

## Harborough District Council

### Report to the Cabinet Meeting of 16th January 2023

<b>Report Number:</b>	2.
<b>Title:</b>	<b>Draft Budget 2023/24 &amp; the Medium-Term Financial Strategy (2024/25 to 2027/28)</b>  <b><i>"Committed to Financial Sustainability &amp; Resilience to enable Community Investment".</i></b>
<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 James Hallam, Finance
<b>Appendices:</b>	<b>Appendix 1:</b> Detailed "Consolidated" Draft 2023/24 Budget & Medium-Term Financial Strategy (2024/25 to 2027/28) <b>Appendix 2:</b> Detailed service budget pages <b>Appendix 3:</b> Summary of service savings and income generation proposals. <b>Appendix 4:</b> "Consolidated" General Fund Reserve <b>Appendix 5:</b> Capital Programme 2023/24 to 2027/28

#### Executive Summary

This report sets out the Council's Draft 2023/24 Budget and Medium-Term Financial Strategy (2024/25 to 2027/28) (MTFS) in respect of revenue, capital, and reserves.

Over the past few months all services have been reviewing their service budgets and have generated net savings of £957k for 2023/24 (£4.5m over the MTFS period). Further, on the 19<sup>th</sup> December the government issued their provisional financial settlement which awarded the Council New Homes Bonus of £1.7m and other grants in excess of £1m. In summary the Council has a surplus revenue budget for the first two years of the MTFS (£4.2m), which will be set-aside, to contribute to meeting the forecast deficit budgets of the last three years of the MTFS (£4.5m).

The Council has addressed significant inflationary pressures, and these have been incorporated into the service budgets. Following the Council decision in December 2022 to not approve the Council's participation in a Strategic Partnership with Melton Borough

Council, this budget does not include any savings that were included in the business case. It should be noted that if the Strategic Partnership had proceeded this would have been the ideal vehicle through which the Council could have improved its financial resilience by giving it a more solid foundation to support the delivery of services to our community; unfortunately now the Council will have to address these financial risks alone.

### Recommendations

#### That Cabinet

#### 1. **approves:**

#### A. The following to be included in the Draft "Revenue" 2023/24 Budget and MTFS (2024/25 to 2027/28):

<ul style="list-style-type: none"> <li>• various service-related budget changes noted in paragraphs:</li> <li>• various non-service funding budget changes noted in paragraphs:</li> <li>• Council Tax, Business Rates and Collection Fund related budget changes noted in paragraphs:</li> </ul> <p style="text-align: center;"><i>This includes an increase in Council Tax for 2023/24 of 2.99% and a notional increase of 2.99% for each year of the MTFS (2024/25 to 2027/28).</i></p>	<p>3.5 to 3.11</p> <p>3.12 to 3.17</p> <p>3.18 to 3.23</p>
<p><b>B.</b> Delegation of authority to the Director, Resources, following consultation with the Portfolio Holder for Finance &amp; Assets, to distribute the "Final" Forecast 2022/23 Collection Fund Surplus/(Deficit) to respective Preceptors by the statutory deadline (31st January).</p>	<p>3.24</p>
<p><b>C.</b> Draft Budget 2023/24 and MTFS (2024/25 to 2027/28) summarised at Table 4. The detailed service budgets are shown at Appendix 1 and 2.</p>	<p>3.25 to 3.26</p>
<p><b>D.</b> Reserves allocations summarised at Table 5, Appendix 4.</p>	<p>3.27 to 3.31</p>
<p><b>E.</b> Capital Programme for 2023/24 and for the MTFS (2024/25 to 2027/28) as shown at Appendix 5.</p>	<p>3.32 to 3.37</p>
<p><b>F.</b> Delegation of authority to the Director, Resources, following consultation with the Portfolio Holder for Finance &amp; Assets, in respect of capital projects that are impacted by inflation. The detailed wording of the delegation is shown at paragraph 3.36</p>	<p>3.36</p>
<p><b>2. endorses</b> the continuation of the transformation programme and continuous improvement, thereby ensuring that the Council remains <b><i>"Committed to Financial Sustainability &amp; Resilience to enable Community Investment"</i></b>.</p>	

<b>Reasons for Recommendations</b>
To provide the opportunity for consultation on the emerging budget position for 2023/24 and the MTFs, with a focus on the revenue budget, reserve allocations and proposals for the capital programme.

