

Harborough District Council

Report to the Cabinet Meeting of 10 February 2025

Title:	Final Budget 2025/26 & the Medium-Term Financial Strategy (2026/27 to 2029/30) <i>"Committed to Financial Sustainability & Resilience to enable Community Investment"</i>
Status:	Public
Key Decision:	No
Report Author:	Clive Mason – Director of Resources (& S.151 officer)
Portfolio Holder:	Cllr Mark Graves, Finance
Appendices:	<ul style="list-style-type: none">• Appendix 1: Changes Between the Draft 2025/26 Budget & MTFS (2026/27 to 2029/30) and the Final 2025/26 Budget & MTFS (2026/27 to 2029/30)• Appendix 2: Consolidated Final 2025/26 Budget & MTFS (2026/27 to 2029/30)• Appendix 3: Equalities Analysis• Appendix 4: Summary of Budget Consultation (to be tabled at the meeting)

Executive Summary

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

Over the past year the council continues to face considerable pressures in respect of service inflation and demand. Although head-line inflation has settled on-or-around 2%, the costs of services are considerably more than a couple of years ago and this is reflected in the higher cost of delivering services. In this respect the council is expecting considerable growth in budgets over the medium-term. In December 2024 the government issued their provisional financial settlement which awarded the Council New Homes Bonus of £896k, Minimum Funding Guarantee grant of £1.6m and other settlement grants in excess of £127k, in addition the Council received £1.6m in grant from the Department for the Environment, Farming and Rural Affairs in respect of Extended Producer Responsibility. In respect of Business Rates, the Council is expecting business rates of £8.5m for 2025/26 but the forecast for the 2024/25 Collection Fund is a deficit of £3.1m, which has resulted from underachievement of growth and a very significant increase in empty property relief.

In summary the Council has a surplus revenue budget for the first two years of the MTFS (£1m) but then a considerable deficit over the remaining years of the MTFS of £9.6m (net £8.6m). Considering this, and to ensure adherence to its budget principle of "financial

sustainability over the medium-term”, the Council is proposing to increase Council Tax for 2025/26 by 2.99% to £183.29 for a Band D equivalent property – an increase of £5.32. For subsequent years the Council is proposing a notional increase of 2.99% per annum. The changes between the Draft 2025/26 Budget considered by Cabinet in January and the Final 2025/26 Budget are highlighted in detail later in this report but are summarised below:

Revenue, there are two distinct areas of change:

- **Service Costs and Income**, an increase of £111k; support for next year’s UKSPF programme, additional planning income and special project funding in respect of short and long-term flooding support.
- **Grant Funding**, net of £1.9m as a consequence of the additional business rates and collection fund deficit.

In addition, there is the revenue change in reserve contributions, but these are consequential of the above changes.

Capital, there are two additional capital propositions totalling a net increase of £1.7m.

The additions are in respect of:

- **Parks and Open Spaces**, an increase of £510k to support enhancements in both general public open space and the redevelopment of specific allocations for works at Welland Park, Market Harborough.
- **Car Parking**; resurfacing following a condition survey, totalling £300k

Recommendations

That Cabinet:

A. recommends to Council the approval of:

- The Fees & Charges Schedule (**Appendix 2**, Annex D); including the delegation to the S.151 officer to vary Fees & Charges throughout the year in consultation with the respective portfolio holder for the service that the fee and charges is applicable.
- The allocation of UK Share Prosperity Fund 2025/26 funding to be agreed by the Leader, Portfolio Leader for Culture, Leisure, Economy & Tourism, the Chief Executive and the Director of Communities (1.3.3)
- The Consolidated Final Budget 2025/26 and Medium-Term Financial Strategy (2026/27 to 2029/30) at **Appendix 2**.

