

# Harborough District Council



## Report to the Cabinet Meeting of the 12<sup>th</sup> February 2024

<b>Title:</b>	<b>Final Budget 2024/25 &amp; the Medium-Term Financial Strategy (2025/26 to 2028/29)</b>  <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>	<ul style="list-style-type: none"><li>• <b>Appendix 1:</b> Changes Between the Draft 2024/25 Budget &amp; MTFS (2025/26 to 2028/29) and the Final 2024/25 Budget &amp; MTFS (2025/26 to 2028/29)</li><li>• <b>Appendix 2:</b> Consolidated Final 2024/25 Budget &amp; MTFS (2025/26 to 2028/29)</li><li>• <b>Appendix 3:</b> Equalities Analysis</li><li>• <b>Appendix 4:</b> Summary of Budget Consultation (to be tabled at the meeting)</li></ul>

### Executive Summary

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

Over the past year it has become evident that the council is facing considerable pressures in respect of service inflation. Inflation is expected to continue, along with some significant service demand changes, into the next few years. In this respect the council is expecting considerable growth in budgets over the medium-term. In December 2023 the government issued their provisional financial settlement which awarded the Council New Homes Bonus of £1.2m, 3% Funding Guarantee grant of £1.4m and other grants in excess of £168k. In January the government announced a further allocation of funding, totalling £120k, and it has now been established that in respect of business rates the Council can expect additional Non-Domestic Rates income of £805k in 2024/25 and a surplus from the collection fund of £1.4m. For subsequent years, the council expects additional business rates of circa £1.4m per annum.

In summary the Council has a surplus revenue budget for the first two years of the MTFS (£5m). Considering this, the Council is proposing to freeze Council Tax for 2024/25; thereby maintaining a Band D property at the same level for second successive year

(£177.97). For subsequent years the Council is proposing a notional increase of 2.99% per annum. Once these surpluses have passed through the General Fund (Unallocated) Reserve it is proposing to set-aside these surplus funds as follows:

- i) £1.8m into the Financial Sustainability reserve (2024/25: £1.7m; 2025/26: £88k). These funds will then be released over the last three years of the MTFS to meet the forecast annual deficit.
- ii) £2.5m into a Corporate Plan & Strategy and Capital & Contracts reserve (2024/25: £1.7m; 2025/26: £306k). These funds will be released at some point to support the delivery of priorities within the Corporate Plan.
- iii) £470k into a Capital & Contracts reserve. These funds will be used to finance waste vehicles to support the service during the currently extended contract period.

The changes between the Draft 2024/25 Budget considered by Cabinet in January and the Final 2024/25 Budget are highlighted below:

- **Revenue**, a net reduction in council tax of £208k; this is due to:
  - additional service expenditure of £285k, which relates to
    - contributions to new earmarked reserves in respect of community resilience support and external bid preparations (£10k pa each), and an
    - allocation towards Christmas lighting (£5k pa) and parking (£25k)
    - waste resilience (£34k)
    - development management enforcement compliance (£68k)
    - administration support for future grant schemes (£133k)
  - increase in contributions to reserves of £1.9m.
  - net increase in funding of £2.4m; due to:
    - an increase in Non-Domestic Rates income of £805k due to growth at Magna Park,
    - an increase in the Collection Fund Surplus of £1.4m, which relates to a Council Tax surplus of £197k and an increase in the Non-Domestic Rates surplus of additional £1.2m due as a consequence of the 2023/24 rating revaluation and additional properties at Magna Park.
    - net increase in government grant of £120k.
- **Capital**, there are three additional capital propositions totalling a net increase of £1.7m. The additions are in respect of:
  - **Public Realm Furniture Replacement/Enhancement**, a one-year (2024/25) allocation of £20k to support the replacement or enhancement of street related furniture. This is to be funded from internal borrowing but will have a net nil impact on capital financing as the “special project funding” allocations has been reduced.
  - **Leisure Centres, Remedial Works**; landlord property costs relating to the past contract (£765k).
  - **Waste Collection, Food Waste**, the council will receive £920k in government funding next year to enable the council to acquire the required equipment for a full food waste collection service to commence in April 2026.