## 1. PURPOSE OF REPORT

### 1.1 For Cabinet to:

- consider the Draft Budget 2023/24 & the Medium-Term Financial Strategy (2024/25 to 2027/28) (MTFS), including potential budgetary implications of the government's provisional settlement, implications for Council Tax and consequential application of reserves.
- review and endorse inflationary implications, savings, and growth proposals, and to begin, where necessary a period of consultation.
- review capital projects proposals; including the potential revenue implications

## 2. BACKGROUND

### Introduction

2.1 In respect of the 2022/23 budget, the Council approved the "original budget" in February 2022 ([Council approved the 2022/23 Budget and MTFS](#)); the key points to note are as follows:

- service net expenditure of £11.6m,
- budget requirement of £13.0m,
- Council Tax (Band D) of £177.97, and
- Council Tax Base of 37,389.4

As part of 2021/22 year-end, the [2021/22 Quarter 4](#) was reported to Cabinet in July and £286k in brought forwards was agreed. In addition, £175k grants were required to be brought forward. This resulted in a 2022/23 Updated Budget with a net expenditure of £12.0m.

2.2 Over the past couple of years the Council has been on a significant journey of both organisational and financial transformation:

- During 2020 it was established that the Council was facing a significant gap in financial resources and to overcome this it undertook a fundamental review of all its services budgets. This review generated an annual saving of £3.1m (known as Budget Challenge 2025, BC25).
- Extending through 2020 and 2021, the Council was impacted by the Coronavirus Pandemic. With the Council being at the centre of its local community, it led local governments response in respect of business

grants and developed new and innovative ways to ensure that services continued to be delivered.

- Since February 2022, the Council, like every other council in the UK has been facing further pressures due to significant increases in inflation and the impacts of the cost-of-living crisis.

2.3 In addition to the above, the Council has delivered a number of other initiatives over the past year, including:

- a new Corporate Plan,
- development of both a Young Persons and Rural Strategies,
- continued its significant ICT transformation programme,
- submitted a Round 1 Levelling Up bid,
- been successful in achieving considerable external government funding (including £2.1m in UK Shared Prosperity Fund).
- Distributed £630k in Jubilee Grants to celebrate the late HM the Queens Platinum Jubilee
- And over the past few months, along with Melton Borough Council the Council had been developing a joint business case to support a strategic partnership between the two Councils. At Decembers Full Council the decision was not to take this initiative forward. Further commentary on this is considered later in the report. It should be noted that no savings pursuant to the Strategic Partnership are included in this budget or the MTFS.

### **Reflections on the 2022/23 Forecast Outturn**

2.4 The [Financial Performance 2022/23 Quarter 2](#) report was discussed at Cabinet in December and is showing a net overspend of £810k. This overspend is due to a number of both positive and negative variances, but the main variances are due to:

- Inflationary pressures £385k
- Underachievement of savings £560k  
less
- Normal operational delivery (net saving) (£135k)

## **3. REVENUE BUDGET: Draft Budget 2023/24 and Medium-Term Financial Strategy 2024/25 to 2027/28**

### **Base Budget 2023/24**

3.1 When the Council approved the “original” 2022/23 budget and MTFS in February 2022; the 2022/23 “Net Direct Cost of Services” was £11.1m; following base budget changes agreed in earlier years budgets, the 2023/24 Base Budget increased by £9k; this is shown in **Table 1** below.

Reconciliation of Updated Base Budget 2023/24				Table 1
Service	2022/23 Budget as approved February 2022	Previously Approved Growth/ Savings	Service Requested Budget Changes	2023/24 Base Budget
	£000	£000	£000	£000
Finance	2,353	(293)	130	2,190
Planning, Environment & Waste	4,989	(129)	0	4,860
Wellbeing, Communities & Housing	1,302	(182)	0	1,120
Strategy (aka Planning & Regeneration)	670	52	0	722
Corporate & Regulatory Services	2,066	(3)	0	2,063
Contingency (including Pay/Services/FCC Inflation)	(316)	434	0	118
<b>Net Direct Cost of Services</b>	<b>11,064</b>	<b>(121)</b>	<b>130</b>	<b>11,073</b>

### Budget Changes 2023/24

3.2 The detailed Consolidated 2023/24 Budget and MTFs is at **Appendix 1**, with the detailed service budget pages being shown at **Appendix 2** (a summary is shown at **Table 4** later in this report). However, the 2023/24 draft budget has been based on the [Budget Setting Principles](#) report agreed by Cabinet in December and other subsequent changes; this gives the following key budgetary items in respect of 2023/24:

- Net Direct Cost of Services of £12m,
- Capital financing of £424k,
- which gives a 2023/24 Draft Budget Net Expenditure of £12.5m.

The respective movements between the 2023/24 Base Budget and 2023/24 Draft Budget Net Direct Cost of Services is shown in **Table 2** below with more detailed discussion later in this report.