	Report	Appendix 2
• In respect of the 2025/26 Final Budget , this includes a		
○ Budget Requirement of £16.9m	3.2 Table 2	1.6.1 Table 1
○ Council Tax Requirement of £7.3m	3.2 Table 2	1.6.1 Table 1
○ Increasing Council Tax by 2.99% to £183.29 giving a Band D.	3.3 (i)	1.4.8
○ Capital Programme of £33m.	3.12 Table 4	3.0 Table 4

• In respect of the Medium-Term Financial Strategy, by 2029/30		
○ Budget Requirement of £16.9m	3.2 Table 2	1.6.1 Table 1
○ Council Tax Requirement of £8.4m	3.2 Table 2	1.6.1 Table 1
○ “Notional” increase in Council Tax of 2.99% (and notionally for each year of the MTFS).	3.3ii	1.4.8
B. notes the comments of the Director of Resources (& S.151 Officer) in respect of the “Robustness of the 2025/26 Budget and Medium-Term Financial Strategy 2026/27 to 2029/30”.	5	5
C. comments on the Equalities Analysis (Appendix 3) in respect of implications of the Final Budget 2025/26 and MTFS (2026/27 to 2029/30)	8	N/a
Reasons for Recommendations		
To present to Cabinet the Final Budget and MTFS prior to presentation to Full Council, along with the results of the consultation with stakeholders and the equalities analysis.		

1. INTRODUCTION

1.1 At the 20 January 2025 Cabinet meeting, Cabinet approved the Draft 2025/26 Budget & MTFS (2026/27 to 2029/30), in summary this included for:

i. **Services,**

- net expenditure of £18.5m, a net contribution to reserves of £2.1m and a Budget Requirement of £18.7m.
- by 2029/30, the Medium-Term Financial Strategy (MTFS) is showing a Budget Requirement of £15.2m,
- a Capital Programme of £24.5m for 2025/26, totalling £33.1.2m by 2029/30; with net capital financing (MRP) of £759k and £1.9m, respectively.

ii. **Corporate Financing,** for 2025/26;

- the receipt of New Homes Bonus of £895k, and nil for each year thereafter.
- a receipt of £1.6m for Minimum Funding Guarantee, and then nil for each year thereafter.
- Other Grants of £126k, and an average of £61k for each year of the MTFS.
- a net nil balance on the Collection Fund and Business Rates.
- an 2.99% increase in the Council Tax (Band D equivalent), with a notional increase at 2.99% for each year of the MTFS thereafter.

iii. **Reserves,**

- maintaining a 20% minimum level of reserves for the General Fund (Unallocated) Reserve for the entire period of the MTFS,
 - for the General Fund (Unallocated) Reserve, for:
 - 2025/26 and 2026/27 a net contribution to General Fund (Unallocated) Reserves of £2.6m (*)
 - 2027/28 to 2029/30, a net contribution from earmarked reserves of £10.5m (*)
- * these amounts are netted off against opening balances within the General Fund (Unallocated) Reserve to eventually reside within a new earmarked reserve for Financial Sustainability.*

2. BUDGETARY CHANGES BETWEEN THE DRAFT AND FINAL 2025/26 BUDGET AND MTFS (2026/27 TO 2029/30).

2.1 Since the January Cabinet, there have been some changes to the Budget and MTFS, a detailed profile of the changes is shown in **Appendix 1** and summarised in **Table 1** below. In effect there are four sets of changes:

Changes between Draft 2025/26 Budget & MTFS (2026/27 to 2029/30) and Final 2025/26 Budget & MTFS (2026/27 to 2029/30)			Table 1				
		Budget 2025/26 £000	Medium-Term Financial Strategy				
		2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	Total	
Changes in Service Costs and Income	a	111	(56)	(56)	(56)	(56)	(113)
Changes in Capital Financing	b	0	67	87	87	87	328
Changes in Reserves	c	(1,971)	172	233	307	374	(885)
Change in Grant (incl. NDR, NHB etc)	d	1,860	(183)	(264)	(338)	(405)	670
Net Changes in Council Tax		0	0	0	0	0	0

a. Changes in Service Costs and Income

- 2025/26 only,
 - Two additional posts to support the Councils additional 2025/26 UKSPF funding (£67), and
 - Additional funding to support short and longer term flooding support (£100k).
- 2025/26 and each year of the MTFS, additional planning income as a consequence of the statutory increase in fees and charges.

