **2026/27 and following years**

2026/27 is a surplus budget (£533k), but for subsequent years the council has a cumulative gap over the 4-years of £10.5m. The main reasons for this gap are:

- removal of New Homes Bonus and Minimum Funding Guarantee as the government have confirmed that from 2026/27 a new funding formula will be introduced that will give a greater emphasis to deprivation.
- the introduction of the business rates reset; which is expected to show a significant reduction in business rate; partially compensated by a damping adjustment (though the adjustment does not compensate for the aggregate loss of business rates, new homes bonus and the minimum funding guarantee).
- additional service pressures relating to new statutory regulation (housing and waste collection).

For each year from 2026/27 the budget assumes a notional 2.99% annual increase in Council Tax.

### **RESERVES**

It is currently forecast that by the end of 2024/25 the Council will have revenue reserves of circa £23.8m, and by the end of 2025/26 circa £24.8m. This is forecast to decrease to £14m by the end of 2029/30. The reasons for this change are detailed within this report. However, it should be noted that the council:

- maintains its Unallocated General Fund Balance at 20% of Net Expenditure; as required by the Reserves Strategy.
- by actively managing its revenue position through the Financial Sustainability Earmarked Reserve, can be assured that it can continue to meet known day-to-day service pressures as well as those that are a bit more uncertain.

## CAPITAL PROGRAMME

The 5-year Capital Programme totals £32.4m by 2029/30, £18.3m for schemes previously approved and £12.6m of new capital schemes; there is also a capital contingency of £1.5m over the MTFS period. The capital programme is financed by a mix of sources, including £21.5m from internal borrowing, £5.8m from capital receipts, £3.2m from government grant and the balance by direct revenue contributions and the Leicestershire NDR Pool.

The capital programme includes a number of new initiatives, including remediation works to The Symington Building (£1.5m), new vehicle fleet (£5.6m) and the acquisition of further houses to support temporary accommodation (£2.7m). As well as existing schemes including the purchase of a Depot site (£10m), new Cemetery (£950k), equipment to support food waste collection (£920k) and disabled facilities grant (£2.1m).

### Recommendations

#### That Cabinet

#### 1. approves:

#### A. The following to be included in the Draft "Revenue" 2025/26 Budget and MTFS (2026/27 to 2029/30):

- |   |              |
|---|--------------|
| • various service-related budget changes noted in paragraphs:                                 | 3.5 to 3.13  |
| • various non-service funding budget changes noted in paragraphs:                             | 3.14 to 3.23 |
| • Council Tax, Business Rates and Collection Fund related budget changes noted in paragraphs: | 3.24 to 3.28 |

*This includes an increase in Council Tax for 2025/26 of 2.99% and a notional increase of 2.99% for each year of the MTFS (2026/27 to 2029/30).*

<b>B.</b> Draft 2025/26 Budget and MTFS (2026/27 to 2029/30) summarised at Table 4. The detailed service budgets are shown at Appendix 1 and 2.	3.29 to 3.31
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<b>C.</b> Reserves allocations summarised at Table 5, Appendix 4.	3.31 to 3.34
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<b>D.</b> Capital Programme for 2025/26 and for the MTFS (2026/27 to 2029/30) as shown at Appendix 5.	3.37 to 3.43
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<b>E.</b> 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	3.42
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<b>2. endorses</b> the continuation of the transformation programme and continuous improvement, thereby ensuring that the Council	
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remains “**Committed to Financial Sustainability & Resilience to enable Community Investment**”.

**NB.** Members should note that the Draft Budget 2025/26 & Medium-Term Financial Strategy (2026/27 to 2029/30) is approved subject to considerations of the budget consultation that starts on Tuesday 21 January until Friday 7 February 2025. The Final Budget 2025/26 & Medium-Term Financial Strategy (2026/27 to 2029/30) will be considered by Cabinet on the 10 February 2025 and then recommend to Council for final approval on the 24 February 2025.

**Reasons for Recommendations**

To provide the opportunity for consultation on the emerging budget position for 2025/26 and the MTFs, 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 2025/26 Budget and MTFS (2026/27 to 2029/30) (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 2024/25 budget, the key points of the budget approved by Council<sup>1</sup> in February 2024 were as follows:

- service net expenditure of £15.3m,
- budget requirement of £17.9m,
- Council Tax (Band D) of £177.97, and
- Council Tax Base of 38,921.9

In July 2024, Cabinet<sup>2</sup> approved £1.1m in carry forwards from 2023/24. This resulted in a 2023/24 Updated Budget net expenditure of £16.7m.

### 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.

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<sup>1</sup> [Council approved the 2024/25 Budget and MTFS](#)

<sup>2</sup> Cabinet approved carry-forwards, [2023/24 Quarter 4 Performance Report](#)

- 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 2024/25 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**

- Refreshed the Corporate strategy to take into consideration administration priorities for the medium term and consulted on these.
- Customer services has continued to develop the online self-service offer, making the council more accessible - in the second quarter of the year 2024/25, 2341 customers used self-service with 74.5% of people successfully completing their enquiry. 95.9% of customers rated their satisfaction score at 5 or above (from a range of 1-10) with self-service. 86.5% of all calls to the customer service centre were answered (target 75%).
- The council continues to work at pace towards the revision of the local plan.
- Cabinet invested an additional £1m to support local communities, a new team of Community Development Officers have been recruited who are administering the community grants and Community awards. Harborough District Council's Cabinet Sub Committee agreed, in November 2024, to allocate a total of £66k in its first set of grants. The projects which received funding are:
  - Billesdon Parish Council - £20,000 to upgrade play park equipment in the village
  - Dunton Bassett Parochial Church - £3,318 to purchase equipment for the newly established All Saints Church Community Space
  - Dunton and Broughton Football Club - £1,490 to purchase and install a defibrillator
  - The Marc Smith Educational Charity - £5,000 to refurbish its kitchen at the Old School House in Claybrooke Parva
  - Great Bowden Residents Management Company - £14,965 to replace and upgrade litter bins, picnic tables and benches, foot bridges and install a dead hedge (a barrier constructed from cut branches, saplings and foliage)

- Ullesthorpe Village Hall - £18,773 to install infrared heating panels
- Mowsley Village Hall - £2,462 to erect a storage facility for tables and chairs
- New Cultural quarter completed in August 2024, in Market Harborough linking together an iconic cluster of buildings at the heart of the town centre, after receiving £16,209 from the UKSPF funding.