Service Budget Changes - 2022/23 only	Table 2	
	£000	£000
<b>2022/23 Base Budget</b>		<b>11,073</b>
<b>Pay increases</b>		
23/24 Pay increase	186	
Consequential impact of 22/23 Pay increase of £1,925	217	
Other payroll changes, fte changes, scale point increments, reversal of 1.25% National Insurance, etc	168	571
<b>Service Growth</b>		
Inflation on fees and charges	(36)	
Energy Costs inflation	42	
Underachievement of savings	136	
Normal operational delivery (see Appendix 3 savings and income generation proposals)	(816)	(674)
<b>Waste contract - inflationary changes</b>		205
<b>Elections 23/24 cost</b> (matched by reserves contribution)		166
<b>Local Plan 23/24 cost</b> (matched by reserves contribution)		206
<b>Unplanned Pressures</b>		
<b>Income</b>		
Green waste increased charge	(120)	
Carparking income reduction	158	
Planning income reduction	103	
Shared service DM support	128	269
<b>Expenditure</b>		
Pensions reduction for 23/24	(94)	
2 Project officers	116	
External audit fee increase set by PSAA	48	
Legal & democratic improved software	28	
Local Elections Contribution to Reserves	40	
Leics Revs & Bens Partnership	32	
Netcall licence - customer services	60	230
<b>2023/24 Draft Budget - Net Direct cost of services</b>		<b>12,046</b>

### Service Review

- 3.3 For the past few years services have continually been reviewing their income and expenditure, the principal means for reviewing budgets has been firstly via the Budget Challenge 2025 (BC25) process and secondly via the annual budget setting process – this is discussed further in (i) and (ii) below.

Members should also note that officers do reflect on budget provision as part of the quarterly budget monitoring process.

- i. **Budget Challenge 2025**; the budget impacts of BC25 were incorporated into the 2022/23 Budget and MTFS (2023/24 to 2026/27) and were detailed in last year's draft budget report. As each year passes these savings become embedded within that year's base budget. This will be the last year that reference will be made to the BC25 process.
- ii. **Annual Budget Process service review**; over the summer and early autumn of 2022 service leads have been reviewing their budgets. For 2023/24, the total service savings are £957k and total £4.5m over the MTFS period; these are summarised in **Appendix 3**.

### **Budget Principles**

- 3.4 In December, Cabinet agreed a series of [Budget Setting Principles](#), the following paragraphs reflect the application of these principles into the budget setting process.

#### ➤ **GENERAL SERVICE INCOME AND SAVINGS**

- 3.5 The increase in General Service Income is based on the CPI rate for the preceding October which was 10.1%; the consequent 2023/24 income increase is £36k. There are a number of exemptions to this that are discussed in the aforementioned report, further members should consider the implications of the following specific income streams:

- i. **Car Parking**, the 2022/23 Quarter 2 financial performance is forecasting a net income of £1m; some £250k (19.7%) less than budget. When the 2022/23 budget was set, the income budget had already been reduced by £216k; this further underachievement is clearly evidencing a structural decline in car usage with therefore showing that there is car-parking over-capacity within the district. The Council is undertaking a strategic review of its car parking, but the conclusions of this review are not expected until later in 2023. Considering this, the Head of Regulatory has reviewed the car-parking income budget further and ***it is recommended that revised Car Parking budgets are included, reflecting the profile below:***



	Currently Approved Budget / MTFS 2022/23 £000	New Budget / MTFS 2023/24 £000	Annual Change in Income £000	Cumulative Change in Income £000
2023/24	1,269	1,050	(219)	(219)
2024/25	1,210	1,155	(55)	(274)
2025/26	1,154	1,200	46	(228)
2026/27	1,101	1,269	168	(60)
2027/28	N/a	1,269	N/a	N/a

Key: amounts in brackets = reductions in budget

- ii. **Garden Waste;** in December 2020, Council approved an increase in the Garden Waste fee to £55.00. As noted in the Budget Principles report ([Appendix 2](#)); it is essential that as a discretionary service that cost-neutrality is maintained (i.e. no cross-subsidisation between non-participating residents and scheme participating residents). Current modelling is showing that the contractor costs for 2023/24 are higher by £120k per annum – therefore to ensure cost neutrality and no cross-subsidisation, a £6 per bin increase is required.

On an annual basis, when the Council agrees the budget it also agrees the [Fees & Charges](#) and this includes a delegation whereby the Chief Financial Officer, in consultation with the Portfolio Holder for Finance & Assets can agree in-year changes to Fees & Charges. The annual billing process for Green Waste starts the preceding December therefore, to ensure that the £6 increase is in place for April 2023, it has been necessary for the aforementioned delegation to be used.

