

# Harborough District Council

## Report to Council Meeting of 26 February 2024



<b>Title:</b>	2024/25 Budget and Medium-Term Financial Strategy (2025/26 to 2028/29)
<b>Status:</b>	Public
<b>Report Author:</b>	Clive Mason, Director of Resources and Section 151 Officer / Chief Finance Officer c.mason@harborough.gov.uk
<b>Portfolio Holder:</b>	Cllr Mark Graves (Finance)
<b>Appendices:</b>	<ol style="list-style-type: none"><li>1. Medium-Term Financial Strategy</li><li>2. Changes between the Draft 2024/25 Budget &amp; MTFS (2025/26 to 2028/29) to the Final 2024/25 Budget &amp; MTFS (2025/26 to 2028/29) now presented to Council.</li><li>3. Summary of Budget Principles Applied in respect of Services and Government Funding</li><li>4. Schedule of Fees &amp; Charges 2024/25</li><li>5. 2024/25 Special Expenses</li><li>6. Reserves Strategy</li><li>7. Capital Strategy</li><li>8. Treasury Management Strategy and related documents</li><li>9. Council Tax Resolution</li><li>10. Response to Budget Consultation from Joint Budget Overview &amp; Scrutiny Plan on the 25 January 2024</li><li>11. Response to Budget Consultation from the general public</li><li>12. Glossary of Terms</li><li>13. Equalities</li></ol>

## Executive Summary

- i. The Council is responsible for the prudent and lawful management of its financial resources. It achieves this by producing and implementing a balanced revenue budget on an annual basis, adopting a Medium-Term Financial Strategy (MTFS), and identifying a fully funded capital programme.
- ii. This report reflects that in comparison to 2023/24, the council's 2024/25 budget has seen:
  - a) A £2.9m (22.9%) increase in the net revenue budget to £15.3m.
  - b) A £1m (6%) increase in the budget requirement to £17.9m.
  - c) A £184k (6.8%) increase in government grant to £2.9m.
  - d) A £711k (9.7%) increase in growth in business rates receipts and the collection fund surplus.
  - e) The freezing of council tax at £177.97 (0%).
- iii. Whilst resources receivable from government grant and Council Tax have increased, the Council is not immune from the pay, price and demand pressures being experienced throughout the country. This means that the Council will need to deliver £5.9m of savings across the period of its MTFS to maintain a balanced budget position. However, the MTFS has recognised an updated estimate of the impact of Fair Funding and the Business Rates Reset from 2026/27. Over the MTFS the current estimate is a negative impact of £2.3m, an increase of £1.6m over that shown in the Draft Budget.
- iv. This budget report sets out the financial framework and strategy for aiding the delivery of the Council's Corporate Plan. Many of the proposals for the revenue budget and capital investment, including those over the medium-term, will enable the delivery of the Council's vision and outcomes.

## Recommendations

Council is to determine the following recommendations "en-bloc" and:

### 1. **APPROVE:**

#### **General Fund**

- For 2024/25, the Council's net revenue budget requirement of £15.3m [paragraph 3.7, Table 1], including the budget allocations to portfolios as set out at Appendix 1 (Annex 1).
- The 6.7% increase in Fees and Charges for 2024/25 [paragraph 3.15 of the report], as set out at Appendix 4

- The planned net contribution to the General Fund (Unallocated) Reserve of £4m, and from Earmarked Reserves of £1.5m to finance the budget requirement in 2024/25 [paragraph 3.7 of the report, Table 1]
- The Medium-Term Financial Strategy (2025/26 to 2028/29) [paragraph 3.7 of the report, Table 1] as set out at Appendix 1 (Annex 1), which includes forecasts on matters such as inflation and wage increases.

### **Capital Programme and Capital Strategy**

- The Capital Programme 2024/25 to 2028/29 and its method of funding [Paragraph 3.26 and 3.27 of the report, Table 6]
- The Capital Strategy 2024/25 as set out at Appendix 7 [Paragraph 3.28 of the report and Appendix 7].

### **Reserves**

- The Reserves Statement, including 2024/25 General Fund (Unallocated) Reserves of £3.1m [Paragraph 3.19 of the report, Table 5]

### **Council Tax, including resolution**

- That the Council Tax Requirement for Harborough District Council's own purposes for 2024/25 (excluding Parish precepts) is £6,926,931. [Appendix 9]
- The following amounts be calculated by the Council for the year 2024/25 in accordance with Sections 30 to 36 of the Local Government Finance Act 1992 as amended (the Act):
  - £36,318,633 - being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) of the Act taking account of all precepts issued to it by Parish Councils;
  - £26,859,829 - being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) of the Act;
  - £9,458,804 - being the amount by which the aggregate at (a) above exceeds the aggregate at (b), calculated by the Council, in accordance with Section 31A (4) of the Act, as its Council Tax requirement for the year including special expenses items and Parish precepts [Item R in the formula in Section 32B of the Act]
  - £243.02 - being the amount at c above [Item R] divided by the amount of 38,921.9 [Band D equivalent, Appendix 9 1 (a) Item T above] in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year [Average Band D Council Tax including special expense items and Parish precepts];

- e. £3,189,591 - being the aggregate amount of all special items (special expense items of the Council and Parish precepts) referred to in Section 34(1) of the Act
- f. £161.07 being the amount at (d) above less the result given by dividing the amount at (e) above by Item T (38,921.90), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its areas to which no special item relates. [Band D Council Tax for general expenses only excludes special expenses items and Parish precepts]
- g. Harborough District Council's element of Council Tax 2024/25 as set out at Appendix 9; being the amounts given by adding to the amount at (e) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at Appendix 9, 1(b), calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one or more special items relate.

- That the Harborough District Council's council tax level for a Band D equivalent of £177.97 [Paragraph 3.5 of the report] and each property band for 2024/25 be approved as set out in Appendix 9.

### **Special Expenses**

- The Special Expenses for 2024/25 as set out at Paragraph 3.16 (Table 4) of the report and Appendix 5.

### **Treasury Management Strategy**

- The Treasury Management Strategy as set out at Paragraph 3.29, Appendix 8;

2. **DELEGATE** to the Director of Resources, as the council's Chief Finance Officer, in consultation with the Leader of the Council and the Portfolio Holder for Finance & Assets, authority to:

- incorporate all outstanding precepts and levies once received from the relevant authorities.
- set aside sufficient sums in Earmarked Reserves as are considered prudent for both adequacy and purpose.

3. **NOTE:**

- The budget consultation process followed, and the feedback received set out at Appendices 10 and 11.
- The statement of the Director of Resources, as the council's Chief Finance Officer, that the Budget proposals for 2024/25 are robust and that the proposed level of reserves is adequate, as set out at in Appendix 1, Annex 3 to this report.