### **Creating Healthy lives**

- The leisure centre procurement is complete, with Everyone Active being the council's preferred provider. A substantial investment of (£6.1m) has renovated both Market Harborough and Lutterworth leisure centres,
- The health and wellbeing team held the annual sports awards in December 2024.
- Having approved the Councils Housing strategy, Cabinet approved capital spend of £843,000 to increase the councils temporary housing offer, in addition a LAF3 funding application was successful adding a further £518,000 to new accommodation. The Council have purchased a new house for the Afghan resettlement scheme and two houses for temporary accommodation, giving us more control and ongoing savings.
- S106 grants committee in 2024/25 allocated £1.8m during two grant rounds to various projects across the district including:
  - Gilmorton Community Playing Fields Association – £184,732 to extend the existing pavilion to improve child safety and additional changing and meeting room facilities
  - Medbourne Parish Council – £28,748 for a footpath on the edge of the sports field joining the end of the existing village footpath to the sports club
  - 1st Bowdens Scouts Group – £48,692 to construct a larger replacement Scout Hut
  - Fleckney Parish Council – £1,235,245 to build a state-of-the-art sports centre with improved community and sports amenities and additional changing and toilet facilities
  - Fleckney Village Hall – £50,000 for car park improvements and additional parking space.

- Bowmen of Glen Archery Society – £147,160 to extend the existing clubhouse to accommodate an indoor archery area.
- Lutterworth Athletic Football Club – £45,780 complete the building of a club and community hub that will encompass health and wellbeing education, mental health support, exercise and diet, counselling and treatments.
- Lutterworth Town Council – £45,780 to change the internal layout of the pavilion that will encompass community health and wellbeing activities.

### **Environment & Sustainability**

- Environmental heating schemes in 2024/25 included: 23 homes were able to have Solar and 21 batteries installed from the Solar Together scheme.
- The Home Upgrade Grant administered by the Warm Homes service together with YES Energy Solutions and EON Energy Solutions provided 35 homeowners and private tenants with fully funded energy efficiency measures to improve the warmth and comfort of homes, whilst also reducing energy bills, carbon emissions and levels of fuel poverty across the county
- Harborough District Council invested in 222 solar panels fitted on the south, east and west-facing roofs of the Harborough Innovation centre, Since the switch-on at the beginning of May 2024, the solar technology has generated 8 MWh of electricity, enough to run the average home for over three years, and it has saved over eight tonnes of CO2.
- The council was awarded Gold for East Midlands in Bloom for the third year. A new friendship park has been created on Northampton Road; 200 trees were planted in Welland Park as partnership with the rotary.
- A successful application to Sport England for £535,773 will have a significant positive environmental impact in Harborough district leisure centres . Funds will be used to fit solar panels to the roof of Harborough Leisure Centre and install energy-saving LED lighting throughout the centre.
- Harborough District Council planning committee approved a solar farm, which will be the largest in the Harborough district, will be created in Wistow in May 24. This installation of 103,000 solar panels at Wistow Lodge Farm off Fleckney Road will power 13,465 properties annually - around 30% of Harborough district's homes - helping to tackle climate change. A maximum capacity of 49.99 megawatts is possible making a substantial contribution to renewable energy generation levels.



- The Lutterworth Air Quality Management area has been revoked following traffic movement strategies have been implemented in Lutterworth.

## **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.
- Footfall counters are back in operation In Market Harborough and Lutterworth following a replacement programme, In Q2 footfall data recorded 519,813 in Market Harborough and 145,152 in Lutterworth
- A summary of grants which has have been allocated from the various funding pots from the UKSPF include;
  - £179,237 Environmental grants: 14 organisations allocated grants this financial year
  - £135,765 Rural Arts, Cultural, Creative and Heritage grants: 11 organisations allocated grants this financial year
  - £230,000 Rural Business grant: 17 businesses allocated grants this financial year
  - £42,719 UKSPF Go Business Grants: 22 businesses allocated grants this financial year
- Harborough market has continued to support new initiatives to young traders markets, and arrange a host of events including D Day event, Comicon, Comedy Festival.
- The UKSPF and REP continue to support local businesses - with a Green Business event, HIRE initiative,(helping improve rural employability) Harborough Job Clubs. In Q1, 165 people where supported through job clubs and fairs.

## **Corporate**

- In November, Cabinet<sup>3</sup> have approved the conclusions of the review into The Symington Building, in that it was not viable to redevelop for residential flats. Officers are now reviewing options relating to its use as a coworking/serviced office building.
- Implemented both a new finance and legal system.

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<sup>3</sup> [Cabinet Report](#) / [Appendix 1](#) / [Appendix 2](#)

- The council is continuing its transformation programme, taking part in the LGA Peer Review in 2024. An action plan has been developed.
- The Senior management restructure is embedded into the council and delivered savings, whilst the workforce establishment has increased by 10% over the period 2024/25, which include additional resources for planning with the local plan, and enforcement role, new community development team.

### **Some other performance statistics available from the corporate plan KPI's at the end of Q2 2024/25**

- 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

Performance of the Corporate Plan/Strategic Performance KPIs can be monitored regularly via the online Pentana<sup>4</sup>, the Councils online portal.

### **Reflections on the 2024/25 Forecast Outturn**

- 2.4 The 2024/25 Q2 Financial Outturn & Performance report<sup>5</sup> was discussed at Cabinet in November and is showing a net underspend of £485k, the detail for variances are shown in the report. What is significant is that the council has set-aside £400k to meet the potential additional costs of new NPPF guidance associated with the preparation of the Local Plan.

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<sup>4</sup> [Pentana](#)

<sup>5</sup> [Report: 2024/25 Q2 Performance Report / Appendices 1 to 5 / Appendix 6 / Appendix 7](#)

### 3. REVENUE BUDGET: Draft Budget 2025/26 and Medium-Term Financial Strategy 2026/27 to 2029/30

#### Base Budget 2025/26

3.1 When the Council approved the “original” 2024/25 budget and MTFS in February 2024; the 2024/25 “Net Direct Cost of Services” was £14.7m; following base budget changes agreed in earlier years budgets, the 2025/26 Base Budget increased by £250k to £15m as shown in **Table 1** below.

Reconciliation of 2024/25 Approved Budget to 2025/26 Base Budget			Table 1
Service	2024/25 Budget as approved February 2024	Previously Approved Growth/ Savings	2025/26 Base Budget
	£000	£000	£000
Strategy	429	0	429
Finance	1,007	92	1,099
Corporate	3,879	(116)	3,763
Culture, Leisure, Economy & Tourism	426	86	512
Environmental & Climate Change	3,687	406	4,093
Wellbeing	979	3	982
Planning	1,843	(652)	1,191
Special Expenses Areas	396	0	396
One-Off Projects + NPPF Budget	0	0	0
Non-Service & Strategic	2,125	431	2,556
<b>Net Direct Cost of Services</b>	<b>14,771</b>	250	<b>15,021</b>

#### Budget Changes 2025/26

3.2 The detailed Consolidated 2025/26 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 2025/26 draft budget has been based on the Budget Principles<sup>6</sup> Report agreed by Cabinet in November and other subsequent changes; this gives the following key budgetary items in respect of 2025/26:

- Net Direct Cost of Services of £17.8m<sup>7</sup>,
- Capital financing of £759k<sup>8</sup>,
- which gives a 2025/26 Draft Budget Net Expenditure of £18.5m.