- iii. **Interest and Investment Income;** members will recall that for 2022/23, the net Interest & Investment Income budget was £400k. With the recent increase in base rates, investment interest rates have also increased; ***it is recommended that the budget interest and investment income budgets over the MTFS period will be:***

- **2023/24; £807k**
- **2024/25; £529k**
- **2025/26; £488k**
- **2026/27; £440k**
- **2027/28; £440k**

- iv. **Development Management (Development Control) Income;** members will recall that for 2022/23, the net Development Control Income budget was £1.2m which included a potential income from a shared services opportunity with another Leicestershire District Council that is no longer being taken forward. Consequently, this income stream has been removed from the budget as the likelihood of alternative shared service options are limited in the short-term. Quarter 2 monitoring is forecasting an overall underachievement of income by £203k, as well as recognising the lost shared service income this underachievement also includes a deferment of income as a consequence of the legal proceedings in respect of the Lutterworth East and Gartree Prison developments. Further, as the country is entering recession, there is the potential for a downturn in planning income. Consequently the Head of Development has considered the medium-term impacts of these income pressures and ***it is recommended that the Development Management income budgets are reduced to reflect the expected changes in the economy:***

	Currently Approved Budget / MTFS 2022/23 £000	New Budget / MTFS 2023/24 £000	Annual Change in Income £000	Cumulative Change in Income £000
<b>2023/24</b>	1,290	<b>1,187</b>	(103)	(103)
<b>2024/25</b>	1,340	<b>1,142</b>	(198)	(301)
<b>2025/26</b>	1,340	<b>1,142</b>	(198)	(499)
<b>2026/27</b>	1,340	<b>1,142</b>	(198)	(697)
<b>2027/28</b>	N/a	<b>1,142</b>	N/a	N/a

Key: amounts in brackets = reductions in budget

- v. **TOM Service Efficiency;** members will recall that included in the 2022/23 budget was a £353k saving in respect of a new “Target Operating Model” that involved a review of corporate leadership. Of the £353k saving, £287k (81%) remains within the base budget of each year of the MTFS. The review of the senior management team was delayed due to the Councils participation in development of the Strategic Partnership with Melton Borough Council. As the Council has now decided not to follow the Strategic Partnership this saving will have to be achieved within the Councils own resources rather than being able to secure the collaborations benefits that would have accrued from improved service and financial resilience. It is possible to achieve this saving from within the Councils own resources but this brings with it

higher risks in both short- and medium-term operational delivery, higher cost and reductions in financial resilience of the Council.

➤ **EMPLOYMENT RELATED COSTS**

3.6 **Pay Inflation**; for 2022/23, the pay-award was a flat £1,925 across all spinal points; for a Grade 2 post this represents an increase of 9.6% whereas for the Chief Executive this represents 1.6%. In respect of next year and the MTFS period, ***it is recommended that the following increases are applied in respect of pay inflation:***

- ***2023/24; 4%, giving an annual cost of £375k.***
- ***2024/25; 3.5%, giving an annual cost of £341k.***
- ***2025/26 to 2027/28; 3.0%, giving an average annual cost of £312k.***

3.7 **Employers Oncosts**, as an employer the Council is required to charge oncosts for National Insurance and Pension. In respect of:

- **National Insurance**, this is set nationally and for budgeting purposes a standard rate of circa 13.8% is used. For 2023/24 and each year thereafter this has been reduced by the 1.25% “Social Care” NIC which was withdrawn as part of Septembers Fiscal Statement and confirmed in the Autumn Statement of last November. Members should note that in the financial settlement for this financial year (2022/23) the government had provided compensation funding to meet the additional “Social Care” NIC cost (it was embedded within the Services Grant allocation); this compensation has now been removed for 2023/24.
- **Pensions**, the Council is part of the Leicestershire Local Government Pension Scheme. 2023/24 will be the first year of a new triennial valuation, the equated employer’s oncost rate will be 32.12% (a base employers oncost rate of 22.8% + a strain amount of £644k). Which is an equated reduction of 2.43% (£94k) compared to 2022/23 (equated employer’s oncost rate of 34.55%).

It is ***recommended that both the National Insurance and Pension oncosts rates of 13.8% and 32.12% respectively are applied for next year and over the MTFS period***; giving a cost of £2.9m for 2023/24.