- The Council Tax base for 2024/25 adopted by Council on 11 December 2022:
  - of £38,921.9, [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended for the whole district];
  - for dwellings in those parts of its district to which one or more special items relates as listed at Appendix 5 and 9.

## **Reasons for Recommendation**

The proposed recommendations address the Council's statutory obligations in respect of the management of public finances in furtherance of the vision and aim of the Council's corporate plan and are in accordance with the provisions of its Constitution.

## Purpose of Report

- 1.1 This report presents to Council important financial information to allow it to agree:
  - 1.1.1 Council's 2024/25 budget (general fund revenue budget and capital programme);
  - 1.1.2 Medium-Term Financial Strategy (2025/26 to 2028/29); and
  - 1.1.3 Related documents intrinsically linked to the financial governance of the council.
- 1.2 The report provides technical financial information and assumptions, the evolution of which has been carefully considered by Cabinet on 27 November 2023, 15 January 2024, and 12 February 2024, and by the Joint Budget Overview & Scrutiny Panel on the 25 January 2024, as well as Council on the 11 December 2023.

## Background

- 2.1 The current financial climate for local government continues to be challenging. This report has been prepared against a background of uncertainty about medium-term government spending plans due to the potential of a general election in the near future, as well as the wider economic volatility in respect of rising demand, pay and prices. The council continues to work hard to protect the delivery of services in a way which is sustainable. Since the council set its 2023/24 budget the national economy has continued within a higher inflation environment which is now having an impact across all services, along with some services still seeing post-pandemic impacts. However, the council is forecasting a revenue underspend of [£410k](#) at Quarter 2, 2023/24.
- 2.2 The local government finance settlement included an expected New Homes Bonus (NHB) payment of £1.2m, but no indication of future NHB, along with other grants totalling £1.6m. In mid-January the government increased its settlement allocation with an additional £119k, 4.4%. In late-January 2024 it was confirmed that the council would receive additional business rate income because of the combined impact of the 2023 national non-domestic rates (NDR) revaluation as well as new hereditaments at Magna Park. In respect of:
  - business rates, the additional compared to 2023/24 is £839k, this would have been £1.4m if it had not been for a one-off, government set, supplementary growth tariff of £520k.
  - The collection fund surplus, this is a slight reduction compared to 2023/24 of £128k.
- 2.3 The forecast position for the financial period to March 2025, as referenced in this report, recognises the requirement to make the council's budget more financially resilient and sustainable whilst providing increased resources to support demand led services within the council.
- 2.4 This report is structured as follows:
  - Section 1: 2024/25 Local Government Finance Settlement
  - Section 2: The General Fund Revenue Budget (including the Medium-Term Financial Strategy).
  - Section 3: The Proposed Capital Programme.

Section 4: Treasury Management

Section 5: Statement by the council's statutory officer for finance (the Director of Resources) that the Budget proposals for 2024/25 are robust and that the proposed level of reserves is adequate, as set out at Appendix 1, Annex 3 to this report.

2.5 The report is supported by the following Appendices:

**Appendix 1: Medium-Term Financial Strategy (MTFS)**

A detailed commentary on the entire MTFS period, which currently shows a surplus in years one and two and a deficit in years three, four and five.

**Appendix 2: Changes between the Draft 2024/25 Budget & MTFS (2025/26 to 2028/29) considered by Cabinet to the Final 2024/25 Budget & MTFS (2025/26 to 2028/29) now presented to Council.**

This is presented in a table to make it easier to identify changes.

**Appendix 3: Summary of Budget Principles Applied in respect of Services and Government Funding**

**Appendix 4: Schedule of Fees & Charges 2024/25**

This reflects statutory and discretionary fees.

**Appendix 5: 2024/25 Special Expenses**

The contribution sought from residents where the Council provides services provided by parish councils in other areas of the district.

**Appendix 6: Reserves Strategy**

The governance of the councils reserves.

**Appendix 7: Capital Strategy**

Capital expenditure is strictly defined and controlled - this appendix sets out how the Council will invest in capital projects.

**Appendix 8: Treasury Management Strategy**

Including relevant supporting documents:

- 8.1 Treasury Management Strategy and Prudential Indicators
- 8.2 Criteria for Investment of Surplus Funds
- 8.3 Interest Rates Forecasts
- 8.4 Economic Background
- 8.5 External Debt Analysis (Long Term Borrowing)
- 8.6 Counterparty List
- 8.7 Temporary Investment Report
- 8.8 Prudential Code Definitions
- 8.9 Flexible Use of Capital Receipts Strategy 2024/25

**Appendix 9: Council Tax Resolution**

9.1 Harborough District Council's Element of Council Tax 2024/25 [OBJ]

9.2 Total Council Tax by Area and Valuation Band

**Appendix 10: Response to Budget Consultation from the Joint Budget Overview & Scrutiny Plan on the 18 January 2024**

**Appendix 11: Response to Budget Consultation from the general public**

**Appendix 12: Glossary of Terms**

**Appendix 13: Equalities**

## Details

### Section 1: 2024/25 Local Government Finance Settlement

3.1 The council's core funding allocations for the forthcoming financial year are announced annually by Government in the provisional local government finance settlement, usually in December. During January, the government made a further announcement to the provision settlement. Following consultation, allocations were confirmed in the final settlement on 5 February 2024.

3.2 The settlement issued by the government is again a one-year settlement; effectively a roll-over budget reflecting the government's intention of ensuring stability until the next spending review which will happen after the general election later this year (LGA Finance Conference, January 2024).

3.3 In national terms the Local Government Finance Settlement for 2024/25 announced a 7.5% increase in Core Spending Power, a decrease on the Core Spending Power increase of 9.4% that occurred when the final settlement was announced for 2023/24. Core Spending Power is the overall level of resources government estimates is available for funding local authority services. The Core Spending Power increase for Harborough District is 5.8% (2.6% more than in 2023/24), compared to the County:

3.3.1 the highest District was 6.1% (1 Council), lowest 5.6% (1 Council).

3.3.2 county was 10.6%, and for the

3.3.3 two unitaries, an average of 7.9%.

- [Explanatory note on core spending power: final local government finance settlement 2024/ to 2025](#)
- [Core spending power table: final local government finance settlement 2024 to 2025](#)

3.4 The key aspects of the settlement relevant to the council is discussed in **Appendix 1** and summarised below:

3.4.1 The **NHB** grant is a one-year allocation for 2024/25 of £1.2m. The government did consult on a replacement for NHB during 2021 but its replacement is not yet known. Considering that there is likely to be a general election in 2024 it is considered unlikely that this funding will be nil for 2025/26 so a reduced estimate has been included.