<sup>6</sup> [Budget Setting Principles, Cabinet November 2024](#)

<sup>7</sup> Direct Services & Non-Service & Strategic, £15.9m; Direct Special Expenses, £0.5m; Special Projects, £1.4m.

<sup>8</sup> Minimum Revenue Provision contributions resulting from (a) Completed Capital Project, £367k (b) Estimated impact of Capital Projects completing during 2024/25, £392k.

The respective movements between the 2025/26 Base Budget and the 2025/26 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 - 2025/26 only	Table 2	
	£000	£000
<b>2025/26 Base Budget</b>		<b>15,021</b>
<b>Service Budget Changes</b>		
- Changes to Expenditure	733	
- Changes to Income	(513)	
- Other Service Changes	(38)	
- Budget Corrections	23	
- Changes agreed by Cabinet, July 2024	382	
- Direct Payroll Changes	0	
- Unplanned Pressures	0	587
<b>Other Budget Changes</b>		
- Reversal of Previous Savings	394	
- Waste/Streets/Open Spaces Contract Escalator	199	
- All Staff General Pay Inflation	115	
- All Staff National Insurance Change	95	803
<b>Total Service Budget Changes</b>		<b>1,390</b>
<b>Special Projects</b>		<b>1,370</b>
<b>Total Budget Changes</b>		<b>2,760</b>
<b>2025/26 Draft Budget - Net Direct cost of services (excl special expenses)</b>		<b>17,781</b>
<b>Service Budget Reconciliation</b>		
Strategy	449	
Finance	1,445	
Corporate	4,200	
Culture, Leisure, Economy & Tourism	399	
Environmental & Climate Change	4,012	
Planning	1,152	
Wellbeing	940	
Special Expenses Areas	457	
Special Projects	1,370	
Non-Service & Strategic	3,358	<b>17,781</b>

### Budget Review

3.3 **Service Budget Changes**; 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

possible services based on strong value for money principles. 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. **Table 3** summaries these budget changes over the MTFS period and a detailed analysis is shown in **Appendix 3**.

Service Budget Changes: All Services over the MTFS Period				Table 3			
	2025/26			Cumulative 2026/27 to 2029/30			Total over MTFS Period
	Services	Political Prioritisation	Total	Services	Political Prioritisation	Total	
	£000	£000	£000	£000	£000	£000	£000
<b>Type of Budget Change</b>							
Inter-Service Transfer	(13)	0	(13)	(30)	0	(30)	(43)
Budget correction	1	0	1	34	0	34	35
Service Proposed-expenditure	753	15	768	3,747	60	3,807	4,575
Service proposed-income	(245)	0	(245)	(673)	0	(673)	(918)
July 24 Cabinet agreed changes	485	0	485	1,528	0	1,528	2,013
Savings Reversals	394	0	394	1,575	0	1,575	1,969
<b>Total</b>	<b>1,375</b>	<b>15</b>	<b>1,390</b>	<b>6,181</b>	<b>60</b>	<b>6,241</b>	<b>7,631</b>
<b>By Portfolio</b>							
Strategy	5	15	20	20	60	80	100
Finance	346	0	346	1,063	0	1,063	1,409
Corporate	436	0	436	849	0	849	1,285
Culture, Leisure, Economy & Tourism	(52)	0	(52)	(288)	0	(288)	(340)
Environment & Climate Change	(81)	0	(81)	111	0	111	30
Planning	(40)	0	(40)	1,246	0	1,246	1,206
Wellbeing	(41)	0	(41)	(130)	0	(130)	(171)
None Service & Strategic	802	0	802	3,310	0	3,310	4,112
<b>Total</b>	<b>1,375</b>	<b>15</b>	<b>1,390</b>	<b>6,181</b>	<b>60</b>	<b>6,241</b>	<b>7,631</b>

3.4 **New budget lines**, to increase transparency, this year the budget includes two new budget lines; these include:

- a. **Special Expenses**; for the draft budget it includes the direct special expenses shown; for the final budget support service recharges and capital financing costs will also be included. This will then show the full cost of special expenses in one place. For 2025/26, the draft budget for Special Expenses totals £457k, this remains the same over the MTFS period.
- b. **Special Projects**, **Table 4** below details the following projects:

Special Projects over MTFS		Table 4	
Special Project	Commentary	2025/26	2026/27
		£000	£000
• Community Grants	Continuation of current grants programme.	1,000	1,000
• Local Government Review Fund	Set-aside funding to support development of local government review (*).	150	0
• Ex gratia Best Value Payment to Lutterworth Town Council (LTC)	Best Value compensation to LTC, following sale of DeVerdon Road (**)	100	0
• Special Expenses Review	Allocation of funding agreed at Cabinet, July 2024 ( <a href="#">Report / Appendix 6</a> ); incidence of spend expected 2025/26.	60	0
• Discretionary Fees & Charges Review		60	0
<b>Total</b>		<b>1,370</b>	<b>1,000</b>

**NB.**

\* With the governments issue of the English Devolution White Paper<sup>9</sup> it is too early for the Council to give any considerations. However, it is considered prudent to set-aside an allocation to support delivery of any work needed over the next year.

\*\* LTC leased an area of the Councils DeVerdon Road site for provision of allotments. During the 2000's the Council did not renew LTC's lease, which required LTC to self-finance allotment reprovision at an estimated cost of £300k. In December 2024, following a liaison meeting between the Council and LTC; LTC acknowledged the compensation payment of £100k. Legal Advice has been sort which confirms that such an "ex-gratia" payment is legal:

*When disposing of land HDC has a statutory duty to obtain the best consideration reasonably obtainable as per s.123 of the Local Government Act 1972.*

*In this instance, as there was a displaced tenant (a public body) it could be argued that it is reasonable for HDC to reimburse LTC's reasonable and proper costs incurred from their relocation arising from their lease being terminated by HDC to realise the land for sale.*

*Assuming such costs are not unreasonable or exorbitant there could be a case for HDC to contribute/reimburse a sum if it was considered appropriate in light of the capital receipt received by HDC.*