3.8 **Vacancy Factor**; a table-top exercise has been undertaken to model the gap between when vacancies occur and when posts are recruited to and the current £180k vacancy factor has been confirmed as a fair proxy. It is therefore ***recommended that the vacancy factor remains as £180k.***

➤ **General Service Inflation and Growth**

3.9 **General Service Inflation**; a rate of 0% had been applied for general service inflation for 2023/24 and for the MTFs period. However, as per the Budget Principles report, *it is recommended that the only exceptions are in respect of:*

- i. **Utility Costs**; for 2023/24 an increase of 20% will be applied (£42k), for 2024/25 a further increase of 10% (£26k) and thereafter budgets to remain at 2024/25 levels.
- ii. **FCC contract**; for 2023/24 a provisional increase of 14% (£610k), based on currently modelled inflation indices. It is possible that this increase may change during January as final inflation indices are agreed with the contractor. If there are any changes, these will be reflected in the final budget that will be presented to Cabinet in February. For 2024/25 and for each year until the end of the current contract the annual increase will be 4.9%.
- iii. **SLM (Everyone Active) contract**; it is expected that the ongoing net cost to the Council will remain as net-nil for the duration of the current contract.

3.10 Over the next few years the Council will be undertaking two significant contracts; namely:

i. **Environmental Services**

- a. **New contract**: The current contract expires at the end of 2024/25. It is expected that when the contract is relet there will be an increase in costs due to prevailing inflationary costs. However as shown in the Budget Principles report, inflationary pressures are generally expected to reduce towards the end of 2023/24. To recognise this risk, *it is recommended that the inflation rate to be applied will be the average of the inflation indices for the current contract.*
- b. **Environmental Act**: Although the government has not discussed their proposed changes for waste collection for some time it is still expected that there will be a future cost to the Council from these changes that should be reflected in the MTFs. As last year, *it is recommended that a cost escalator of 5% is added to the general costs of the current environmental services contract for the period 2025/26 onwards.*

- c. **New Depot:** As noted in last year's budget, the Council does not have its own depot. Over the past year considerable work has been undertaken to determine the costs of development more accurately; ***it is now recommended that that the capital programme allocation is increased to £10m.***

ii. **Leisure Contract**

- a. **New contract:** The current contract expires at the end of 2023/24. It is expected that when the contract is relet that the Council will not receive an income stream. This will be the same as the situation that the Council has followed since the start of the Covid Pandemic.
- b. **Utility costs:** the current Leisure contract requires the contractor to meet all associated utility costs. Following market testing, it is expected that any future contract will not be so favourable and the costs of utilities will have to be met by the Council; subject to a baseline whereby if this is exceeded by 10%, costs will be shared between the Contractor and Council on a 50:50 basis. The current cost of utilities is circa 80% of all premises costs, ***it is therefore recommended that from 2025/26 an annual amount of £188k is included for future leisure utility costs.***

3.11 **General Service Growth;** no "discretionary" service growth has been included that hasn't been discussed elsewhere within the report. However, as a consequence of the 2022 service reviews process, the following unplanned pressures have been included in the budget and ***it is recommended that these are included:***

- i. **Netcall**, this is our Customer Experience Management system which is used to build online services and take online payments; the licence cost being £60k per annum. This was initially considered to be capital, but a review of the contract has now concluded that this is a revenue cost.
- ii. **Iken and Modern.Gov**, it is fair to say that both services have been limping along using archaic and inefficient ICT systems for a number of years; this has been very challenging especially when it is considered that the services themselves are as lean as practicably possible. In respect of:
  - **Legal Services**, it does not have a case management system. It manages its work via a spreadsheet which is horrendously inefficient and almost impossible to manage. The Iken system will solve this issue, the licence cost is £9k per annum, with a one-off implementation cost in the first year of £8k (£17k).

- **Democratic Services**, the existing meeting and governance management system (CMIS) has been in place for in excess of 10 years and would require considerable work to deliver identified efficiency savings within the service. A move to an alternative system (Modern.Gov) is proposed. The Modern.Gov system is a major player in the local government marketplace and is used by all other district councils in Leicestershire, Leicestershire County Council, Leicester City Council and Rutland County Council. A move to Modern.Gov will bring with it some significant efficiency gain including standard report drafting, workflow management, approval prompting and allow for sharing of knowledge and experience between authorities in Leicestershire to assist in development of the system to improve customer service and satisfaction. The Modern.Gov system cost is £14k per annum, an increase of £4k over the current licence cost for CMIS. In the first year there will be an additional £7k (£11k) to meet the cost of implementation.
  - **Both the Iken and Modern.gov systems** will fully integrate with the Councils new system infrastructure and be compliant with the principles within the ICT Strategy (i.e. cloud based).
- iii. **External Audit Fee**, at the [October 2021 meeting of the Audit & Standards Committee](#), like the vast majority of Councils in England, the Council opted into the national appointing person arrangements made by [Public Sector Audit Appointments \(Ltd\)](#) (PSAA). Since October 2021 PSAA has undertaken a national procurement exercise for new auditors and the Councils new auditors from 2023/24 will be Grant Thornton. Sadly, audit fees will be increasing (an additional £48k) to reflect the additional responsibilities resulting from the new governance and value for money responsibilities and higher costs of provision.
- iv. **Leicestershire Revenue and Benefits Partnership (LRBP)**, the Councils contribution will increase due to the consequential impacts of higher pay costs and inflation (£62k).
- v. **2 x Project Management Officers** (£116k), the Council is embarking on a significant capital and revenue development programme; including a new depot, 4, Roman Way, UK Shared Prosperity Fund and Levelling-Up. To deliver this comprehensive programme along with “business as usual”, it is clearly evident that the Council needs additional resources to ensure that the programmes are delivered. It is proposed to recruit two full-time posts on 2-year Fixed Term Contracts, and for these to be funded, initially, from the Transformation Earmarked Reserve. In due course these posts may be financed from capital resources; either as part of the application of Flexible Use of Capital Receipts if the projects generate an ongoing revenue saving or directly from capital as part of the projects