- 3.4.2 Following the mid-January additional funding announcement, the **Rural Services Delivery Grant** is now £182k.
- 3.4.3 The **Services Grant** is a one-year allocation of £11k in 2024/25 and no estimate has been included for future years.
- 3.4.4 Following the mid-January additional funding announcement, the **Funding Guarantee** is now 4%. The aim of this funding is to guarantee all councils a minimum increase in funding before Council Tax. For 2024/25 this is £1.5m, and a provision of £959k included for 2025/26.
- 3.4.5 Shire District Councils can increase Band D Council Tax demands by the higher of 2.99% or £5.
- 3.4.6 The **Business Rate multiplier** has been split between a lower and standard amount for 2024/25, and over the MTFs only marginal increases have been included (1% per annum).
- 3.5 It is important to note that the government assumes in its Core Spending Power figures that the Council Tax base and Council Tax itself will increase; the latter by the maximum. In respect of:
- 3.5.1 **Council Tax:** Cabinet has proposed a 0% increase in its 2024/25 Council Tax Band D which will be equivalent to that of 2023/24; thereby holding Council Tax at the same rate since 2022/23 (£177.97).
- 3.5.2 **Council Tax Base:** at Decembers Council meeting, Council approved a 1.75% increase in the Council Tax Base to 38,921.9 for 2024/25. This is a moderate increase and continues to reflect the growth that has occurred over the past year. For the MTFs, an annual increase is proposed based on the 5-Year Housing Supply.
- 3.5.3 the statutory **Council Tax Resolution** is attached at **Appendix 9**.

## **Section 2: The General Fund Revenue Budget (including the Medium-Term Financial Strategy).**

### **2023/24 forecast outturn**

- 3.6 The latest reported position on the General Fund revenue budget as at quarter 2 is an underspend of £410k; this was discussed at the 27 November 2023 Cabinet meeting ([Report](#) / [Financial Appendix](#))

### **Proposed 2024/25 Revenue Budget and Medium-Term Financial Strategy (2025/26 to 2028/29)**

- 3.7 Detailed commentary on the 2024/25 revenue budget is given in **Appendix 1** and is summarised in Table 1 below.

Summary Consolidated Final Budget 2024/25 & MTF5 (2025/26 to 2028/29)	Table 1					
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Original Budget £000	£000	£000	£000	£000	£000
<b>Net Cost of Services</b>	12,053	14,771	15,021	15,513	16,064	16,431
Capital Financing	424	560	779	882	920	971
<b>Net Expenditure</b>	<b>12,477</b>	<b>15,331</b>	<b>15,800</b>	<b>16,395</b>	<b>16,984</b>	<b>17,402</b>
Reserves Contributions to/from Support Services	5,212	4,042	958	(1,667)	(2,079)	(2,130)
Other Net Reserves Contributions	(790)	(1,460)	(345)	(301)	(280)	(226)
<b>Reserve Contributions</b>	<b>4,422</b>	<b>2,582</b>	<b>613</b>	<b>(1,968)</b>	<b>(2,359)</b>	<b>(2,356)</b>
<b>Budget Requirement</b>	<b>16,899</b>	<b>17,913</b>	<b>16,413</b>	<b>14,427</b>	<b>14,625</b>	<b>15,046</b>
Total Grant	(10,092)	(10,987)	(9,197)	(6,911)	(6,789)	(6,883)
<b>Council Tax Requirement</b>	<b>6,807</b>	<b>6,926</b>	<b>7,216</b>	<b>7,516</b>	<b>7,836</b>	<b>8,163</b>

3.8 The key information in respect of the 2024/25 Budget and MTF5 is shown below:

### 2024/25 Budget

- 3.8.1 **Net Expenditure: £15.3m**, which represents an additional £2.9m (22.9%) when compared to 2023/24.
- 3.8.2 **Net Reserves Contribution:** a contribution to reserves of £4m, with a contribution from earmarked reserves of £1.5m
- 3.8.3 **Budget Requirement: £17.9m**, which represents a £1m (6%) increase when compared to 2023/24.
- 3.8.4 **Council Tax Requirement: £6.9m**, a net increase of £119k when compared to 2023/24.

### MTF5 (2028/29)

- 3.8.5 **Net Expenditure: £17.4m**, which represents a £2m (13.5%) increase when compared to 2024/25.
- 3.8.6 **Reserves Contribution:** a contribution from reserves of £2.4m; £2.1m to meet the in-year forecast deficit and £226k to mitigate service costs. The first year within the MTF5 where a deficit occurs is 2026/27 which requires a contribution from reserves of £2m; £1.7m to meet the in-year deficit and £301k to mitigate services costs.
- 3.8.7 **Budget Requirement: £15m**, which represents a £2.9m (16%) reduction when compared to 2024/25.
- 3.8.8 **Council Tax Requirement: £8.2m** net increase of £1.2m (17.9%) when compared to 2024/25. The MTF5 has been modelled on a “notional” increase of 2.99% per Band D equivalent per annum.

3.9 With regard to service expenditure, the 2024/25 Budget and MTF5 has been developed reflecting the three approaches which are summarised below. This has been discussed extensively at Cabinet and Scrutiny in January and February with detailed commentary shown in **Appendix 1 and 3**, with the significant changes and summarised below:

- 3.9.1 **General Service Income & Savings:** this primarily involves increases in fees and charges and corporate income related to investment. There have been increases in statutory fees for Development Management (£242k) and investment income (£691k) due to the increase in bank base interest rates. The

savings attributable to the target operating model and reviews of enforcement and human resources terms and conditions (£384k) have been deferred for one-year.

3.9.2 **Employment Related Costs:** pay inflation has been modelled at 3.5%, an increase of £183k and no changes in inflation rates for both employers national insurance and oncosts.

3.9.3 **Service Inflation and Growth:** this is primarily due to:

3.9.3.1 **Inflation,** with significant increases in utility costs (£83k) for council administrative buildings, FCC inflation of 5.6% (£300k)