b. Changes in Capital Financing, the consequential capital financing charge (minimum revenue provision) impact of planned car parking and public open space capital works during 2025/26.

c. Changes in Reserves, the consequential reserves impact of the changes shown in (a, b and c).

d. Changes in Grant & Other Funding

There are two changes in respect of grants & other funding:

- i. **Non-Domestic Rates (NDR)**, when the draft budget was approved by Cabinet in early January this was based on the NDR estimate included in the current MTFS (£7.2m). By the end of January, the Council is required to submit to government the statutory NDR1 return (its estimate of its net business rates income for 2025/26), this being £8.5m. The Council has been working with a specialist revenue consultancy to fundamentally review its NDR 1 process, the main changes have been the recognition of some growth, an increase in empty property relief and a reduction in levy payments.
- ii. **Collection Fund Surplus/(Deficit) (CFSD)** when the draft budget was approved by Cabinet in January this was based on a net nil CFSD. As noted in (i) above the Council has been working with a specialist revenue consultancy and the forecast outturn for 2024/25 is a deficit of £3m. This deficit is due to the following:
 - **Council Tax** surplus of £57k.
 - **Non-Domestic Rates** deficit of £3.1m. this deficit has resulted from the underachievement of growth and a very significant increase in empty property relief (a tenfold increase in the 2025/26 estimate compared to 2024/25).

For subsequent years of the MTFS, this is modelled as net-nil.

3. FINAL BUDGET 2025/26 AND MEDIUM-TERM FINANCIAL STRATEGY (2026/27 to 2029/30)

3.1 The Councils Budget (and MTFS) is made up of several constituent parts; each of which is not mutually exclusive and therefore it is imperative that they are agreed together. The Consolidated Final 2025/26 Budget & MTFS (2026/27 to 2029/30) is shown at **Appendix 2** and is made-up of the following:

1. Strategic Budget Summary
2. Operational Revenue Budgets and Medium-Term Financial Strategy
3. Capital
4. Fees & Charges
5. Robustness of the 2025/26 Budget and Medium-Term Financial Strategy
 - Annex A – Calculation of 2025/26 Business Rates
 - Annex B – Calculation of 2024/25 Collection Fund (Surplus)/Deficit
 - Annex C – Expected Growth in business rates.
 - Annex D – Fees & Charges
 - Annex E – CIPFA 2023 Resilience Index

Strategic Budget Summary

Revenue Budget

- 3.2 The **Consolidated Final 2025/26 Budget and Medium-Term Financial Strategy** is summarised in **Table 2** below; a detailed analysis showing the movements between the Draft and Final Budget and MTFs is shown in **Appendix 2** (Section 1).

Summary Consolidated Final Budget 2025/26 & MTFs (2026/27 to 2029/30)	Table 2					
	2024/25 Original Budget £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000
Net Cost of Services	14,771	17,893	18,392	17,633	18,244	18,794
Capital Financing	560	759	1,560	1,817	1,917	1,978
Net Expenditure	15,331	18,652	19,952	19,450	20,161	20,772
Reserves Contributions to/from Support Services	4,043	252	705	(1,346)	(3,312)	(4,957)
Other Net Reserves Contributions	(1,460)	(2,048)	(1,534)	(280)	(226)	(226)
Reserve Contributions	2,583	(1,796)	(829)	(1,626)	(3,538)	(5,183)
Budget Requirement	17,914	16,856	19,123	17,824	16,623	15,589
Total Grant	(10,987)	(9,602)	(11,554)	(9,951)	(8,465)	(7,141)
Council Tax Requirement	6,927	7,254	7,569	7,873	8,158	8,448