The Council has addressed significant inflationary pressures, and these have been incorporated into the service budgets.

<b>Recommendations</b>		
That Cabinet:		
<b>A.</b> recommends to Council the approval of:		
<ul style="list-style-type: none"> <li>• The Fees &amp; Charges Schedule (<b>Appendix 2</b>, Annex D); including the delegation to the S.151 officer to vary Fees &amp; Charges throughout the year in consultation with the Portfolio Holder for Finance, with retrospective reporting to Council</li> <li>• The Consolidated Final Budget 2024/25 and Medium-Term Financial Strategy (2025/26 to 2028/29) at <b>Appendix 2</b>.</li> </ul>		
	Report	Appendix 2
○ In respect of the <b>2024/25 Final Budget</b> , this includes a		
▪ Budget Requirement of £17.9m	3.2 Table 2	1.6.1 Table 1
▪ Council Tax Requirement of £6.9m	3.2 Table 2	1.6.1 Table 1
▪ Freeze Council Tax (0%) giving a Band D charge of £177.97 (2023/24; £177.97)	3.3 (i)	1.4.6
▪ Capital Programme of £30m.	3.12 Table 5	3.0 Table 6
○ In respect of the Medium-Term Financial Strategy, by 2028/29 a		
▪ Budget Requirement of £15m	3.2 Table 2	1.6.1 Table 1
▪ Council Tax Requirement of £8.1m	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).	3.3 (ii)	1.4.6
<b>B.</b> notes the comments of the Director of Resources (& S.151 Officer) in respect of the “Robustness of the 2024/25 Budget and Medium-Term Financial Strategy 2025/26 to 2028/29”.	5	5
<b>C.</b> comments on the Equalities Analysis (Appendix 3) in respect of implications of the Final Budget 2024/25 and MTFS (2025/26 to 2028/29)	8	N/a
<b>Reasons for Recommendations</b>		
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 15 January 2024 Cabinet meeting, Cabinet approved the Draft 2024/25 Budget & MTFS (2025/26 to 2028/29), in summary this included for:

### i. **Services,**

- net expenditure of £14.5m, a net contribution to reserves of £2.2m and a Budget Requirement of £15.8m.
- by 2028/29, the Medium-Term Financial Strategy (MTFS) is showing a Budget Requirement of £14.3m,
- a Capital Programme of £21.4m for 2024/25, totalling £28.2m by 2028/29; with net capital financing (MRP) of £560k and £895k, respectively.

### ii. **Corporate Financing,** for 2024/25;

- Non-Domestic Rates of £5.9m, increasing to £6m by 2028/29.
- the receipt of New Homes Bonus of £1.2m, an estimate of £783k for 2025/26 and then nil for each year thereafter.
- a receipt of £1.4m for 3% Funding Guarantee, an estimate of £897k for 2025/26 and then nil for each year thereafter.
- Other Grants of £168k and for the duration of the MTFS.
- a net nil balance on the Collection Fund.
- 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 2024/25 and 2025/26, a net contribution:
    - To General Fund (Unallocated) Reserves of £2.2m (\*), and
    - From earmarked reserves of £1.7m.
  - For 2026/27 to 2028/29, a net contribution from
    - General Fund (Unallocated) Reserves of £7.3m (\*), and
    - Earmarked reserves of £747k.
- \* 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 2024/25 BUDGET AND MTFS (2025/26 TO 2028/29).