development costs. If it is possible to finance from capital the use of the Transformation Earmarked Reserve will not happen.

vi. **Service Contributions to/from Reserves**

- **Local Elections Contributions to Earmarked Reserves;** each year the Council sets-aside an amount to Earmarked Reserves to meet the cost of its 4-yearly local elections. This reserves adjustment has been made at the year-end, thereby reducing any surplus or increasing any deficit. Best practice is to regularise this practice and establish a budget for this specific contribution.
- **Local Elections 2023/24 and Development of the Local Plan;** 2023/24 will see the Council hold its local elections with an estimated cost of £166k. A new budget line has been established for this expenditure but it will be financed from a direct contribution from Earmarked Reserves. In a similar way, the Council is now starting to incur annual costs relating to the preparation of the next Local Plan (£206k) and during 2023/24 it will start financing this from its Earmarked Reserve.

➤ **Non-Service Funding**

3.12 This section of the report addresses those items of funding or budget adjustments that are based on government funding and associated assumptions.

3.13 **Business Rates (NDR);** in the December Provisional Settlement the Secretary of State for Levelling-Up, Housing and Communities, has not proposed an increase in the multiplier for 2023/24. However, some modelling has been undertaken to reflect potential growth, and the estimated net business rates after adjustment for the Tax Income Guarantee (TIG) grant for 2023/24 is £4.7m and is shown in **Table 3** below.

Summary of Net Business Rates	Table 3
Council Share of Business Rates	20,124
Estimated Growth	0
less Tariff	(16,400)
<b>HDC Business Rates</b>	<b>3,724</b>
less Levy (paid to Pool)	(962)
less Growth retained in Pool	(922)
	<b>1,840</b>
S.31 Grant and TIG	3,584
100% Renewable Energy Retention	36
Bad Debt Provision	(500)
<b>Estimated Net Business Rates</b>	<b>4,960</b>
Less TIG (held in the CV19 Reserve)	(301)
<b>Estimated Net Business Rates for the Consolidated 2023/24 Budget</b>	<b>4,659</b>

These numbers will be updated for the Final 2023/24 Budget and MTFS when the 2023/24 NDR 1 return is completed in late January. ***It is recommended that £4.7m (£5m less £301k) is included in respect of business rates.***

- 3.14 **New Homes Bonus (NHB)**; in the December Provisional Settlement, a NHB allocation of £1.7m was announced for 2023/24. The government has committed to provide “stability” for the duration of this parliament but no specific commitment has been made on the continuation of NHB for 2024/25.
- 3.15 It is fair to assume that it would be relatively catastrophic for local government if the government was to completely withdraw this funding stream in 2024/25. However, it is likely that there will be some lowering of the amount allocated and this should be reflected in the MTFS. For 2022/23 the national NHB pot was £556m which reduced to £291m for 2023/24 (48%). ***It is recommended that the Cabinet should recognise for:***
- i. ***2024/25 a 35% reduction in NHB for 2024/25 (£1.1m).*** The reduction of only 35% is less than the 2023/24 national reduction in the NHB pot (48%) because it should be recognised that Harborough is a growth area and many developers wish to build here. Therefore the national impact is not likely to be fully felt by the Council.
  - ii. ***2025/26 onwards (post-general election) that no NHB allocation should be made;*** because it is likely that there will be a significant change as part of the national Fair Funding Review.