- 3.3 The key messages to note in respect of the Final 2025/26 Budget and Medium-Term Financial Strategy (2026/27 to 2029/30) are as follows:

i. **Final 2025/26 Budget**

- **Net Expenditure** of £18.7m, an increase of:
 - £111k (0.7%) compared to the Draft 2025/26 Budget.
 - £3.4m (22.2%) compared to the 2024/25 Budget.
- **Budget Requirement** of £16.9m, an increase of:
 - £1.9m (10.6%) compared to the Draft 2025/26 Budget.
 - An decrease of £1m (6.5%) compared to the 2024/25 Budget.
- **Council Tax Requirement** of £7.3m, this reflects an increase in the Council Tax base of 654.5¹ Band D equivalent properties compared to 2024/25 along with a 2.99% increase in Council Tax (£177.97).
- **Contribution from General Reserves** of £1.8m; £252k to General Fund (surplus) and £2m from earmarked reserves (to support agreed direct service commitments).

ii. **Medium-Term Financial Strategy**, by 2029/30:

- **Net Expenditure** of £20.8m, an increase of £2.1m (11.2%) compared to 2025/26.
- **Budget Requirement** of £15.6m, a reduction of £1.3m (7.7%) compared to 2025/26.
- **Council Tax Requirement** of £8.4m, this reflects an annual notional increase of 2.99% in Council Tax from 2025/26 and each subsequent year of the MTFs along with a gradual increase in the Council Tax Base over the period.

¹ [Council Tax Base 2024/25](#): 38,921.9 ; [Council Tax Base 2025/26](#): 39,576.4

- **Contribution from General Reserves;** over the MTFS period the Council is committing to use the surplus generated in 2025/26 and 2026/27 to finance the deficit in the last 3-years of the MTFS.
- **Damping;** members will recall the over the past few years the Council has been including a budget adjustment in respect of Fair Funding and the Business Rates Reset. The government have now committed to implement both of these changes from 2026/27 and it is expected that the Council will see a significant reduction in income. To compensate for this the government is likely to include a mechanism called “damping” which will provide a tapered funding stream that will equalise the lost income.

3.4 Detailed operational budgets are shown in **Appendix 2**, Section 2.

Reserves

3.5 The Council’s Constitution is silent about whether reserves are a constituent part of the Council’s Budget, consequently the conclusion is that they are not. However, contributions to the budget will be part of the budget as they are a source of finance.

3.6 In December 2024 Cabinet approved an updated Reserves Strategy². As well as the strategy itself, Cabinet approved the minimum level of General Fund (Unallocated) Reserves to be set at 20% of Net Expenditure (Net Expenditure being the total of service and capital finance)

Impact on Reserves of the 2025/26 Final Budget and MTFS (2026/27 to 2029/30)

3.7 Surpluses (or deficits) in funding are adjusted via contributions to or from reserves; in the Summary Consolidated Budget shown at **Table 2** this is shown against the line entitled “Reserve Contributions”.

3.8 **Table 3** below summaries the impact of the 2025/26 Final Budget and MTFS on the Councils reserves position, which is shown in detail in **Appendix 2**, Section 1.

² Cabinet November 2024, 2025/26 Budget & MTFS – Budget Principles & Reserves Strategy, [Report](#) / [Appendix](#)).

Summary Reserves Statement for the Consolidated Final Budget 2025/26 & MTFS (2026/27 to 2029/30)			Table 3		
	2025/26	2026/27	2027/28	2028/29	2029/30
All numbers as at 31 March of each year	£000	£000	£000	£000	£000
General Fund (Unallocated) Reserve	3,730	3,990	3,890	4,032	4,154
- Reserves at 20% of Net Expenditure	Yes	Yes	Yes	Yes	Yes
Earmarked Reserves					
Budget Surplus	0	0	0	0	0
Projects, Risk & Smoothing	2,696	2,827	2,958	3,089	3,220
Capital & Contract	1,801	1,726	1,672	1,672	1,672
Transformation	1,853	1,619	1,619	1,619	1,619
Financial Sustainability	7,399	8,111	7,004	3,550	0
Collection Fund	1,000	1,000	1,000	1,000	750
Corporate Plan & Strategy	1,572	624	624	624	0
Community, Economic & Infrastructure	1,876	1,558	1,419	1,419	900
Commercial Investment Reserve	948	948	948	948	811
Total Reserve Balances	22,875	22,403	21,134	17,953	13,126