<sup>9</sup> [English Devolution White Paper](#), 16 December 2024

### **Budget Principles**

- 3.5 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**

- 3.6 **Statutory Fees & Charges**, no increase to statutory fees and charges have been applied as none have been instructed to be increased by the government.
- 3.7 **Discretionary Fees & Charges**, the September 2024 CPI rate of 1.7% has been applied, giving a general increase in income of circa £10k (2024/25, £19k). In respect of the exceptions noted in the Budget Principles report<sup>10</sup>, the following should be noted.
- i. **Regulatory (Environmental Health Services)**; the fee and charges increase is based on “actual” hourly rates.
  - ii. **Car Parking Pay & Display Tariffs and Permits**; during 2024/25 the car parking service has been subject to a strategic parking review. As it is not expected that this review will be completed until 2025/26, no increase will be applied for 2025/26, but an increase is expected for 2026/27.
  - iii. **Garden Waste**; the last increase to £61 was introduced from April 2022, no increase is proposed for 2025/26 as the “break-even” is £61.18 (potential underachievement of £3k; 0.3%).
  - iv. **CCTV**; annual charges will be increased by 6.7%, with new installations/set-up fees being based on actual costs
  - v. **Asset Lease Arrangements**; changes to asset leases are undertaken on an ad-hoc/when needed basis based on market comparators.
- 3.8 **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 years the council has benefited from this additional unplanned income. As noted in the 2024/25 Mid-Year Treasury Management report<sup>11</sup> that was reported to Cabinet in October 2024, this indicated that at that time interest rates had peaked at 5.25%. With the economy currently teetering on the

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<sup>10</sup> [Cabinet Report / Appendix 1 \(Fees and Charges Exemptions\) to 6](#)

<sup>11</sup> [Cabinet Report / Appendix 1 to 5](#)

brink of stagflation, the Bank of England did not reduce its base rate in December as had been expected only a few months ago. Therefore, for the draft budget no change is going to be applied to the current investment income estimated, this will be revisited for the final budget in February. The current Interest and Investment Income profile over the MTFS period is as shown below:

- 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.

**3.9 TOM Service Efficiency Review, Enforcement Review, and HR Terms & Conditions Review;** members will recall that:

- i. these savings proposals were legacy issues from the former budget challenge 2025 programme, and
- ii. when the 2024/25 budget was set that these savings proposals were held in abeyance for a year.

It is now opportune to remove these from the council's budget. In respect of the:

- TOM Service Efficiency Review, the saving included in 2024/25 budget was £296k per annum; this total amount is to be removed from the budget. However, it should be noted that over the past couple of years the council has achieved savings of £200k per annum (see a and b below) leaving £96k underachieved.
  - a. 2023/24, the Director of Governance post was deleted from the establishment [£121k, including oncosts]
  - b. 2024/25, the Head of Economic Development & Business Centres [£79k, including oncosts]
- Enforcement Review (£75k per annum), it is not considered opportune to explore a corporate enforcement team. Many services across the council undertaken enforcement; this ranges from Revenues & Benefits, Environmental Health, Environmental Crime (Fly Tipping) and Planning, all of which have service specific approaches to enforcement.
- HR Terms & Conditions Review (£22k per annum), this review is being removed.



## EMPLOYMENT RELATED COSTS

3.10 **Pay Inflation;** for 2024/25, the pay-award was a flat £1,290 for grades 1 to 10, 2.5% for grades 11 to 14 and 2.5% for the Chief Executive. In respect of next year and the MTFs period, it is recommended that the following increases are applied in respect of pay inflation:

- 2025/26; 3.0%, giving an annual cost of £476k.
- 2026/27 to 2029/30; 3.0%, giving an annual cost of £380k to £421k.

3.11 **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 15.0% is used. Members will recall that this was increased in the 2024 Autumn budget. The impact of this for 2025/26 is an additional £95k. For the following years, this amount has been increased by the 3.0% noted in para 3.9.
- **Pensions,** the Council is part of the Leicestershire Local Government Pension Scheme. 2024/25 will be the third (and last) year of the current triennial valuation, the equated employer's oncost rate will be 33.4%. This rate has been maintained for the following years.

3.12 **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

3.13 **General Service Inflation;** a rate of 0% had been applied for general service inflation for 2025/26 and for the MTFs 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 and Gas;** the 2024/25 budget is expected to be exceeded by the end of the financial year by £19k. However, with expected increases in utility cost prices the overall increase for 2025/26 is expected to be circa £40k. For subsequent years it is

expected that there will be a gradual decrease, so a 2.5% taper decrease is applied to the 2025/26 £40k increase.

- **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 new contract commenced from April 2024, no changes to current budget provision.
- 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 inflationary estimate for 2025/26 is 3.6% (2024/25, 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. Last year, the estimated annual cost of the extension was £400k, this is now expected to be £54k.
  - b) **Procurement of New Contract**: in preparation for the new contract, the cost of procuring is expected to be circa £300k, this was set-aside in last year's budget. The procurement process has now started and will last through to 2027/28.
  - c) **Impacts of Environmental Act/New Contract**: in anticipation of this additional responsibility the council will have to take on, for the past few years the council has included a 5% cost escalator to de-risk the potential higher cost of recovery. Discussions within the sector cannot agree what additional cost councils will face, but it is recognised that there will be an additional cost. Therefore, it is now considered prudent that a block amount of £250k per annum is included from 2026/27.
  - d) **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.
- iv. The Council is a partner of several shared services; some of which have marginal increases in costs per annum that reflect increases in

direct costs, such as employee inflation (Internal Audit, less than £500) and other shared services that are demand led, where increases in direct service cost have a more significant impact. There include:

- **Leicestershire Revenues & Benefits Partnership (LRBP)**; it is currently anticipated that the Councils share of costs will increase by £68k (5.4%) for 2025/26; primarily reflecting increases in pay due to the pay award and national insurance changes. The increase in partner fees is expected to be reported to the LRBP Joint Committee on the 16 January 2025, any changes to this proposal will be reported to the Cabinet when they consider the Final 2025/26 Budget in February 2025.
- **Building Control Partnerships**; it is currently anticipated that the Councils share of costs will increase by £86k (106.6%) for 2025/26. The following are the reasons for this increase:
  - As a consequence of the Building Safety Act 2022, the building control service now operates within a new operational environment. The provisions of the act requires all Councils to provide a Building Control Service that focuses on the highest standards of operation, which includes a requirement to undertake less fee earning work (such as enforcement).
  - Closer regulation and audit by the Building Safety Regulator.
  - Reduced levels of income due to general poor economic operating conditions across the building industry.
  - Consequences of inflation linked pay increases.
  - With a national shortage of qualified building control surveyors, such personnel can command higher salaries in the private sector. It is therefore challenging to retain qualified surveyors but to meet resource requirements higher interim costs staff costs are incurred.