3.16 **Other Grants.** In the December Provisional Settlement, the following grants were announced. The purpose of these grants is shown below, and it is proposed that these grants are included within General Fund balances:

- i. **Rural Services Grant (£141k);** this is a long-standing grant that recognises the additional pressures associated with providing rural services. Compared to 2022/23 this has increased by £7k. For 2024/25, it is expected that the Council will receive a similar amount to that of 2023/24. ***It is recommended that that for each year of the MTFS that an allocation of £141k is recognised.***
- ii. **Services Grant (£69k);** this grant provides funding to all tiers of local government in recognition of the vital services delivered at every level of local government. Compared to 2022/23 this grant has decreased by £53k. It is not expected that the scheme will be extended for 2024/25. ***It is recommended that that for each year of the MTFS that a nil allocation is recognised.***
- iii. **3% Funding Guarantee (£819k);** this is a new grant created to ensure that every authority has an increase in Core Spending Power of at least 3%. For 2024/25 the current expectation is that there will be some form of guarantee but the HDC allocation is likely to be significantly less; current modelling is indicating £55k (a reduction of £764k compared to 2023/24). ***It is recommended that £55k is recognised for 2024/25, but nil for each year of the MTFS thereafter.***

3.17 **NDR Revaluation & the NDR Reset and Fair Funding Review;** the government has for a while been undertaking a Business Rates Revaluation and reviewing the national local government funding formula (NDR Reset and Fair Funding Review). In respect of the:

- i. **NDR Revaluation** this will take effect from the 1<sup>st</sup> April,
- ii. **NDR Reset and Fair Funding Review,** this was initially put on hold due to the Coronavirus Pandemic, but it is understood these two initiatives will continue to be on hold for at least the next couple of years whilst the government concentrates on stabilising the economy as a consequence of the current inflation and cost of living crisis. As in previous years, to try and reflect the potential negative impact of the NDR Reset and FFR, ***it is recommended that the Councils budget reflects the following risk adjustments:***

- 2023/24            £ 0
- 2024/25            £ 0
- 2025/26            £ 99k
- 2026/27            £198k
- 2027/28            £297k

➤ **Council Tax Related Issues**

- 3.18 The **Council Tax Base** (CTB) was approved by [Council in December 2022](#). The methodology allows for respective changes in property numbers based on current known properties and planning intelligence in respect of future development. For 2023/24, the approved CTB (Band D equivalent) is 38,251.5 (2022/23, 37,389.4); this is an increase of 862.1 (2.3%). This increase was dampened by an “irrecoverable debt” amount of 2% to reflect the ongoing impacts of the inflationary economy, cost of living crisis and the potential for a recession.
- 3.19 To provide an estimate for future years, ***it is recommended that the future years CTB rates reflect the planned growth rates based on the 5-Year Housing Land Supply***. The estimated growth rates are:
- 2024/25 increase over 2023/24; 2.17%
  - 2025/26 increase over 2024/25; 1.71%
  - 2026/27 increase over 2025/26; 1.72%
  - 2027/28 increase over 2027/28; 1.69%
- 3.20 **Council Tax** (CT); in Decembers Provisional Settlement, it was confirmed that Councils are permitted to increase their Council Tax by the higher of 2.99% or £5 (the referendum limit being 3%). It should be noted that the government, in their funding calculations, do expect every local authority to increase their CT to the maximum allowable. ***It is recommended that the Council should increase its 2023/24 Council Tax by 2.99% and for each year of the MTFS.***

In respect of the 2.99% increase; the 2023/24 CT would increase to £183.29 (2021/22: £177.97, an increase of £5.32) and the additional Tax generated is £357k. However, the following is worth noting:

- i. If CT was increased by £5, the CT would have been £182.97 and generated £345k in additional tax, by increasing by 2.99% the tax gain is £12k.
- ii. If CT was increased by 1%, based on the 2023/24 CT Base, the additional tax equates to £222k.
- iii. If the CT increase was nil and any additional CT income was only generated by the increase in the CT Base, the net tax gain would be £153k.

More detailed commentary is shown below.