3.9 In the Final 2025/26 Budget and MTFS (2026/27 to 2029/30), the Council is forecasting a balanced budget for 2025/26 through to 2029/30 – primarily due to a combination of using the surplus generated in the 2025/26 and 2026/27 revenue budgets along with balances within the Financial Sustainability Earmarked Reserve. In respect of the MTFS, the council continues to maintain its 20% minimum level for the General Fund (Unallocated) Reserve through to 2029/30.

➤ *Using Reserves*

3.10 It should be noted that if the Council chooses to use reserves to meet a revenue budget gap this must be viewed as short term bridging finance. Alternatively, if reserves were viewed as long term investment finance, they would award Councillors an opportunity to invest in their communities; such opportunities include:

- one-off direct investment in community services; this is likely to bring long term community benefit if provided as “seed” funding.
- the acquisition or enhancement of assets; this is likely to reduce the cost of Council infrastructure or indeed enable the development of new local infrastructure, or
- invest in opportunities that could either generate income or reduce expenditure and therefore the overall net expenditure of the Council.

Capital

3.12 The detailed capital programme is shown at **Appendix 2**, section 3 and is summarised in **Table 4** below.

Summary of Capital Programme 2025/26 to 2029/30							Table 4	
Service Area	Asset Category	2025/26	2026/27	2027/28	2028/29	2029/30	Total	
		£000	£000	£000	£000	£000	£000	£000
Assets	Business Centres	60	111	209	0	0	380	16,207
	Cemeteries	1,105	55	0	30	0	1,190	
	Civic Buildings	1,623	183	180	0	0	1,986	
	Infrastructure	7,781	2,500	0	0	0	10,281	
	Market Hall	622	176	0	0	0	798	
	Acquisition	1,572	0	0	0	0	1,572	
Community	CCTV	37	10	10	10	10	77	862
	S.106	250	250	0	0	0	500	
	Leisure	121	41	41	41	41	285	
Customer Services		20	20	20	20	20	100	100
Environmentla & Waste	Open Spaces	700	180	40	40	20	980	7,717
	Waste	6,737	0	0	0	0	6,737	
Projects	Climate	203	163	0	0	0	366	1,159
	Special	481	172	38	52	50	793	
Regulatory	Climate	90	0	0	0	0	90	5,498
	Disabled Facility	420	420	420	420	420	2,100	
	Car Parking	528	0	0	0	0	528	
	Housing	993	893	894	0	0	2,780	
Total Capital Programme for Services		23,343	5,174	1,852	613	561	31,543	
Contingency		1,167	259	93	31	28	1,578	
Total Capital Programme		24,510	5,433	1,945	644	589	33,121	

- 3.13 Members should note that the programme over the MTFS totals £33.1m, an increase of £693k compared to the Draft budget approved by Cabinet in January, the programme now includes changes relating to Parks and Open Spaces and Car Parking; a detailed commentary is shown in Appendix 2, 3.1.

Movement in the 2025/26 (& 2026/27 to 2029/30) Capital Programme between Draft and Final					Table 6	
			2025/26	2026/27 to 2029/30	Total	Total Additions
			£000	£000	£000	£000
Draft Budget: Capital Programme			23,817	8,611	32,428	
Additions to Capital Programme	i	Environmental Services	360	0	360	660
	iv		300	0	300	
Total Capital Programme			24,477	8,611	33,088	
5% Contingency			33	0	33	33
Total Capital Programme (after Contingency)			24,510	8,611	33,121	693
Financing						
External Funding		Grant				0
Internal Borrowing		(Minimum Revenue Provision)				693
Total						693

Fees & Charges

- 4.1 Fees & Charges for the forthcoming year, these are shown in **Appendix 2, Section 4/Annex D**. The main changes in Fees & Charges between 2024/25 and 2025/26 is an increase of 1.7% increase except for those Fees & Charges that are controlled by statute or otherwise are exempted.