## NON-SERVICE FUNDING

- 3.14 This section of the report addresses those items of funding or budget adjustments that are based on government funding and associated assumptions. The measure by which the government determines local government spending is called **Core Spending Power (CSP)**. This is a combination of Business Rates, Government Grants and Council Tax. The government has said that for 2025/26 that no council will see a cash reduction; when inflation is adjusted between 2024/25 and 2025/26, the councils increase in “real terms” CSP is 0% <sup>12</sup>. Each element of core spending power will now be addressed:

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<sup>12</sup> [MHCLG, CSP Information Table, see worksheet 2025-26, line 140](#)

3.15 **Revenue Support Grant (RSG)**; the council's allocation of RSG is £89k<sup>13</sup>.

3.16 **Business Rates (NDR)**; members are aware that over the past couple of years the assessment of business rates has changed between draft and final budget. It is recognised that in a business growth area like Harborough District, the council is somewhat at the whim of the market and consequently when the Valuation Office is able to notify the council of its rating assessments. To help mitigate some of this risk, the council:

- i. has established an internal liaison team, including the LRBP's NDR Team and its own Economic Regeneration and Development Management Teams who consider current and expected hereditament growth. As reported at Quarter 2 monitoring, there is not anticipated any significant growth in business rates from new hereditaments.
- ii. is working closely with a specialist "revenues" consultancy to model business rates. This body of work has been undertaken to enable the council to develop a
  - new "base" for its business rates estimates as a consequence of previous years significant changes in business rates, and
  - to support the delivery of more effective in-year monitoring.

The council is required to submit its NDR1 (a statutory return that provides next year's business rates estimate) by the end of January so at the time of drafting this report this information is being collated. Consequently, for the draft budget, when the 2024/25 budget was approved, the MTFs for 2025/26 showed an NDR estimate of £7.3m, this is being applied. This is significantly above the governments determined NDR "baseline funding level" (£2m)<sup>14</sup>, the excess being "growth". This will be updated for when the Final Budget is reported in February 2025. Members will recall that growth is dependent on actual occupation and therefore there is a possibility that if occupation has not occurred as estimated, that the level of business rates may reduce. If a reduction occurs, this will be financed from a contribution from reserves.

3.17 **Future of NDR, and the NDR Reset**; the government has stated that there will be a business rates reset during 2025/26 which will be implemented from 2026/27. A reset will effectively remove "growth" from the councils net NDR revenue stream, but the level of lost growth is very difficult to determine. However, when such resets have been undertaken in the past, the government has applied a mechanism known as "damping" which effectively smooths (tapers) the impact of the expected NDR reductions. The approach

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<sup>13</sup> [MHCLG, Provisional KI Table, see worksheet 2025-26, line 138](#)

<sup>14</sup> [MHCLG, Provisional KI Table, see worksheet 2025-26, link 138](#)

to damping is not yet known but using an approach similar to that of the last NDR Reset the overall net change in funding is expected to keep relatively closely aligned to current funding until 2027/28; for 2028/29 a loss of £42k emerges and thereafter this loss in funding will increase.

3.18 **New Homes Bonus (NHB)**; the 2025/26 NHB allocation in the December Provisional Settlement<sup>15</sup> totals £895k (£1.2m, 2024/25; a reduction in grant of 25.6%).

3.19 In the governments November Local Government Policy Statement<sup>16</sup>, the government have announced that they expect 2025/26 to be the last year of New Homes Bonus. A consultation on future changes is expected in the New Year. In respect of modelling income for 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 its entirety. The policy statement is heavily laden with commentary that indicates that the government wishes local government funding to reflect deprivation to a greater extent than in the past. Further it is not known if there will be any taper to this funding stream.

3.20 Previously, Cabinet has agreed a tapering of New Homes Bonus for the following year of the budget being set (2026/27) and then nil for subsequent years. With the government strongly indicating the ending of the current New Homes Bonus methodology 2025/26 it is prudent for the MTFS to recognise this direction. With the Council having low deprivation but recognising some damping (3.17). ***It is recommended that Cabinet recognises this significant change in funding; therefore for 2026/27 and subsequent years that no NHB is recognised.***

3.21 **Other Grants.** In respect of

- **Rural Services Delivery Grant and Services Grant**, the Policy Statement announced the abolition of both, in 2024/25 this was £182k. This has been confirmed in the provisional settlement.
- **Extended Producer Responsibility Grant**, this is a DEFRA grant, outside of the provisional settlement, and is compensation for the additional cost relating to producers who package their goods in unsustainable packaging. The grant received for 2025/26 is £1.6m. This grant is an annual allocation, but it is expected that over subsequent years it will reduce as producers introduce more sustainable packaging. There is no guidance by how much this grant will reduce each year, so a 20% straight line reduction has been applied for each year.

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<sup>15</sup> [MHCLG, NHB 2025-26 provisional allocation, line 110](#)

<sup>16</sup> [MHCLG, November Local Government Policy Statement](#)

- 3.22 **Minimum Funding Guarantee (MFG)**; this is the means by which the government will meet the commitment it made in the Policy Statement of “no council will see a cash reduction” (3.13). As per the provisional settlement<sup>17</sup>, the government is providing a minimum funding guarantee grant of £1.6m (£1.4m, 2024/25). For 2026/27 and thereafter, the government has not given any indication of continued support. In a similar way to NHB (3.18) the current expectation is that funding will reduce as the council has low deprivation, but it is recognising some element of compensation via damping (3.17) will be awarded which will give some form of grant reduction compensation. It is expected that any reduction will be significant to reflect the expected change in funding towards a higher recognition of deprivation. ***It is recommended that Cabinet recognises this significant change in funding; therefore for 2026/27 and subsequent years that no MFG is recognised.***
- 3.23 **Fair Funding Review**; the government has for a while been undertaking a review of the national local government funding formula (NDR Reset and Fair Funding Review). The **NDR Reset** is discussed at 3.17 above. In respect of the **Fair Funding Review**; as noted earlier in the report, the Policy Statement has strongly indicated that future funding formula will give a greater prominence to deprivation. It is the government’s intention to move to a new funding formula for 2026/27, but it is expected there will be a transitional approach to its implementation. There is expected to be a consultation on these transitional arrangements in the new year.