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 2024/25 Budget & MTFS (2025/26 to 2028/29) and Final 2024/25 Budget & MTFS (2025/26 to 2028/29)		Table 1					
		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	1,080
Changes in Capital Financing		0	76	76	77	76	305
Changes in Reserves	b	1,865	863	444	369	507	4,048
Change in Grant (incl. NDR, NHB etc)	c	(2,358)	(1,448)	(906)	(846)	(1,004)	(6,562)
<b>Net Changes in Council Tax</b>		<b>(208)</b>	<b>(216)</b>	<b>(226)</b>	<b>(233)</b>	<b>(246)</b>	<b>(1,129)</b>

**a. Changes in Service Costs and Income**

- contributions to new earmarked reserves in respect of community resilience support and external bid preparations (£10k pa each), and an
- allocation towards Christmas lighting (£5k pa) and parking (£25k)
- waste resilience (£34k)
- development management enforcement compliance (£68k)
- administration support for future grant schemes (£133k)

**b. Changes in Grant & Other Funding**

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

- Government Grant** (£120k), an increase in the Rural Delivery Grant of £25k (and for each year of the MTFS) and a one-off increase in the Funding Guarantee (£95k).
- 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. By the end of January, the Council is required to submit to government the statutory NDR1; however, the Council received its NDR1 return from the Leicestershire Revenues & Benefits Partnership on the 24<sup>th</sup> January (the earliest the Council was able to receive it). The NDR1 is showing a net increase of £805k in business rates; the increase is due to the consequential impacts of the governments revaluation of all businesses from 1<sup>st</sup> April 2023, and s.31 grant that compensates for government policy and growth at Magna Park. The £805k is net increase following a one-year increase in the government set Tariff of £520k to reflect growth. This increase in NDR represents an annual uplift from the draft budget NDR position. In respect of future years, the annual increase is circa £1.4m along with a 1% growth increase.
- Collection Fund Surplus/(Deficit)** (CFSD) when the draft budget was approved by Cabinet in January this was based on a net nil CFSD. Now Quarter 3 information is available and following due analysis the surplus is £1.4m, this is due to a:
  - **Council Tax Surplus/(Deficit)** of £197k.

- **Non-Domestic Rates Surplus/(Deficit)** of £1.2m. This increase is a consequence of the 2023/24 revaluation and the impact of three developments at Magna Park.
- For subsequent years of the MTFs, this is modelled as net-nil.

**c. Change to Council Tax Proposal**

In the draft budget, Cabinet proposed a 2.99% (£5.32) increase in Band D Council Tax. However, following the funding increases noted in (b) above, it is now proposed that this is shared with the wider Harborough community and that Council Tax is frozen for 2024/25, remaining at the 2023/24 Band D equivalent of £177.97 (0%) increase. This reduces the 2024/25 Council Tax Requirement from £7.1m (@ 2.99%) to £6.9m (@ 0%), a net reduction in Council Tax of £207k.

**d. Changes in Reserves**

The changes in (a) to (c) have a direct impact on reserves. Effectively the Council has a surplus in the service budget for both 2024/25 and 2025/26 totalling £5m, reducing to a net deficit budget from 2026/27 onwards that totals £5.9m over the remaining period of the MTFs.

To ensure that the 20% minimum level is maintained, the annual surpluses and deficits are passported via the General Fund (Unallocated) Reserve, which results in a net allocation to reserves for 2024/25 and 2025/26 of £4.3m but an allocation from reserves from 2025/26 onwards of £6.2m. The respective allocations to and from reserves are highlighted below:

- i. **2024/25**, the allocation to reserves is £3.5m; of this:
  - £1.7m is to be allocated to the Financial Sustainability Earmarked Reserve to meet the deficits from 2026/27 onwards.
  - £1.7m is to be allocated to a Corporate Plan & Strategy Earmarked Reserve. The aim of this reserve is to provide funding to meet administration priorities and commitments included in the Corporate Plan.
- ii. **2025/26**, the allocation to reserves is £863k; of this:
  - £87k is allocated to the Financial Sustainability Earmarked Reserve (same reason as i above),
  - £306k is allocated to the Corporate Plan & Strategy Earmarked Reserve (same reason as i above), and
  - £470k is allocated to the Capital & Contract Earmarked Reserve to meet potential future costs relating to vehicle resilience.
- iii. Between 2026/27 and 2028/29 there will be an annual draw from the Financial Sustainability reserve of £1.5m, £2.1m and £2.2m respectively.