5 ROBUSTNESS OF THE 2025/26 BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY 2026/27 TO 2029/30

5.1 The Council's Responsible Finance Officer (S.151) is required to make a statutory statement in respect of the Budget and Reserves (s.25, LG Finance Act 2003) and a detailed commentary is shown in **Appendix 2, Section 5**. This commentary addresses the risks that both the Council and the wider local government community face at this challenging time, including the impacts of significant inflationary environment on the council's services. In addition, sensitivity analysis is applied against these risks and their impact on General Fund reserves is assessed. In summary, the key findings are:

- i. In 2025/26 the budget requirement is £18.7m, with a contribution to reserves before application of earmarked reserves of £252k, with contributions after earmarked reserves of £2m.
- ii. The Council maintains its 20% minimum level of reserves for the General Fund (Unallocated) Reserve all the way through the MTFS.
- iii. The sensitivity analysis has shown that for 2025/26 the Council has sufficient reserves to meet a range of scenarios. This also holds true over the MTFS period except in the last year (2029/30).

➤ *Self-Financing*

5.2 In respect of the Council becoming self-financing, it cannot be said that over the MTFS income = expenditure as it does need to use "unplanned" reserves by 2027/28. However, it can be concluded that it maintains fair financial resilience as it has sufficient reserves to meet future years deficits.

5.3 However, the Council is heavily reliant on the benefits it accrues from housing growth and if this were to reduce or the government was to change its funding regime the Council would very quickly face significant funding issues. Consequently, members must ensure that the Council:

- continues to strive to ensure all services are "continuously improving" and that such an approach is central to its service delivery model,
- delivers on its previously agreed and current proposed savings, and
- ensures that its ICT and other transformation programmes are achieved.

The Councils "Consolidated MTFS" assumes all the above are achieved and that housing growth related funding (New Homes Bonus) is curtailed from 2026/27 along with a number of other grants (i.e. Extended Producer Responsibility), which inevitably means that the Council is facing into significant funding shortfalls. However, the Council has recognised the impact of the Fair Funding Review and Business Rates Reset via a damping mechanism. The Council can make further direct service savings, but this does mean that services will have to be curtailed or stopped altogether. The alternative is further collaboration; this can either be by ad-hoc direct sharing

of services or by taking a more strategic approach and formally partnering with another local authority. The latter will allow the authority to deliver services in a more holistic, controlled manner rather than what would be possible via a “piecemeal, service-by-service” approach. Only by being innovative and welcoming of change will the Council be able to:

- improve its self-financing and financial resilience,
- be able to make choices in the delivery of services, and
- ensure that our residents and the business community receive the services that are needed.

However, it is expected that demand will continue to increase, inflationary pressures will remain for some time to come, and the impact of devolution/local government review has not been factored into this budget other than allowing for £150k to support the council’s involvement in the process. Therefore, in due course, the Council may have to revisit the principles of its delivery model and change programme. The types of service etc risks that the Council may have to face into include:

- i. **providing services at reduced service standard.** Local Authorities are proud of delivering high quality services to their communities; however, quality comes at a cost and in the end, councillors may have to consider some element of reduced service provision.
- ii. **stopping services.** If funding continues to fall and service demand increases, the Council may well have to stop some services to enable the delivery of core “last resort” services.
- iii. **capital investment.** Currently the Council is relatively healthy in respect of capital resources. However, strict control will be needed to ensure that these resources are invested for the benefit of the local community; to either reduce net revenue cost or support the development of infrastructure redevelopment.
- iv. **increasing fees & charges.** The budget includes proposals to increase some fees & charge, but also includes a reduced income profile for some services i.e. car parking. Over the past few months, the Council has taken a more systematic review of its fees and charges, with more being increased by specific rates of increase rather than a more general increase; this approach should continue during the next year.
- v. **increases in Council Tax.** The proposal to increase Council Tax for 2025/26 (2.99%, £5.32 increase for a Band D Council Tax) to £188.77 does help to secure the immediate and medium-term financial sustainability of the Council. In respect of the MTFs, the proposal is to apply a notional increase of 2.99% for each subsequent year. Members should note that the government’s own funding model (Core Spending Power) assumes that each Council will increase its Council Tax by the maximum allowed.