## **COUNCIL TAX RELATED ISSUES**

- 3.24 The **Council Tax Base (CTB)** was approved by Council in December 2024<sup>18</sup>. The methodology allows for respective changes in property numbers based on current known properties and planning intelligence in respect of future development. For 2025/26, the approved CTB (Band D equivalent) is 39,576.4 (2024/25; 38,921.9); this is an increase of 654.5 (1.7%). This increase was dampened by an “irrecoverable debt” amount of 1.5% to reflect the ongoing impacts of the inflationary economy, cost of living crisis and the potential for a recession.
- 3.25 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:
- 2025/26 increase over 2024/25; 1.15%
  - 2026/27 increase over 2025/26; 1.30%

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<sup>17</sup> [MHCLG, CSP Information Table, see worksheet 2025-26, line 140](#)

<sup>18</sup> [Covering Report / Appendix](#)

- 2027/28 increase over 2026/27; 1.00%
- 2028/29 increase over 2027/28; 0.61%
- 2029/30 increase over 2028/29; 0.56%

3.26 **Council Tax (CT)**; in Decembers Provisional Settlement, the government confirmed the Council Tax referendum limits for 2025/26<sup>19</sup> in 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 calculations for CSP, expects that every council will increase their CT to the maximum allowable<sup>20</sup>. ***It is recommended that the Council should increase its 2025/26 Council Tax by 2.99% and for each year of the MTFS.***

In respect of the 2.99% increase; the 2025/26 CT would increase to £183.29 (2024/25: £177.97, an increase of £5.32) and the additional Tax generated is £327k. However, the following is worth noting:

- 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 £13k.
- If CT was increased by 1%, based on the 2025/26 CT Base, the additional tax equates to £187k.
- 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 £116k.

More detailed commentary is shown below.

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<sup>19</sup> [MHCLG, Referendums relating to Council Tax Increases](#)

<sup>20</sup> [MHCLG, CSP Information Table, see worksheet 2025-26](#): Council tax projections for 2025-26 assume local authorities increase their Band D council tax in line with the maximum allowable level set out by the council tax referendum principles for 2025-26. That is: a 3% core principle; a 2% adult social care precept; the greater of 3% or £5 cash principle for shire districts; 3% for the Greater London Authority; and a cash principle of £14 on Band D bills for the police element of the Greater London Authority.

Current Year 2024/25		2025/26	2026/27	2027/28	2028/29	2029/30
<b>6,926,931</b>	<b>Council Tax Requirement - General Fund</b>	<b>7,253,964</b>	<b>7,568,059</b>	<b>7,872,133</b>	<b>8,157,249</b>	<b>8,448,306</b>
38,921.9	- Council Tax Base (No. of Band D Equivalent Properties)	39,576.4	40,091.4	40,492.4	40,741.4	40,969.4
670.4	- Increase in Council Tax Base:	654.5	515.0	401.0	249.0	228.0
1.79%	- % Increase in Council Tax Base:	1.68%	1.30%	1.00%	0.61%	0.56%
<b>£ -</b>	<b>- £ Increase per Band D:</b>	<b>£ 5.32</b>	<b>£ 5.48</b>	<b>£ 5.64</b>	<b>£ 5.81</b>	<b>£ 5.99</b>
£ 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%
£ 119,312	- £ Increase in total Council Tax Debit:	£ 327,033	£ 314,095	£ 304,074	£ 285,116	£ 291,057
	<b>Options for Council Tax Increase</b>					
£ 182.97	- if increase at £5, CTax would be:	£ 182.97	£ 188.29	£ 193.77	£ 199.41	£ 205.22
	- if increase at £5, £ increase in total Council Tax Debit compared to last year:	£ 314,368	£ 294,851	£ 278,159	£ 252,115	£ 250,497
	- Increase of CTax compared to proposed	-£ 0.32	-£ 0.48	-£ 0.64	-£ 0.81	-£ 0.99
	- Additional Value of proposed increase compared to £5	-£ 12,665	-£ 19,244	-£ 25,915	-£ 33,001	-£ 40,560
£ 0.32	- Increase of CTax (2.99% to £5):	£ 0.32	£ 0.48	£ 0.64	£ 0.81	£ 0.99
£ 12,455	- Additional Value of "higher of 2.99% or £5"	£ 12,665	£ 19,244	£ 25,915	£ 33,001	£ 40,560
	<b>Council Tax key comparator information</b>					
£ 68,077	- a 1% increase in Council Tax, based on Previous Years Council Tax Base equates to:	£ 69,269	£ 72,539	£ 75,681	£ 78,721	£ 81,572
£ 188,581	- a 1% increase in Council Tax, based on Council Tax Base for this year equates to:	£ 186,920	£ 167,878	£ 152,134	£ 127,614	£ 127,679
£ 120,504	- additional Council Tax, based on new Council Tax Base equates to:	£ 117,651	£ 95,339	£ 76,453	£ 48,893	£ 46,107
	<b>Council Tax at Nil Increase, only reflecting increase in new years Base</b>	£ 116,486	£ 94,394	£ 75,697	£ 48,408	£ 45,650
	- additional Council Tax based on proposed increase and a Nil increase in base.	£ 210,547	£ 219,701	£ 228,377	£ 236,708	£ 245,407

3.27 **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.

3.28 As with the past couple of years, the forecast outturns for CT and NDR have been particularly unpredictable because of the industrial impacts post the CV19 pandemic, cost of living, any consequential recovery, commercial activity to minimise NDR costs for empty properties and if expected growth does not occur. At the time of drafting this report, the Council has not determined its Collection Fund surplus/deficit, this will be reported in the Final Budget in February. If a deficit situation was to occur, this would be financed from reserves.

### **DRAFT BUDGET 2025/26 AND MEDIUM-TERM FINANCIAL STRATEGY 2025/26 TO 2028/29**

3.29 The Councils Consolidated Draft Budget 2025/26 and MTFS (2026/27 to 2029/30) is summarised in **Table 5** 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 3.28 there is no forecast negative budget gap for 2025/26 or 2026/27 (*reserve contributions to support services*). However, a £1.6m gap appears in 2027/28 and increases to £5.3m 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, Streets and Open Spaces 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 5	
	2024/25			2025/26	2026/27	2027/28	2028/29	2029/30
	Original Budget £000	In-Year Changes £000	Updated Budget £000	£000	£000		£000	£000
<b>Net Cost of Services</b>	14,771	0	14,771	17,782	18,448	17,689	18,300	18,850
Capital Financing	560	0	560	759	1,493	1,730	1,830	1,891
<b>Net Expenditure</b>	<b>15,331</b>	<b>0</b>	<b>15,331</b>	<b>18,541</b>	<b>19,941</b>	<b>19,419</b>	<b>20,130</b>	<b>20,741</b>
Reserves Contributions to Support Services	4,043	0	4,043	2,123	533	(1,579)	(3,619)	(5,331)
Other Net Reserves Contributions	(1,460)	0	(1,460)	(1,948)	(1,534)	(280)	(226)	(226)
<b>Total Reserve Contributions</b>	<b>2,583</b>	<b>0</b>	<b>2,583</b>	<b>175</b>	<b>(1,001)</b>	<b>(1,859)</b>	<b>(3,845)</b>	<b>(5,557)</b>
<b>Budget Requirement</b>	<b>17,914</b>	<b>0</b>	<b>17,914</b>	<b>18,716</b>	<b>18,940</b>	<b>17,560</b>	<b>16,285</b>	<b>15,184</b>
Grants, Business Rates etc				(11,461)	(3,511)	(3,362)	(3,221)	(3,089)
Damping				0	(7,860)	(6,325)	(4,906)	(3,648)
<b>Total Grant</b>	<b>(10,987)</b>	<b>0</b>	<b>(10,987)</b>	<b>(11,461)</b>	<b>(11,371)</b>	<b>(9,687)</b>	<b>(8,127)</b>	<b>(6,737)</b>
<b>Council Tax Requirement</b>	<b>6,927</b>	<b>0</b>	<b>6,927</b>	<b>7,255</b>	<b>7,569</b>	<b>7,873</b>	<b>8,158</b>	<b>8,447</b>

3.30 ***It is recommended that Cabinet approves the Draft Budget 2025/26 and MTFS (2026/27 to 2029/30) shown at Table 5 (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.