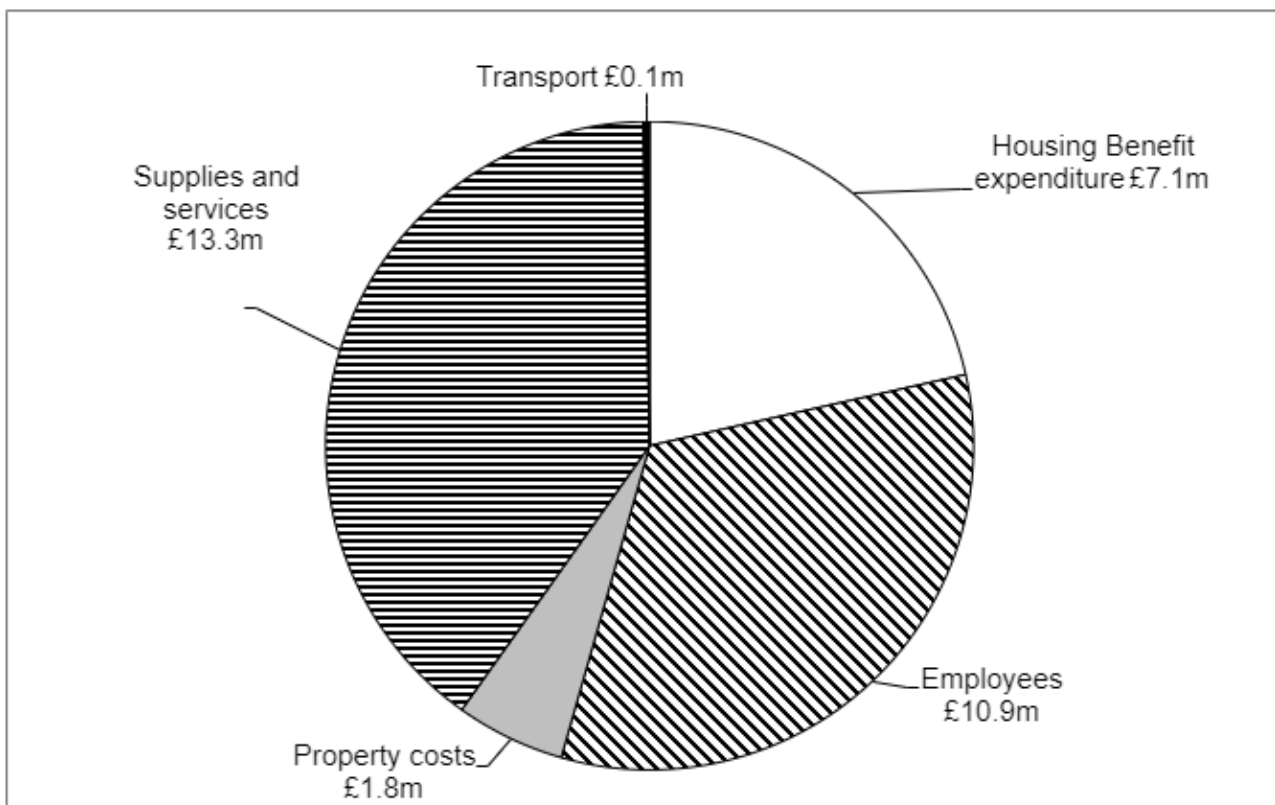
3.9.3.2 **Contract costs/savings,** potential income from the new leisure contract (£81k). It should be noted that for the waste and environment contract over the medium-term the council is recognising additional contract costs of £400k per annum (non-cumulative) and procurement costs of £300k (although the latter currently planned to be met from 2023/24 in-year savings).

3.9.3.3 **Final Budget Priorities,** the administration has identified further priorities totalling £285k, these are shown in **Appendix 2**.

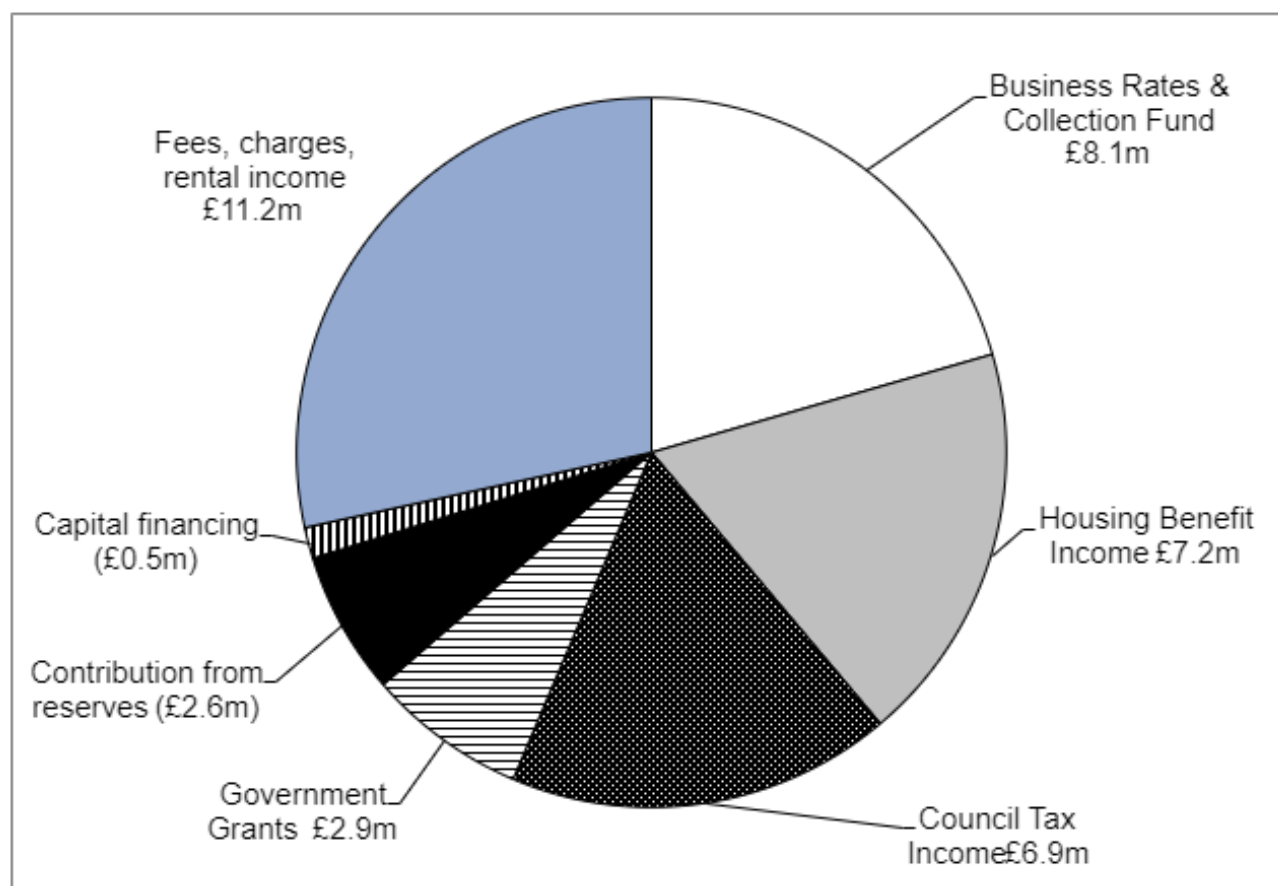
3.9.3.4 **Other Service Growth,** Cabinet approved significant service changes when they considered the Draft Budget in January 2024 ([Appendix 3](#) to Draft Budget report).