Cabinet should note that the government has imposed restrictions on local governments participation in commercial activity, especially property investment. The controls imposed are in respect of borrowing

from the Public Works Loans Board (PWLB) in that if the Council has anywhere within its capital plans any commercial (for yield) investment; access to PWLB finance will not be possible – and this would also bar the Council from borrowing for non-commercial development i.e. all capital investment must have a clear purpose that is not predicated on income generation (for yield).

5.4 Considering all the factors noted within the “Robustness” statement in respect of the 2025/26 Budget, it is considered that the combination of the:

- Councils’ commitment to continue to find service efficiencies via transformation and continuous improvement,
- the direction of travel in relation to governance,
- the clear indication to invest in services, and
- its prudent position relating to income recognition,

...the budget proposed for 2025/26 should not give Members any significant concerns over the Council’s financial position.

5.5 With regard to the MTFS (2026/27 onwards):

- New Homes Bonus and other grants will have been removed as a source of central government funding by 2026/27;
- It is expected that the Business Rates reset will negatively impact the Council in that it is likely to see a significant reduction in growth being awarded to the Council, with this growth being passported to the government instead.
- By introducing a notional increase in Council Tax from 2026/27 onwards, the Council is indicating that it is still ensuring that it can maximise income to ensure the delivery of services.

Consequently, the Council continues to face a not insignificant financial challenge over the last three years of the MTFS. This is discussed elsewhere in this report, but it is necessary to reiterate that the Council must continue to transform its delivery model to ensure that it can deliver financially sustainable services and be financially resilient.

CIPFA Resilience Index (Appendix 2, Annex E)

5.6 Each year the Chartered Institute of Public Finance and Accountancy (CIPFA) issues its annual Resilience Index. The latest version of the index is 2023 and was issued by CIPFA in early January 2024. The index considers the 2022/23 Statement of Accounts, the last set of accounts that have been signed by the external auditor and is shown at **Annex E to Appendix 2**. In summary, the index for the Council fairly represents the position of the authority as at the 31st March 2022.

Sensitivity Analysis

5.7 As a cautionary commentary, the sensitivity analysis shown in **Appendix 2**, Section 5 does show that the Council can maintain financial resilience in a worst-case scenario – but it would have to apply all its non-risk/uncommitted earmarked reserves to maintain service deliver if the broad range of risks

were to occur (although it should be noted that it is unlikely that all the identified risks would occur at the same time). The Council therefore needs to remain cognisant of the fact that although its financial position is now significantly more robust than in 2020, it needs to continue with its programme of change to ensure that it remains on this path.

Conclusion

5.8 To balance a budget is a complex and continuous activity and Councils must ensure they have good financial planning in place supported by active monitoring and review. However, unexpected budgetary pressures may occur that result in an unbalanced budget. Realigning the budget requires good communication and financial control. It is the:

- “direct” responsibility of the Responsible Financial Officer (RFO) to ensure that the budget is balanced but they cannot work in isolation. The RFO must be supported by the chief executive and the leadership team. However, it is also the,
- “indirect” responsibility of the Council to ensure that it supports the delivery of services that are:
 - Economically viable,
 - Efficiently run, and
 - Effective at meeting their aims and objectives.

5.9 And in a fast-changing, fiscally constrained environment it does require a Council to be entrepreneurial, inspirational, and collaborative so it can deliver customer centric services. To achieve this, it must:

- maximise its sources of income (Council Tax, Fees & Charges),
- deliver the right services to a standard that is effective (minimal), and
- have at its core an ethos of financial sustainability and resilience, collaboration, transformation, and continuous improvement.