### Corporate Priorities

3.31 Each of the services shown in **Appendix 2** have been allocated to a particular corporate priority; **Table 6** below provides a split of the 2025/26 Budget and the MTFS by each priority:

Summary "Net Direct Cost of Services" 2025/26 & MTFS (2026/27 to 2029/30) by Corporate Priority					Table 6	
Corporate Priority		2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000
<b>Services (including special expenses)</b>						
Community Leadership to create a sense of pride in our place	1	9,182	9,321	9,652	10,213	10,660
Promoting health and wellbeing and encouraging healthy life choices	2	1,793	1,794	1,827	1,920	2,017
Creating a sustainable environment to protect future generations	3	6,460	7,378	7,268	7,224	7,232
Supporting businesses and residents to deliver a prosperous economy	4	(1,024)	(1,045)	(1,058)	(1,058)	(1,059)
<b>Total</b>		<b>16,411</b>	<b>17,448</b>	<b>17,689</b>	<b>18,299</b>	<b>18,850</b>
<b>Special Projects</b>						
Community Leadership to create a sense of pride in our place	1	1,370	1,000	0	0	0
<b>Total</b>		<b>1,370</b>	<b>1,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Consolidated Budget</b>						
Community Leadership to create a sense of pride in our place	1	10,552	10,321	9,652	10,213	10,660
Promoting health and wellbeing and encouraging healthy life choices	2	1,793	1,794	1,827	1,920	2,017
Creating a sustainable environment to protect future generations	3	6,460	7,378	7,268	7,224	7,232
Supporting businesses and residents to deliver a prosperous economy	4	(1,024)	(1,045)	(1,058)	(1,058)	(1,059)
<b>Total</b>		<b>17,781</b>	<b>18,448</b>	<b>17,689</b>	<b>18,299</b>	<b>18,850</b>
NB. Corporate Priority 1 also includes all support services.						

## RESERVES

3.32 In November 2024, Cabinet approved the Reserves Strategy<sup>21</sup> (no change to previous years) 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; Projects, Risks & Smoothing Reserve; Capital & Contracts Reserve; Transformation Reserve, Financial Sustainability, Collection Fund and a Corporate Plan & Strategy Reserve.

<sup>21</sup> [Cabinet Report / Appendix](#)

- **the delivery of community ambition and community investment.** These reserves include a Community, Economic & Infrastructure Reserve and an Investment Reserve.

3.33 These reserve allocations will be considered formally by Council in February when the Final 2025/26 Budget and MTFS (2026/27 to 2029/30) is approved. However, it is opportune to consider the Reserves impact of the Draft 2025/26 Budget and MTFS and **Table 7** 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 2025/26 Budget, the current 2024/25 Q2 forecast underspend has been reflected in the net brought forward balances.

3.34 ***It is recommended that the reserves allocations noted within Table 7 are accepted.***

Summary General Fund + Budget Surplus/Other Earmarked Reserves (Final Budget & MTF5 to be approved February 2025)					Table 7		
Forecast Outturn Q2 2024/25			2025/26	2026/27	2027/28	2028/29	2029/30
£000			£000	£000	£000	£000	£000
2,283	<b>General Fund (Unallocated Reserve)</b>	b/f	3,343	3,708	3,988	3,884	4,026
5,190		Cont from/(to) Services	2,123	533	(1,579)	(3,619)	(5,331)
(4,130)		Cont from/(to) Budget Surplus Reserve	(1,758)	(253)	1,475	3,762	5,453
3,343		c/f	3,708	3,988	3,884	4,027	4,148
<b>Balanced</b>	<b>Reserve &gt; 20% Minimum Level of Reserves Threshold</b>		<b>Balanced</b>	<b>Balanced</b>	<b>Balanced</b>	<b>Balanced</b>	<b>Balanced</b>
<b>Earmarked Reserves</b>							
0	<b>Budget Surplus Reserve</b>	b/f	0	0	0	0	0
0		Cont from/(to) Services	0	0	0	0	0
4,504		Cont from/(to) General Fund	1,758	253	(1,475)	(3,762)	(5,453)
(4,504)		Cont from/(to) Specific Earmarked Reserves	(1,758)	(253)	1,475	3,762	5,453
0	c/f	0	0	0	0	0	
<b>Balanced</b>	<b>Reserve: Balanced/Unbalanced</b>		<b>Balanced</b>	<b>Balanced</b>	<b>Balanced</b>	<b>Balanced</b>	<b>Balanced</b>
<b>Specific Earmarked Reserves</b>							
0	CV19 Internal	b/f	0	0	0	0	0
0	Recovery	c/f	0	0	0	0	0
3,977	<b>Projects, Risk &amp; Smoothing</b>	b/f	2,584	2,696	2,827	2,958	3,089
(953)		Cont from/(to) Services	112	131	131	131	131
(440)		Cont from/(to) Specific Earmarked Reserves	0	0	0	0	0
2,584	c/f	2,696	2,827	2,958	3,089	3,220	
3,043	<b>Capital &amp; Contract</b>	b/f	1,431	1,801	1,726	1,672	1,672
(1,112)		Cont from/(to) Services	(100)	(75)	(54)	0	0
(500)		Cont from/(to) Specific Earmarked Reserves	470	0	0	0	0
1,431	c/f	1,801	1,726	1,672	1,672	1,672	
2,186	<b>Transformation</b>	b/f	2,086	1,853	1,619	1,619	1,619
(100)		Cont from/(to) Services	(233)	(233)	0	0	0
2,086		c/f	1,853	1,620	1,619	1,619	1,619
4,000	<b>Financial Sustainability</b>	b/f	7,811	9,292	9,811	8,476	4,714
2,757		Cont from/(to) Budget Surplus Reserve	1,481	519	(1,336)	(3,762)	(5,453)
1,054		Cont from/(to) Specific Earmarked Reserves	0	0	0	0	739
7,811	c/f	9,292	9,811	8,475	4,714	0	
1,000	<b>Collection Fund</b>	b/f	1,000	1,000	1,000	1,000	1,000
1,000		c/f	1,000	1,000	1,000	1,000	1,000
1,909	<b>Corporate Plan &amp; Strategy</b>	b/f	2,186	1,572	624	624	624
(1,870)		Cont from/(to) Services	(1,370)	-1000	0	0	0
1,277		Cont from/(to) BS Reserve	(194)	(267)	(139)	0	0
870		c/f	950	318	139	0	0
2,186	c/f	1,572	623	624	624	624	
2,186	<b>Community, Economic &amp; Infrastructure</b>	b/f	2,146	1,976	1,658	1,519	1,519
(40)		Cont from/(to) Specific Earmarked Reserves	(170)	(318)	(139)	0	(739)
2,146		c/f	1,976	1,658	1,519	1,519	780
1,229	<b>Investment</b>	b/f	1,229	948	948	948	948
0		Cont from/(to) Specific Earmarked Reserves	(281)	0	0	0	0
1,229		c/f	948	948	948	948	948
21,813	<b>Total Reserves</b>	b/f	23,816	24,846	24,201	22,700	19,211
2,003		In-year movements	1,030	(645)	(1,502)	(3,488)	(5,200)
23,816		c/f	24,846	24,201	22,699	19,212	14,011