**2.2 Consequences of Changes Proposed**

It should be noted that the proposal to reduce the 2024/25 Council Tax from the 2.99% proposed in the Draft Budget to 0% in the Final Budget will have a medium-term compounded impact because future years Council Tax increases will be based on the previous year's lower base. Over the 5-years to 2028/29; if Council Tax is increased by:

- 2.99% per annum the total Council Tax collected = £38.8m.

- 0% in 2024/25, 2.99% per annum thereafter, the total Council Tax collected = £37.7m, thus, a cumulative loss of £1.1m.

### 3. FINAL BUDGET 2024/25 AND MEDIUM-TERM FINANCIAL STRATEGY (2025/26 to 2028/29)

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 2024/25 Budget & MTFS (2025/26 to 2028/29) 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 2024/25 Budget and Medium-Term Financial Strategy
  - Annex A – Calculation of 2024/25 Business Rates
  - Annex B – Calculation of 2024/25 Collection Fund (Surplus)/Deficit
  - Annex C – Commentary in respect of Bad Debt and Appeals Provisions
  - Annex D – Fees & Charges
  - Annex E – CIPFA 2023 Resilience Index

**NB.** Annex's A, B and C are new for this year. They provide further transparency in respect of the calculation of business rates (NDR) and the collection fund (surplus)/deficit.

#### Strategic Budget Summary

##### Revenue Budget

3.2 The **Consolidated Final 2024/25 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 2024/25 & MTFS (2025/26 to 2028/29)	Table 2					
	2023/24 Original Budget £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £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>

3.3 The key messages to note in respect of the Final 2024/25 Budget and Medium-Term Financial Strategy (2025/26 to 2028/29) are as follows:

i. **Final 2024/25 Budget**

- **Net Expenditure** of £15.3m, an increase of:
  - £285k (1.9%) compared to the Draft 2024/25 Budget and MTFS.
  - £2.9m (22.9%) compared to the 2023/24 Budget.
- **Budget Requirement** of £17.9m, an increase of:
  - £2.2m (13.6) compared to the Draft 2024/25 Budget and MTFS.
  - An increase of £1m (6%) compared to the 2023/24 Budget.
- **Council Tax Requirement** of £6.9m, this reflects a decrease of £207k to enable a 0% increase for a Band D equivalent property (£177.97; 2023/24).
- **Contribution to General Reserves** of £2.6m.

ii. **Medium-Term Financial Strategy**, by 2028/29:

- **Net Expenditure** of £17.4m, an increase of £2.1m (16.6%) compared to 2024/25.
- **Budget Requirement** of £15m, a reduction of £2.9m (16%) compared to 2024/24.
- **Council Tax Requirement** of £8.2m, this reflects an annual notional increase of 2.99% in Council Tax for 2025/26 and each subsequent year of the MTFS along with a gradual increase in the Council Tax Base over the period.
- **Contribution from General Reserves**; over the MTFS period the Council is committing to use the surplus generated in 2024/25 and 2025/26 to finance the deficit in the last 3-years of the MTFS. It is fair to say however, that the net gap in the final years of this MTFS has effectively levelled out at circa £2.1m.
- **Fair Funding & Business Rates Reset**; in the draft budget it included an estimate of £99k to £297k per annum from 2026/27. Some further modelling has been undertaken and it is now considered that a more realistic estimate is £617k for 2026/27, increasing to £793k in 2028/29. The fair funding & business rates reset represents a significant budget risk and it is considered opportune that the risk is recognised in full. By doing this the council can be more confident in achieving financial sustainability over the medium term thereby meeting its [Strategic Budget Principle B](#), as agreed by Cabinet in November 2023.

