

Harborough District Council

Report to the Performance Scrutiny Panel Meeting of 19 January 2023



Title:	Report 4: Draft Budget 2023/24 & Medium-Term Financial Strategy (2024/25 to 2027/28)
Status:	Public – For Discussion
Report Author:	Clive Mason: Interim Deputy Chief Executive (& s.151)
Portfolio Holder:	Cllr James Hallam
Appendices:	Annex 1 Cabinet Report 16 January 2023: Draft 2023/24 Budget & Medium-Term Financial Strategy (2024/25 to 2027/28)

Executive Summary

- i. To scrutinise the Draft Budget 2023/24 & Medium-Term Financial Strategy (2024/25 to 2027/28) (Annex 1) and provide comments to Cabinet for consideration at its meeting on 6 February 2023.

Recommendations

- 1. The Panel is requested to scrutinise the Draft Budget and report its findings to Cabinet. Cabinet will consider any comments from the Panel at its meeting on 6 February 2023. It is anticipated that Cabinet will recommend that Council determine the budget on 27 February 2023.**

Reasons for Recommendations

1. The Statutory Guidance issued by the government to Councils in respect of Overview and Scrutiny (May 2019) requires effective scrutiny to have a defined impact “on the ground”, with the committee making recommendations that will make a tangible difference to the work of the authority. It encourages scrutiny panels to consider carefully which topics are most important to the Council and therefore where its input can make the biggest impact for the benefit of residents. It also suggests that “overview” relates to development of policy while scrutiny involves looking at decisions which have been made, or are about to be made, to ensure they are fit for purpose.
2. A key part of the overview and scrutiny function is to influence policy and hold Cabinet to account. A scrutiny panel does this by receiving and analysing information and or evidence and then asking questions about it.

3. A further function is to provide an opportunity for the public and stakeholders to have their views and perspectives considered in the Council's decision making process.
4. Scrutiny recommendations are the primary means by which Cabinet, or other executive function decision makers, can be asked to:
 - a. address a specific issue;
 - b. consider a course of action,
 - c. disclose or provide information;
 - d. provide an update to the panel on a particular area.

1 Purpose of Report

- 1.1 To scrutinise the Draft Budget 2023/24 & Medium-Term Financial Strategy (2024/25 to 2027/28) (Annex 1) and provide comments to Cabinet for consideration at its meeting on 6 February 2023.

2 Background

- 2.1 Cabinet is expected to approve, on 16 January 2023, the Draft Budget 2023/24 & Medium-Term Financial Strategy (2024/25 to 2027/28) (**Annex 1**) for consultation including proposals for budget growth, savings, and projects for inclusion in the capital programme.
- 2.2 The report considered by Cabinet includes the provisional Local Government Finance Settlement for 2023/24 from the Ministry of Levelling-Up, Housing & Communities.

3 Changes following consideration by Cabinet on 16 January 2023

- 3.1 At the time of publication of this report Cabinet has not considered the Draft Budget and Medium-Term Financial Strategy ("MTFS"). If Cabinet do make any changes, these will be verbally updated to the Panel at the meeting.
- 3.2 It should also be noted however that there may be changes between the Scrutiny (Performance) Panel meeting and Cabinet in February. The potential changes are noted below along with the reasons for the possible change:
 - **FCC Contract**; the final inflation increases are not known until very late January or early February in respect of the Council's waste contract.
 - **Collection Fund (Surplus)/Deficit**; the final surplus/deficit is currently being evaluated and will be distributed to Leicestershire County Council by the agreed deadline of 31 January 2023.
 - **NDR 1**; this is the final estimate for 2023/24 business rates and has to be reported to government; this return is not due until the 31 January 2023.