3.10 The proposed gross expenditure budget for 2024/25 is £33.2m including housing benefits (£7.1m). The pie charts below show how the gross expenditure budget will be spent and funded (detailed analysis in **Appendix 1**, Annex 1).

**Chart 1 showing the General Fund Gross Expenditure Budget of £33.2m**



**Chart 2 showing how the Gross Expenditure Budget is financed**



\* Business Rates: NDR of £6.7m and Collection Fund Surplus of £1.4m

- 3.11 In November, Cabinet approved its Budget Principles – the base assumptions on how the budget would be constructed. **Appendix 3** shows how these have been applied to the budget and their impact along with the government funding announced in the financial settlement.

### **Changes between Original Budget 2023/24 and Final Budget 2024/25**

- 3.12 It is important that members understand how the council's budget has changed; both between the original budget of the preceding year (2023/24) to the draft budget (2024/25) which was presented to Cabinet in January and then how it has transitioned to the final budget that was considered by Cabinet earlier this month and is now presented to Council.
- 3.13 In respect of the changes between the approved 2023/24 Budget and the Final Budget for 2024/25, these have been reported in detail to Cabinet in January and February and reviewed by Scrutiny in January. A summary of the changes is shown in **Table 2** below.

Table 2

<b>Reconciliation of Budget Changes</b>				
<b>1) 2023/24 Approved Budget to 2024/25 Base Budget</b>				
<b>2) 2024/25 Base Budget to 2024/25 Final Budget</b>				
	Services £000	Capital Financing £000	Net Expenditure £000	
<b>1) 2023/24 Approved Budget to 2024/25 Base Budget</b>				
2023/24 Budget Approved February 2023	12,053	424	12,477	
Previously Approved Growth/Savings	260	0	260	
Service Requested Budget Changes	158	0	158	
<b>2024/25 Base Budget</b>	<b>12,471</b>	<b>424</b>	<b>12,895</b>	
<b>2) 2024/25 Base Budget to 2024/25 Final Budget</b>				
<b>2024/25 Base Budget</b>	<b>12,471</b>	<b>424</b>	<b>12,895</b>	(a)
Budget Changes: Draft Budget (*)				
- Pay Increases	183	0	183	
- Service Income	(100)	0	(100)	
- Service Changes	341	0	341	
- Political Priority: Services	65	0	65	
- Political Priority: Acc Local Plan	1,140	0	1,140	
- One Year Funding of Corporate Savings	385	0	385	
- Capital Financing	0	136	136	
	2,015	136	2,151	(b)
<b>Draft Budget</b>	<b>14,486</b>	<b>560</b>	<b>15,046</b>	
Budget Changes: Final Budget (**)				
- Service Growth	286	0	286	
<b>2024/25 Final Expenditure Budget (**)</b>	<b>14,772</b>	<b>560</b>	<b>15,332</b>	(1)
<b>Reserves</b>				
<b>2024/25 Draft Budget (*)</b>			<b>717</b>	(c)
Budget Changes: Final Budget (**)			1,866	
<b>2024/25 Final Budget (**)</b>			<b>2,583</b>	(2)
<b>Government Funding</b>				
<b>2024/25 Draft Budget (*)</b>			(8,629)	(d)
Budget Changes: Final Budget (**)				
- Business Rates (NDR)		(805)		
- Other General Fund Grants		(25)		
- Funding Guarantee		(95)		
- Collection Fund		(1,433)	(2,358)	
<b>2024/25 Final Budget (**)</b>			<b>(10,987)</b>	(3)
<b>Council Tax</b>				
- Council Tax Requirement @ 2.99%: Draft Budget (*)			7,134	a+b+c+d
- Council Tax Requirement @ 0%: Final Budget (**)			6,927	1+2+3
<b>Change in Council Tax</b>			<b>207</b>	
<b>NB</b> * Draft Budget approved by Cabinet 15 January 2024; reviewed by Joint Budget Overview & Scrutiny Panel 25 January 2024				
** Final Budget approved by Cabinet 12 February 2024				

- 3.14 Budgets are, by their very nature evolving financial management plans and as ever with such plans, changes routinely occur. The 2024/25 changes between the draft budget and the budget now presented to Council have resulted in a net reduction in Council Tax of £207k, along with additional contributions to reserves of £1.8m. This is summarised in Table 3 below and a detailed analysis is shown in **Appendix 2**.

Changes between Draft 2024/25 Budget & MTFS (2025/26 to 2028/29) and Final 2024/25 Budget & MTFS (2025/26 to 2028/29)		Table 3					
		Budget 2024/25 £000	Medium-Term Financial Strategy				Total
		2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000		
Changes in Service Costs and Income	a	285	293	160	167	175	<b>1,080</b>
Changes in Capital Financing		0	76	76	77	76	<b>305</b>
Changes in Reserves	b	1,865	863	444	369	507	<b>4,048</b>
Change in Grant (incl. NDR, NHB etc)	c	(2,357)	(1,448)	(906)	(846)	(1,004)	<b>(6,561)</b>
<b>Net Changes in Council Tax</b>		<b>(207)</b>	<b>(216)</b>	<b>(226)</b>	<b>(233)</b>	<b>(246)</b>	<b>(1,128)</b>

### Fees and Charges

- 3.15 Each year the council is required to approve a schedule for Fees & Charges. This represents a 6.7% increase for non-statutory fees and charges. The schedule for 2024/25 is attached at **Appendix 4**. It should be noted that there are some income streams that have been increased by other amounts or not at all, by way of example:
- 3.15.1 **car parking charges** have not been increased due to the current strategic review of the service,
- 3.15.2 **green waste charges** have not been increased and remain at £61. As the break-even principle, a pure break-even fee would have been £61.42 (potential underachievement of £8k, 0.7%).
- 3.15.3 **lease rentals** at the Harborough Innovation Centre/Grow-On Centre which are subject to market determined prices.

### Special Expenses

- 3.16 The overall Council Tax bill (excluding precepts) will separately show the Harborough District Council Element (charged to all residents in the district) and Special Expenses which relate to specific localities where the Council is providing services which are provided by Parish Councils elsewhere. **Appendix 5** gives the proposed charges for Special Expenses for 2024/25 and Table 4 below provides a summary of how Special Expenses equates in the Council Tax bill.