3.4 Detailed operational budgets are shown in **Appendix 2**, Section 2. **Table 3** below shows a detailed subjective analysis of the net expenditure Budget for 2024/25:



Subjective Analysis for the 2024/25 Budget		Table 3		
2023/24 Net £000	Subjective Analysis	2024/25 Expenditure £000	2024/25 Income £000	Net £000
10,128	Employees	10,940	0	10,940
1,734	Premises	1,810	0	1,810
105	Transport	105	0	105
8,966	Supplies & Services	11,125	0	11,125
1,933	Third Party Payments (*)	2,076	0	2,076
35	Transfer payments	35	0	35
- 99	Housing Benefit	7,136	(7,235)	(99)
(10,749)	Fees & Charges, Rental Income etc		(11,220)	(11,220)
<b>12,053</b>		<b>33,227</b>	<b>(18,455)</b>	<b>14,771</b>
<b>NB.</b>				
* mainly payments to other local authorities for various services				

## 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 2023 Cabinet approved an updated Reserves Strategy ([Report / Appendix](#)). 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 2024/25 Final Budget and MTFs (2025/26 to 2028/29)

- 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 4** below summaries the impact of the 2024/25 Final Budget and MTFs on the Councils reserves position, which is shown in detail in **Appendix 2**, Section 1.

Summary Reserves Statement for the Consolidated Final Budget 2024/25 & MTFS (2025/29 to 2028/29)				Table 4		
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>

3.9 In the Final 2024/25 Budget and MTFS (2025/26 to 2028/29), the Council is forecasting a balanced budget for 2024/25 through to 2028/29 – primarily due to a combination of using the surplus generated in the 2024/25 and 2025/26 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 2028/29.

3.10 At 3.3 (ii) it was noted that an increased estimate for the Fair Funding & Business Rates Reset has been included, these are reflected in the reserve estimates noted in Table 4. If, however this budgetary risk was not included, it is worth noting that:

- Instead of a 5-year cumulative budget gap of £875k (net budget gap, £3.5m), there would have been a cumulative budget surplus of £754k (net budget gap, £1.9m).
- Reserves by 2028/29 total £14.6m, they would have totalled £16.2m.

➤ *Using Reserves*

3.11 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.

3.12 In respect of the propositions that are allocated to reserves over 2024/25 and 2025/26; these are listed below:

- **To Corporate Plan & Strategy Reserve:**
  - **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)
- **To Capital & Contracts Reserve:**
  - **2025/26**
    - Waste Vehicles (£470k)

**NB.** The details relating to respective grant schemes and funds will be confirmed in due course.

## Capital

3.13 The detailed capital programme is shown at **Appendix 2**, section 3 and is summarised in **Table 5** below.

Summary of Capital Programme 2024/25 to 2028/29							Table 5	
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	
	Cemeteries & Burials	1,056	15	40	0	0	1,111	12,584
	Civic Buildings	783	0	0	180	0	963	
<b>Customers</b>	Housing	1,043	0	0	0	0	1,043	
	Service Transformation	20	20	20	20	20	100	
	Leisure Centres	6,098	41	41	41	41	6,262	8,232
	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	292
<b>Economic Development: Market Hall &amp; Events</b>	Market Hall	252	144	0	0	0	396	396
<b>Environmental Services</b>	Waste Collection	920	0	0	0	0	920	920
<b>Parks &amp; Open Spaces</b>	Parks etc	320	160	100	20	20	620	620
<b>Projects</b>	Environmental Projects	40	0	0	0	0	40	683
	Corporate	381	172	38	52	0	643	
<b>Regulatory</b>	Environmental Projects	2,468	197	163	0	0	2,828	
	Grants	420	420	420	420	420	2,100	5,156
	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>	

3.14 Members should note that the programme over the MTFs totals £30m, an increase of £1.7m, Compared to the Draft budget approved by Cabinet in January, the programme now includes three new capital propositions totalling

£920k, a qualitative commentary is shown in (i) and (iii) with a financial commentary at **Table 6** below.