6. Legal Issues

6.1 This report supports the Council in its statutory responsibilities in respect of delivering a balanced budget (s.30(6), 31A(11), Local Government Finance Act 1992) and supporting the Responsible Financial Officer in meeting his statutory responsibilities in respect of the proper administration of the Council’s financial affairs (S.151, Local Government Act 1972).

7 Resource Issues

7.1 The financial implications have been shown within the main body of this report and address both the revenue and capital impacts and reserves management. Past savings programmes and subsequent budgetary reviews, ongoing budget management and effective financial control demonstrates the Councils commitment to achieving financial resilience and sustainability. Further, with a rapidly changing financial environment the Council may need to “pivot” relatively quickly to accommodate such change, the sensitivity analysis shows that it has the scope and ability to do this. As demonstrated

through the pandemic it is also fully agile to be able to redeploy its workforce to meet unforeseen and unexpected challenges.

7.2 In respect of:

- **Council Tax**, the Council is choosing to increase Council Tax by the maximum permitted (2.99%). This will help to support medium term financial sustainability, especially as the Council is also notionally including a 2.99% increase for each year of the MTFS>
- **Business Rates**, the Council has fundamentally reviewed its business rates budgeting processes, although this has generated a forecast deficit for 2024/25, for 2025/26 the Council is recognising a small increase. The reasons for the deficit are discussed within this report and the appendices.

8. Equality Analysis Implications/Outcomes

8.1 The equality implications arising from the proposals in respect of changes to services, the 2025/26 Budget and MTFS and Council Tax are considered and shown in **Appendix 3**. The Council's services are broad, and they impact widely across its community. However, the budget and MTFS reflect the corporate plan and the impact of changes in resource have been considered including increases in some service areas where they directly support the Council's communities.

8.2 The Council is proposing to increase its 2025/26 Council Tax for a Band D property to £182.97 (an increase of £5.32, 2.99%) on 2024/25 (£177.97). For the past few years, the Council has not increased its Council Tax, but costs and service demand are now at a level that a modest increase is required to ensure financial sustainability over the medium-term.

8.3 There is a surplus budget for 2025/26 and 2026/27, although the 2025/26 increase is considerably less than the net income it will generate from Council Tax. The Council is proposing to use this service, along with considerable contributions from earmarked reserves ensure its medium-term financial sustainability and deliver a range of community related initiatives including a community grants scheme, flooding support, no increases in car parking charges and the freezing of green bin charges.

9. Risk Management Implications

9.1 Specific risk issues, and associated sensitivity analysis are presented throughout this report and appendices, including the Responsible Financial Officers commentary in respect of the "Robustness of Reserves" as s.25, Local Government Act 2003.

9.2 Although the Council can present a balanced budget for 2025/26; it can only do this by it delivering the savings it has programmed into its revenue budget. However, with the use of its reserves it can provide a balanced budget for the entire period of the MTFS (i.e. 2027/28 to 2029/30)– however, members should note that the reserves that it will be applying are those that it will set-aside from the surplus budgets generated in 2025/26 and 2026/27 and brought forward balances.

9.3 To help further mitigate service risks, the Council has a strong programme of continuous improvement and transformation and plans for not insignificant change.

10 Consultation

10.1 The Council has consulted with:

- Trade Union; via the Council's Human Resource Team
- Businesses; via the Council's business newsletter and social media channels
- Public; via the media, the Council's website, and social media (and printed copies are available upon request),
- Residents Newsletter, and the
- The Joint Budget Scrutiny Panel on the 25 January 2025.

10.2 The consultation does not close until the 10 February, the day of the February Cabinet. This information will be tabled on the day for members (**Appendix 4**).

11 Background Papers

11.1 There are no direct background papers for this report. However, the Council's website shows the Draft 2025/26 Budget and MTFs (2026/27 to 2029/30) and the government website does show the financial settlement.