4 Highlights of the Draft Budget 2023/24 & Medium-Term Financial Strategy (2024/25 to 2027/28)

4.1 The attached report (**Annex 1**) provided to Cabinet includes the Draft 2023/24 Budget & Medium-Term Financial Strategy (2024/25 to 2027/28). In respect of

i. 2023/24

Revenue

- The change in “direct service” budget between 2022/23 and 2023/24 is **£982k**.
 - The 2022/23 approved “direct service” budget was £11.1m
 - The 2023/24 approved “direct service” budget is £12.1m

The change is made up as follows:

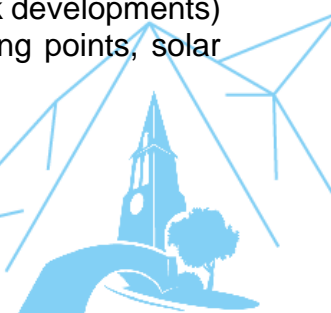
- **Previous Budget Approvals**
 - Savings £ 9k
- **New Budget Changes**
 - Pay Increases £571k
 - Service Growth/Savings (£674k)
 - Waste Contract £205k
 - Council Elections + Local Plan £372k
(met by contributions from Earmarked Reserves)
 - Unplanned Pressures £499k
(Income Reductions/Expenditure)
 - **£982k**
- A saving of £82k in capital financing for 2023/24 compared to that included in the currently approved MTFS.
- The council will receive the following grants in 2023/24;
 - New Homes Bonus, £1.7m
 - Services Grant, £69k.
 - 3% Funding Guarantee, £819k
- A net contribution to reserves of £2.6k.
- An increase in Council Tax of 2.99% (£5.32).
- If the Draft Budget is approved, the Council would be setting a “balanced” budget for 2022/23.

Reserves

- General Fund (Unallocated) Reserve, maintained at 20% of net expenditure.
- Active management of earmarked reserves, which aims to manage risk, contractual commitments, community, and commercial investment.

Capital Programme

- A total programme of £8.7m; existing schemes of £5.3m and proposed schemes of £3.4m. The proposed schemes include £3.2m in non-invest to save schemes (contract uplifts, additional funding for a new depot, Welland park developments) and £254k in invest to save schemes (electrical vehicle charging points, solar points)



ii. **Medium-Term Financial Strategy (MTFS)**

Revenue

- A budget gap of £852k by 2025/26 increasing to £1.7m by 2027/28.
- In 2022/23, the Council received a total of £2.7m in external grant, by 2027/28 this will be £141k (a reduction of 95%).
- Anticipating the introduction of Fair Funding and NDR Rebasing from 2025/26.
- A notional increase in Council Tax of 2.99% per annum.
- If the Draft MTFS is approved, the Council would be setting a “balanced” budget for the entire MTFS.

Capital Programme

- A total capital programme of £26.3m; existing schemes of £18m and proposed schemes of £8.3m. The new schemes are a mix of physical enhancements and software developments. Including a significant investment in service transformation, cost increases to projects because of the high inflationary environment and other asset developments.

Reserves

- The General Fund (Unallocated) Reserve is maintained at 20% of net expenditure through to 2027/28.
- When the 2022/23 budget was approved, the MTFS forecast a total reserve balance of £10.2m by 2026/27. The 2023/24 budget and MTFS is now forecasting a balance of £12.5m by 2026/27, reducing to £10.9m by 2027/28.

4.2 Scrutiny are requested to review and consider:

(a) The Draft 2023/24 Budget & Medium-Term Financial Strategy (2024/25 to 2027/28). This includes revenue, capital, and reserves.

(b) Proposals for Council Tax.

5 Equality Impact Assessment Implications/Outcomes (attach completed EIA)

5.1 None arising directly from this report.

6 Impact on Communities

6.1 None arising directly from this report. The Council’s final budget and Corporate Delivery Plan will determine the services and the way they will be delivered to the communities. As such there will be an impact on the communities which will be assessed as part of the individual or collective service(s) consideration.

7 Legal Issues

7.1 The Council has to set a balanced budget in order to set the Council Tax for the district.

8 Resource Issues

8.1 The Council is required to set a balanced budget.

9 Community Safety Implications

9.1 None arising directly out of this report.

10 Carbon Management Implications

10.1 None arising directly out of this report.

11 Risk Management Implications

11.1 The management and monitoring of the risks attached to the 2021/22 Budget & MTFS will be critical to ensuring the future financial standing of the Council.

12 Consultation

12.1 Consultation on the 2023/24 Budget & MTFS proposals is being undertaken.

13 Background Papers

13.1 Budget Working papers