- i. **Public Realm Furniture Replacement/Enhancement;** £20k. This is one-off allocation to support the replacement or enhancement of public-realm furniture across the district. This allocation is net nil to the capital programme as it is an allocation from the special projects reserve.
- ii. **Leisure Centres, Remedial Work outside of contract;** £765k. There are some legacy landlord remedial works that need to be completed. These have built up over the past couple of years because of not being able to complete during the Coronavirus Pandemic and prior to the start of the new leisure contract.
- iii. **Waste Collection, Food Waste;** £920k. From April 2026 the government will require local government to commence food waste collection. To facilitate this, the government is making available a capital grant so councils can procure the required waste receptacles, equipment, and vehicles. This allocation will increase the gross cost of the budget, but as it is entirely externally funded the net impact is nil.

Movement in the 2024/25 (& 2025/26 to 2028/29) Capital Programme between Draft and Final				Table 6			
				2024/25	2025/26 to 2028/29	Total	Total Additions
				£000	£000	£000	£000
<b>Draft Budget: Capital Programme</b>				<b>21,449</b>	<b>6,788</b>	<b>28,237</b>	
<b>Additions to Capital Programme</b>	i	ssets	Public Realm Furniture Replacement / Enhancement	20	0	20	<b>1,685</b>
	ii	ustomers	Leisure Centres, Remedial works outside of contract	765	0	765	
	iii	Environmental Services	Food Waste; purchase of collection recepticals and vehicles	920	0	920	
	iv	rojects	Special Project Funding	(20)	0	(20)	
<b>Total Capital Programme</b>				<b>23,134</b>	<b>6,788</b>	<b>29,922</b>	
5% Contingency				84	0	84	
<b>Total Capital Programme (after Contingency)</b>				<b>23,218</b>	<b>6,788</b>	<b>30,006</b>	
<b>Financing</b>							
External Funding		Grant				920	
Internal Borrowing		(Minimum Revenue Provision)				765	
<b>Total</b>						<b>1,685</b>	

### Special Expenses

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

3.16 Special expenses have been calculated in accordance with the current policy. **Table 6** below shows the special expenses for 2024/2 which will be incorporated into the Council Tax calculations:

Special Expenses by Parish 2024/25 - Variance Analysis Between Years							Table 7		
Parish	Charge for:				Variance				
	2024/25		2023/24		Change in Expense Between Years		Change in Individual Band D Charge		
	£	Per Band D Property (*)	£	Per Band D Property (**)	£	%	£	%	
Blaston	324	9.76	334	9.85	(10)	-3.0%	(0.09)	-0.9%	
Foxton	2,336	9.73	2,319	9.96	17	0.7%	(0.23)	-2.3%	
Great Bowden	4,844	7.45	5,056	8.05	(212)	-4.2%	(0.60)	-7.5%	
Great Easton	5,129	15.15	5,087	15.69	42	0.8%	(0.54)	-3.4%	
Lutterworth	50,035	13.15	47,891	12.77	2,144	4.5%	0.38	3.0%	
Market Harborough	524,055	54.21	505,496	53.60	18,559	3.7%	0.60	1.1%	
Saddington	3,193	28.59	3,327	30.52	(134)	-4.0%	(1.94)	-6.3%	
Thurnby & Bushby	40,415	25.04	39,135	25.20	1,280	3.3%	(0.16)	-0.6%	
Broughton Astley	16,558	4.87	15,878	4.70	680	4.3%	0.17	3.6%	
Fleckney	744	0.40	726	0.41	18	2.5%	(0.01)	-2.3%	
Great Glen	3,269	1.70	3,128	1.65	141	4.5%	0.05	2.8%	
Scraptoft	6,816	6.17	6,570	6.10	246	3.7%	0.08	1.2%	
<b>Total</b>	<b>657,718</b>		<b>634,947</b>		<b>22,771</b>	<b>3.6%</b>			

NB  
\* 2024/25 Council Tax Base  
\*\* 2023/24 Council Tax Base

#### 4. 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 2022/23 and 2023/24 is an increase of 10.1% increase except for those Fees & Charges that are controlled by statute.