## Reflections on the “Revenue” Draft 2025/26 Budget and MTF5 and its impact on Reserves

3.35 In respect of:

- i. the **General Fund**; for 2025/26 and each year of the MTF5 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 (£2.7m) to be drawn down against the unfunded gap in the last three years (which totals £10.5m). 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 2025/26 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, over the MTFS period, it is necessary for the Budget Surplus Reserve to be supported by contributions of £10.5m (2027/28 to 2029/30) from the Financial Sustainability Reserve.

- iii. **Earmarked Reserves**; the Council maintains significant reserves to meet its operational risks, to provide funds to support community investment and meet its future funding gap.

3.36 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 are delivered with best value/value for money at their core.
- 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.

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 invest in its local community.

### **Capital Programme**

3.37 The Draft Capital Programme for the period 2025/26 to 2029/30 totals £32.4m and is shown at **Appendix 5**; these tables show the:

- Draft Capital Programme for 2025/26 through to 2029/30, and
- How the capital programme is to be financed.

3.38 The 2025/26 Capital Programme consolidates prior year capital projects that, as at Quarter 2 of 2023/24 are likely to slip as well as new propositions.

3.39 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. In respect of the:

i. **“Previously approved capital programme”**, this totals £12.5m in 2025/26, £18.3m over the MTFs. The significant projects are:

- **Lutterworth Town Centre, Heritage Action Zone 2** (£230k); Zone 2 this is the residual balance of the overall UKSPF Heritage Action Zone project. Please note that the total project is £1m, but most of this is being spent and financed in 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 (TSB)** (£470k); this includes some of the previous deferred works to the TSB as a consequence of the TSB review (which was reported to [Cabinet in November 2024](#)). Now the review is complete, these elements of the external works are expected to proceed.
- **Leisure Redevelopment** (£205k); planned replacement of leisure equipment.
- **Market Hall** (£622k); roof and lift replacement.
- **Environmental & Waste** (£1.4m); £920k in respect of food waste disposal (caddies and vehicles) as well as £520k relating to open spaces.
- **Projects** (£1m); 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 (£643k) along with the residual environmental grants scheme (£326k).
- **Regulatory** (£2.4m); of the amount allocated to regulatory services £2.1m is allocated to Disabled Facilities Grants, an annual contribution of £430k to Lightbulb, the shared service with Blaby DC.

ii. **“New projects to be included in the capital programme”**, this totals £10.2m in 2025/26 and £12.6m over the MTFs. The more significant projects are:

- **The Symington Building** (£1.5m); £1.1m is in respect of the deferred works noted in (i) above as well as introducing an environmental lighting scheme (£366k).
- **Harborough Innovation and Enterprise Centres** (£180k); planned replacement of equipment and enhancing the current solar provision.

- **Environmental & Waste** (£5.9m); £5.8m in respect of waste vehicles, additional caddy provision and council assessed additional capital resourcing to introduce food waste as well as £100k for enhancement of the public realm.
- **Regulatory** (£2.8m); £2.7m to support the acquisition of further residential properties across the district to help alleviate costs relating to temporary accommodation and £100k to support the redevelopment of empty homes.
- **Provision for Property Acquisition** (£1.6m); the council is exploring opportunities in respect of economic regeneration. This is an amount to support any potential capital acquisition.

iii. as per the Constitution<sup>22</sup> the capital programme is required to include a **contingency amount** in case of project over-runs; £1.1m in 2025/26, £1.5m over the MTFs. This contingency allows the council to continue to deliver service priorities.

3.40 In respect of financing, over the entire MTFs period the capital programme is financed as follows:

• Capital Receipts	£ 5.8m
• Other Council Financing (s.106 etc)	£ 1.0m
• Direct Revenue Financing	£ 0.9m
• Government Grant	£ 3.1m
• Leicestershire NDR Pool	£ 0.1m
• Capital Financing [Internal Borrowing/MRP]	£21.5m
<b>Total</b>	<b>£32.4M</b>

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

3.42 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; 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.

<sup>22</sup> [Constitution \(para 4.6.29\)](#)

- c. Where cost increases cannot be avoided, approval is given to either:
1. use of the contingency within the capital programme or,
  2. use a capital financing element of an expected to be slipped capital project within the capital programme, or an
  3. 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.”

3.43 ***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**

3.44 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 2025/26 budget and MTFs is balanced for the next two years and then requires funding thereafter; this will be achieved by setting-aside surpluses from 2025/26 ad 2026/27 and utilising the Financial Sustainability Earmarked Reserve, along with allocations from other reserves to finance the council's 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 obsolescence and revenue service risks.

The following should be noted in respect of the budget as it does not include:

- the use of the second tranche of NDR Leicestershire Pool allocation monies of £1.7m (this is currently held on the balance sheet as a receipt in advance),
- general economy related service inflationary impacts.
- estimates relating to business rates and collection fund surpluses and deficits.

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<sup>23</sup>, Customer Services Transformation<sup>24</sup>, Leisure<sup>25</sup>. 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, continued reprovision of 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<sup>26</sup>; which centres on the achievement of value for money in service delivery.

#### 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**

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<sup>23</sup> [Rec to Council / Covering Report / ICT Strategy](#)

<sup>24</sup> [Agenda Cabinet May 2021](#), exempt report

<sup>25</sup> [Leisure Procurement](#)

<sup>26</sup> [DHLUC Best Value Standards & Intervention](#)

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**

Services budget working papers.

Various papers are added as footnotes throughout the report.