Special Expenses - Redistribution by Parish Area							Table 4
Area within the District	Basic amount of HDC council tax before special expense redistribution  a £	Redistribution of Special Expense			Parish element  e £	Basic amount of Council Tax by Parish (1)  f (a+d+e) £	Reconciliation of HDC council tax after special expense amount  a-b £
		Total special expense amount in HDC budget to be redistributed  b £	Redistributed special expense by parish area  c £	Net special expenses adjustment  d (b+c) £			
Blaston	177.97	(16.90)	9.76	(7.14)	0.00	170.83	161.07
Foxton	177.97	(16.90)	9.73	(7.17)	47.96	216.76	161.07
Great Bowden	177.97	(16.90)	7.45	(9.45)	60.77	229.29	161.07
Great Easton	177.97	(16.90)	15.15	(1.75)	37.96	214.18	161.07
Lutterworth	177.97	(16.90)	13.15	(3.75)	122.39	296.61	161.07
Market Harborough	177.97	(16.90)	54.21	37.31	0.00	215.28	161.07
Saddington	177.97	(16.90)	28.59	11.69	22.83	212.49	161.07
Thurnby & Bushby	177.97	(16.90)	25.04	8.14	55.45	241.56	161.07
Broughton Astley	177.97	(16.90)	4.87	(12.03)	115.46	281.40	161.07
Fleckney	177.97	(16.90)	0.40	(16.50)	103.94	265.41	161.07
Great Glen	177.97	(16.90)	1.70	(15.20)	132.46	295.23	161.07
Scraptoft	177.97	(16.90)	6.17	(10.73)	108.24	275.48	161.07
<b>NB.</b>							
<b>(1)</b> agrees to Appendix 9: Council Tax Resolution.							
<b>(2)</b> Total Special Expenses 2024/25		657,718					
Council Tax Base, whole district		38,921.9					
Special Expense		16.90					
<b>(3)</b> HDC 2024/25 Band D Council Tax after Special Expense					161.07		
HDC 2023/24 Band D Council Tax after Special Expense					161.37		
Decrease (due to proportionate increase in respective Council Tax Bases)					-0.30		-0.19%

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

## Reserves

- 3.18 In December 2023, Cabinet approved an updated Reserves Strategy. The strategy confirms the council's approach to the governance of reserves and was updated to reflect a minimum level of General Fund (Unallocated) Reserves of 20% of Net Expenditure.
- 3.19 Forecast balances at the end of each year of the MTFs are shown in Table 5 below. Reserves are also discussed at **Appendix 1**. This reflects the establishment of three new earmarked reserves; namely:
- 3.19.1 **Financial Sustainability**; the aim of this reserve is to smooth the expected budget gaps in the future years of the MTFs.
- 3.19.2 **Collection Fund**; the aim of this reserve is to mitigate future volatility in the collection of Council Tax and Business Rates.
- 3.19.3 **Corporate Plan & Strategy**; the aim of this reserve is to hold funds that will be released over the MTFs to implement projects/initiatives that are highlighted within the Corporate Plan.



Summary Reserves Statement for the Consolidated Final Budget 2024/25 & MTFS (2025/29 to 2028/29)				Table 5		
All numbers as at 31 March of each year	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Updated Budget £000	£000	£000	£000	£000	£000
<b>General Fund (Unallocated) Reserve</b>	2,495	3,066	3,160	3,279	3,397	3,481
- Reserves at 20% of Net Expenditure	Yes	Yes	Yes	Yes	Yes	Yes
<b>Earmarked Reserves</b>						
Budget Surplus	0	0	0	0	0	0
Projects, Risk & Smoothing	2,183	1,873	1,985	2,116	2,247	2,378
Capital & Contract	2,901	2,103	2,473	2,398	2,344	2,344
Transformation	1,000	900	900	900	900	900
Financial Sustainability	2,956	5,703	5,790	4,271	2,213	0
Collection Fund	1,000	1,000	1,000	1,000	1,000	1,000
Corporate Plan & Strategy	723	2,470	2,776	2,509	2,370	2,370
Community, Economic & Infrastructure	1,000	960	960	960	960	960
Commercial Investment Reserve	1,229	1,229	1,229	1,229	1,229	1,229
<b>Total Reserve Balances</b>	<b>15,487</b>	<b>19,304</b>	<b>20,273</b>	<b>18,662</b>	<b>16,660</b>	<b>14,662</b>

3.20 It is a statutory requirement for the council to set a balanced budget and it achieves this for 2024/25; as shown in Table 1 it makes a contribution to reserves of £4.0m (before contributions from earmarked reserves).

3.21 However, in respect of the 5-years of the MTFS and the:

3.21.1 **“unplanned” use of reserves.** The council has a surplus budget for 2024/25 and 2025/26 and its contribution to reserves is £5m. The intention is to apply such surpluses to meet future year deficits and to earmark funding to meet future capital and revenue priorities including:

- **2024/25**
  - Grants to Parishes (£1m)
  - Ward Area Improvement Fund (£170k)
  - Leisure Strategy Action Fund (£100k)
  - Young Persons Initiative Fund (£100k)
  - District Place Narrative/Vision & Masterplanning (£100k)
  - Net-Zero2030 Initiatives Fund (£400k)
- **2025/26**
  - Asset Facilitation Fund (£500k)
  - Waste Vehicles (£470k)

In respect of future year deficits, these occur between 2026/27 and 2028/29 and the council estimates to contribute £5.9m from reserves. The average annual reserves needed to finance these deficits over the MTFS is £878k. When the council set the 2022/23 budget, the average annual reserves needed to finance the MTFS was £842k.

3.21.2 **Use of earmarked reserves,** over the MTFS, the council plans to commit £2.6m from earmarked reserves (an average of £522k per annum) to meet



ongoing obligations in respect of costs relating to the local plan, elections, and project management resources.

- 3.22 The Chief Financial Officer's view on the robustness of the reserves position is given in section 5 of this report.

## Section 3: The Proposed Capital Programme

### Definition of capital expenditure

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

### 2023/24 revised budget

- 3.25 Council approved a capital programme in February 2023 of £30.1m for [2023/24](#). In July 2023, Cabinet approved capital carry forwards from 2022/23 into the current financial year of a further £7.2m.

### 2024/25 to 2028/29 Capital Programme and Capital Ambition

- 3.26 The proposed capital programme for 2024/25 to 2028/29 is summarised in Table 6 and shown in **Appendix 1**; it has also been reported to Cabinet and Scrutiny in January and Cabinet again in February. The capital programme totals £30m over the MTFs period.