#### 5 ROBUSTNESS OF THE 2024/25 BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY 2025/26 TO 2028/29

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 2024/25 the budget requirement is £17.9m, with a contribution to reserves before application of earmarked reserves of £4m, after earmarked reserves of £2.6m.
- 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 2024/25 the Council has sufficient reserves to meet a range of scenarios. This also

holds true over the MTFS period except in the last year (2028/29).

➤ *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 2025/26. 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 2025/26, 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. 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 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 is to freeze Council Tax for 2024/25 (0% increase), thus maintain it at £177.97 which is the same as applied in 2023/24 (and 2022/23) for a Band D property. In respect of the MTFs, the proposal is to apply a notional increase of 2.99% for each subsequent year. By choosing not to increase Council Tax introduces a compounded structural income loss into its funding, the net loss to the Council for 2024/25 is £207k (compared to what would have been generated if the Council had increased to 2.99%) and over the MTFs this loss is £1.1m. Consequently, the Council should make every endeavour to avoid this as it currently is facing an annual deficit budget from 2026/27 onwards. 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 2024/25 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 2024/25 should not give Members any significant concerns over the Council’s financial position.

## 5.5 With regard to the MTFS (2025/26 onwards):

- New Homes Bonus will have been removed as a source of central government funding by 2026/27;
- By introducing a notional increase in Council Tax from 2025/26 onwards, the Council is indicating that it is still ensuring that it can maximise income to ensure the delivery of services.
- The Council is expecting a negative impact from the Fair Funding Review and Business Rates Reset, although this has been delayed until at least 2026/27. However, the Council has mitigated this risk by recognising current “expert” estimates of the likely impact on the council.

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 2022 and was issued by CIPFA in early January 2023. The index considers the 2021/22 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 2021.

### **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. However, not increasing Council Tax does have an impact on future years due to subsequent years being calculated on a lower previous year. It is estimated that over the proposed MTFS the loss in resources is £1.1m.

7.2 In respect of business rates, this is now the second year that the council has benefitted from significant business rates growth. From Quarter 2, 2024/25 Cabinet will receive forecast estimates of collection fund outturns; thereby enabling better future financial visioning and planning.

## **8. Equality Analysis Implications/Outcomes**

8.1 The equality implications arising from the proposals in respect of changes to services, the 2024/25 Budget and MTFS and Council Tax are considered and shown in **Appendix 3**. The Councils 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 Councils communities.

- 8.2 To directly support its communities through the current cost-of-living crisis the Council is proposing to freeze Council Tax for 2024/25 at the same level for a Band D property as in 2023/24 (£177.97, the third year at this level). Although this will have a future impact as the one-year reduction can never be recovered the Council is proposing a notional increase in its Council Tax from 2025/26 onwards.
- 8.3 As a consequence of the surplus budget for 2024/25 and 2025/26 it is proposing to not only use this to meet future years planned deficits and collection fund risks – thereby mitigating future funding risks and supporting the delivery of future service provision to all – it is also proposing to invest some of the surplus into a broad range of revenue and capital projects/initiatives that will support the delivery of a broad range of priorities identified within the corporate plan.

## **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 2024/25; 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. 2026/27 to 2028/29)– 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 2024/25 and 2025/26 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 2023.
- 10.2 The consultation does not close until the 12 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 Councils website shows the Draft 2024/25 Budget and MTFs (2025/26 to 2028/29) and the government website does show the financial settlement.