Summary of Capital Programme 2024/25 to 2028/29							Table 6	
Service Area	Asset Category	2024/25	2025/26	2026/27	2027/28	2028/29	Total	
		£000	£000	£000	£000	£000	£000	£000
<b>Assets</b>	Infrastructure	8,010	2,500	0	0	0	10,510	<b>12,584</b>
	Cemeteries & Burials	1,056	15	40	0	0	1,111	
	Civic Buildings	783	0	0	180	0	963	
<b>Customers</b>	Housing	1,043	0	0	0	0	1,043	<b>8,232</b>
	Service Transformation	20	20	20	20	20	100	
	Leisure Centres	6,098	41	41	41	41	6,262	
	CCTV	37	10	10	10	10	77	
	s.106 Schemes	250	250	250	0	0	750	
<b>Economic Development: Business Centres</b>	Business & Enterprise	92	60	0	140	0	292	<b>292</b>
<b>Economic Development: Market Hall &amp; Events</b>	Market Hall	252	144	0	0	0	396	<b>396</b>
<b>Environmental Services</b>	Waste Collection	920	0	0	0	0	920	<b>920</b>
<b>Parks &amp; Open Spaces</b>	Parks etc	320	160	100	20	20	620	<b>620</b>
<b>Projects</b>	Environmental Projects	40	0	0	0	0	40	<b>683</b>
	Corporate	381	172	38	52	0	643	
<b>Regulatory</b>	Environmental Projects	2,468	197	163	0	0	2,828	<b>5,156</b>
	Grants	420	420	420	420	420	2,100	
	Car Parking	228	0	0	0	0	228	
<b>Total Capital Programme</b>		<b>22,418</b>	<b>3,989</b>	<b>1,082</b>	<b>883</b>	<b>511</b>	<b>28,883</b>	
5% Contingency		800	199	54	44	26	1,123	
<b>Total Capital Programme</b>		<b>23,218</b>	<b>4,188</b>	<b>1,136</b>	<b>927</b>	<b>537</b>	<b>30,006</b>	

3.27 For the entire capital programme, the sources of finance include:

• Capital Receipts:	£ 3.742m
• Revenue Earmarked Reserves:	£ 1.308m
• Direct Revenue Financing:	£ 0.135m
• External Grant Schemes:	£ 5.677m
• Contractor Contributions:	£ 2.454m
• Internal Borrowing-Capital Financing:	£16.690m
<b>Total:</b>	<b>£30.006m</b>

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

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

However, such decisions will be determined based on:

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

### **Capital Strategy**

3.28 Council approved the Capital Strategy in February 2020, much of this document remains applicable to the 2024/25 Budget and MTFs (2025/26 to 2028/29) and only requires minor updating. The updated strategy is attached at **Appendix 7**.

## **Section 4: Treasury Management**

3.29 Treasury Management is an intrinsic part of the budget; especially relevant to the financing of capital expenditure and budgets relating to interest and investment income; further explanation is shown at **Appendix 8**. As recommended by the Councils’ treasury advisors, Link, a new list of countries with sovereign ratings of AA- or higher is now to be included as part of the Councils assessment of acceptable investment.

## **Section 5: Statement by the Council’s Chief Finance Officer (the Director of Resources) that the Budget proposals for 2024/25 are robust and that the proposed level of reserves is adequate, as set out at Appendix 1, Annex 3 to this report.**

3.30 Section 25 of the Local Government Act 2003 places specific responsibilities on the Chief Financial Officer (CFO) (also known as the s151 Officer / the statutory officer for finance / Responsible Finance Officer) to report on the robustness of the budget and the

adequacy of proposed financial reserves when the Council is considering its budget requirement. The Council is required to have regard to this statement when it sets the budget.

3.31 In addition, the Chartered Institute of Public Finance and Accountancy (CIPFA) recommends that the CFO refers to:

- Treasury related items, including the range of prudential and capital indicators (**Appendices 8 to 8.9**).
- financial resilience, primarily CIPFA's resilience index (addressed at **Appendix 1**, Annex 3).
- Capital strategy and the associated prudential code and the deliverability, affordability, & the risks. (**Appendix 7 and 8**).

#### **Detailed Commentary and Conclusion on the robustness of reserves.**

3.32 A detailed commentary on the "robustness of reserves" is shown in **Appendix 1**, Annex 3. In summary, following extensive sensitivity analysis of potential risks and estimated uses of reserves it is fair to conclude that in respect of:

3.32.1 the use of the General Fund (Unallocated) Reserve, the Budget Surplus and some of the Earmarked Reserves, the Council should be able to absorb considerable additional financial risk. It should be noted however:

- it is unlikely that all these risks would occur all at the same time.
- where in future years drawdowns from reserves are considered; the Council needs to be cognisant that this will reduce the available funds to meet potential financing stresses towards the end of the MTFs. However, the Council needs to take a balance approach between investing in its community and securing longer term financial security.

3.32.2 the Council is not self-sufficient over the medium-term in respect of "income = expenditure" as there is an "unplanned" use of reserves in the last two years of the MTFs. However, it is fair to say that in respect of its total resource availability, other than in an extreme scenario, the Council can meet its medium-term financial commitments.

## **Conclusions**

### **2024/25 Budget**

3.33 Considering all the factors noted within the "Robustness" statement in respect of 2024/25, the CFO considers that the combination of the:

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

the budget proposed for 2024/25 should not give Councillors any significant concerns over the Council's financial position.

## **Medium Term Financial Strategy (2025/26 to 2028/29)**

- 3.34 Regarding the period covered by the MTFS; at this point in time the Council does face some significant future funding risks:
- An expected reduction in NHB;
  - the implications of Fair Funding and
  - the ongoing issues pertaining to the localisation of Business Rates as well as a Business Rates reset, and if,
  - current levels of service are maintained, the Council is likely to continue to face a challenging financial future.
- 3.35 The Council has taken proactive action to address its budgetary concerns by undertaking two significant budget review processes as well as several other transformational and cost control initiatives. However, the current programme of change must continue and for the Council to achieve full financial sustainability and resilience and be able to continue to invest in its local community, the Council will have to ensure that “continuous improvement” remains at the centre of its future service delivery model.

## **Implications**

### **Corporate Priorities**

- 4.1 This report promotes the corporate priority of being innovative, proactive, and efficient by delivering financial sustainability for the future. The budget and MTFS shows the available financial resources to deliver the council’s corporate priorities as well as the statutory services it is required to deliver. This year, the council has established a dedicated earmarked reserve to provide funding to meet specific corporate plan priorities.

### **Consultation**

- 4.2 In preparing this report, statutory consultation requirements have been complied with, these have included:
- 4.2.1 formal consultation via the council’s website with the public (**Appendix 11**).
  - 4.2.2 continuous development discussions with Cabinet through the preparation of both a draft (15 January 2024) and final (12 February 2024) budget & MTFS prior to consideration by Council.
  - 4.2.3 consultation with the Joint Overview & Scrutiny Panel (25 January 2024) on the draft budget. This meeting was open to all members so they could participate in the review process.
  - 4.2.4 consultation with Unison (23 January 2024).
  - 4.2.5 ongoing consultation with services and respective portfolio holders as the budget was developed since August 2023.

## Financial

4.3 During the budget development process, Financial Services has constructively challenged budget propositions with services to ensure that, as far as is possible, the proposed service estimates award the council value for money. During the year, finance business partners work closely with services and continue the approach of constructive challenge to ensure that the council makes every effort to meet its primary budget principles of:

*“Committed to Financial Sustainability & Resilience to enable Community Investment”.*

4.4 Throughout this report there is a detailed commentary on the changes from the 2023/24 budget through to the 2024/25 budget, as well as a 4-year projection to complete the MTFS. As part of the review of financial governance last year there was a commitment to develop a Long-Term Financial Strategy (LTFS). However, with the recent inflationary increases and differing expert advice on how long the current macro environment will continue such a strategy, at this time, could be detrimental to the effective delivery of both immediate and medium-term priorities. An LTFS will be developed further during 2024/25 as market expectations crystalise.

4.5 Regarding:

4.5.1 **Revenue**, the council is planning for a surplus budget for 2024/25 and 2025/26, with a surplus of £5m. This surplus has been generated due to a combination of strong financial control, leadership and management, continuous service improvement and transformation and the benefits of residential and business rate growth throughout the district. Such an approach is now bearing fruit as the surplus now permits members to have choices in the delivery of its corporate plan along with ensuring medium-term financial resilience. For 2024/25, the council has agreed to freeze Council Tax, but as shown in the MTFS, it has included a nominal increase in Council Tax for each year thereafter. It cannot be said that the council is financially sustainable because on a year-by-year basis its income does not equal expenditure. But by setting-aside surplus funds to meet future year deficits, which themselves include prudent budgetary estimates, has enabled the council to effectively manage budgetary risk and therefore awards it financial resilience.

4.5.2 **Capital**, the council has an ambitious capital programme totalling £30m. There is a broad mix of capital propositions including essential works to enhance the value of its estate, ICT development, investments in leisure, the community and environmental / climate priorities and housing to meet both long and short pressures.

4.5.3 **Reserves**, the council has a pragmatic approach to reserves that is embedded within its reserve's strategy. By the end of 2024/25 it is estimated to hold reserves of £19.3m, with a slight increase in 2025/26 and then a general reduction to £14.6m by 2028/29. The council can maintain the General Fund (Unallocated) Reserve at the minimum 20% for the entire MTFS period.

4.6 The Budget and Policy Framework Procedure Rules are set out within the Constitution at part 4, section 3 and the Financial Procedure Rules for Officers at part 4, section 6 of the Constitution. The process followed in the development of this budget and MTFS,

and its subsequent approval and monitoring throughout the year, is in line with the framework.

- 4.7 All members should consider the reflections of the s.151 officer in respect of the s.25 report in respect of “robustness of reserves”. This is a statutory report, and it models various financial and budgetary risks to determine the financial stress that the council would be under and whether it could finance such scenarios.

## **Legal**

- 4.8 Legal Services have been consulted in relation to the proposals contained within this report from the outset.
- 4.9 In the case of R (Buck) v Doncaster MBC [2012] the High Court confirmed that Council’s role in budget setting is limited to the allocation of resources to meet the authority’s potential expenditure for the next financial year, which enables it to set an appropriate level of council tax.
- 4.10 The Head of Legal Services, as Interim Monitoring Officer, considers that the proposals set out within this report comply with the provisions of the above case. Further, the proposals meet the below statutory requirements to determine the amount of Council Tax for the forthcoming year and set a balanced budget:

### **4.10.1 S30 (6) Local Government Finance Act 1992 (the 1992 Act)**

This section requires that Council Tax must be set before 11 March, in the financial year preceding that for which it is set. Failure to set a budget by this date does not of itself render the Council Tax invalid.

### **4.10.2 S31A the 1992 Act**

This section sets out the calculations to be made in determining the council tax requirement, including contingencies and financial reserves. Failure to undertake the required calculations renders any Council Tax void and unenforceable.

### **4.10.3 S31B the 1992 Act**

This section sets out the detail of the calculations required to meet the Council’s obligations as at S31A.

### **4.10.4 S25 (1) Local Government Act 2003 (the 2003 Act)**

The Chief Finance Officer must report to Council on:

- 4.10.4.1 the robustness of the estimates made for the purposes of the calculations; and
- 4.10.4.2 the adequacy of the proposed financial reserves.

### **4.10.5 S25 (2) the 2003 Act**

When the Council is considering calculations under S31A, it must have regard to a report of the Chief Finance Officer concerning the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves.

### **4.10.6 The Local Authorities (Functions & Responsibilities) (England) Regulations 2000 (as amended)**

These Regulations set out what are to be the respective functions of Council and of the Executive. With regard to the setting of the budget and Council Tax for the

forthcoming year, Regulations provide that the Leader formulates the plan or strategy (in relation to the control of the Council's borrowing or capital expenditure) and the preparation of estimates of the amounts to be aggregated in making the calculations under S31A of the 1992 Act. The approval of such plan or strategy/calculations is the responsibility of full Council.

- 4.11 This report supports the Council's adopted budget and policy framework as set out in the Constitution at Part 4, Section 3.

### **Environmental Implications**

- 4.12 The Council has declared a climate emergency. This report addresses climate issues by including capital projects that will help to provide mitigate the impacts of climate change. It should be noted that the council does not have any dedicated resource to deliver climate change mitigation, although it does have an officer whose role is to monitor the districts climate impact and performance.

### **Risk Management**

- 4.13 The s.151 officers' independent assessment of the "robustness of reserves", the s.25 report, considers several risks and whether the council has enough reserves to meet these potential liabilities – the conclusion is that it does for 2024/25 and over the medium-term some of the scenarios do put the council into financial stress. However, it must be recognised that the assessment does anticipate a worst-case scenario because it is unlikely that all these risks would occur at the same time.
- 4.14 In respect of mitigation, the council will monitor and report its financial performance quarterly to Cabinet and then provide Performance Scrutiny with a highlight report. The financial controls within the council are robust and subject to unfettered review by internal audit and managers are duly skilled and experienced to ensure compliance with agreed financial controls.

### **Equalities Impact**

- 4.15 An equalities impact screening assessment has been undertaken which has disclosed that there are no equality impacts because of this report. The assessment is an iterative process, one that starts when services review their budgets through to when the consolidated final budget and MTFs is considered by Cabinet and Council – see further **Appendix 13**.

### **Data Protection**

- 4.16 The seven data principles set out in the Data Protection Act 2018 have been complied with in the preparation of this report.

## **Alternative Options**

- 5.1 As set out in the detailed main body of the report, the requirement to set a balanced budget is a statutory obligation. It is for Councillors to determine whether to approve the proposed final budget.

## **Recommendation**

- 6.1 For the reasons set out within this report, it is recommended that the Council consider the recommendations set out at the start of this report.

## **Background Papers**

- 7.1 Cabinet papers for Draft and Final Budget;
- 7.2 Scrutiny papers for Draft Budget.
- 7.3 Various background service budget review documents.
- 7.4 Published government papers relating to the provisional and final settlements.