Current Year 2022/23		2023/24	2024/25	2025/26	2026/27	2027/28
<b>6,654,192</b>	<b>Council Tax Requirement</b>	<b>7,011,117</b>	<b>7,377,415</b>	<b>7,728,089</b>	<b>8,095,796</b>	<b>8,479,252</b>
37,389.4	- Council Tax Base (No. of Band D Equivalent Properties)	38,251.5	39,081.5	39,751.5	40,434.5	41,119.5
1,033.3	- Increase in Council Tax Base:	862.1	830.0	670.0	683.0	685.0
2.84%	- % Increase in Council Tax Base:	2.99%	2.99%	2.99%	2.99%	2.99%
<b>£ 5.00</b>	<b>- £ Increase per Band D:</b>	<b>£ 5.32</b>	<b>£ 5.48</b>	<b>£ 5.64</b>	<b>£ 5.81</b>	<b>£ 5.99</b>
£ 177.97	- Council Tax Per Band D:	£ 183.29	£ 188.77	£ 194.41	£ 200.22	£ 206.21
2.89%	- % Increase in Band D Council Tax:	2.99%	2.99%	2.99%	2.99%	2.99%
£ 365,677	- £ Increase in total Council Tax Debit:	£ 356,925	£ 366,298	£ 350,674	£ 367,707	£ 383,456
£ 177.97	<b>Options for Council Tax Increase</b>	£ 182.97	£ 188.29	£ 193.77	£ 199.41	£ 205.22
	- if increase at £5, CTax would be:	£ 344,685	£ 347,539	£ 325,233	£ 334,955	£ 342,748
	- if increase at £5, £ increase in total Council Tax Debit compared to last year:	-£ 0.32	-£ 0.48	-£ 0.64	-£ 0.81	-£ 0.99
	- Increase of CTax (proposed increase to £5)	-£ 12,240	-£ 18,759	-£ 25,441	-£ 32,752	-£ 40,708
	- Additional Value of proposed increase to £5	£ 0.32	£ 0.48	£ 0.64	£ 0.81	£ 0.99
£ 1.56	- Increase of CTax (2.99% to £5):	£ 12,240	£ 18,759	£ 25,441	£ 32,752	£ 40,708
£ 58,327	- Additional Value of "higher of 2.99% or £5"					
	<b>Council Tax key comparator information</b>					
62,885	- a 1% increase in Council Tax, based on 2022/23 Base equates to:	£ 66,541	£ 70,112	£ 73,774	£ 77,281	£ 80,958
243,402	- a 1% increase in Council Tax, based on new 2023/24 Base equates to:	£ 221,504	£ 223,764	£ 201,515	£ 211,391	£ 219,480
180,517	- additional Council Tax, based on new 2023/24 Base equates to:	£ 154,963	£ 153,652	£ 127,741	£ 134,110	£ 138,522
	<b>Council Tax at Nil Increase, only reflecting increase in new years Base</b>	£ 153,427	£ 152,131	£ 126,476	£ 132,782	£ 137,150
	- additional Council Tax based on proposed increase and a Nil increase in base.	£ 203,498	£ 214,167	£ 224,198	£ 234,925	£ 246,306

3.21 **Collection Fund Surplus/(Deficit) (CFSD);** the Collection Fund is the statutory account through which CT and NDR income is held and from which payments to preceptors of their respective shares are accounted for. For budget setting purposes, the Council is required to estimate a projected surplus or deficit for both CT and NDR for the forthcoming year end and to share this with preceptors; this:

- enables the preceptors to bring their share of any surplus or deficit into their budget setting process,
- must be shared by the end of January.

3.22 As with the past couple of years, the forecast outturns for CT and NDR have been particularly unpredictable because of the varying industry impacts of the CV19 crisis continuing to come through the collection fund. Consequently, for the Draft 2023/24 Budget and MTF5; "provisional" estimates are included.

***It is recommended that Cabinet approves the "provisional" estimate for the Collection Fund Surplus/(Deficit) for the Draft 2023/24 Budget and MTF5 (2024/25 to 2027/28). In this respect, the summarised amounts to be included for Collection Fund (Surplus)/Deficit amounts to be included in the Draft 2023/24 Budget and MTF5 are shown below, with more detailed explanation in 3.28:***

- ***2023/24, a net surplus of £0.7m [3.2.3 (i) and (ii)].***
- ***2024/25 and thereafter, a net deficit position of £213k (this being based on the deficits faced by the Council in the 4-years prior to the CV19 pandemic).***

3.23 Detailed explanations in respect of the above are shown below:

- i. **Council Tax**; currently, there is a forecast “CT” surplus of £4.1m, of which the Councils share is **£475k**. This is because when the Council set its CT Base for 2022/23, it took a very prudent position in anticipation of the impact of CV19. However, the district has actually seen considerable housing growth, so this “pent-up” benefit is now recognised in the surplus position.
- ii. **Non-Domestic Rates**; for 2022/23 the Council is forecasting a net NDR surplus of £572k, of which the council’s share is **£229k**. This is a vastly improved position, being circa £2m better than originally anticipated as a consequence of the council being able to release some of its provision for appeals that was prudently held in anticipation of potential Pandemic business revaluations that have not occurred.
- iii. To add to the complexities for this year's budget setting, the 2020/21 collection fund deficit was allowed, as part of the CV19 government support, to be spread over a three-year period, with the 2020/21 NDR collection fund deficit being recovered in 2021/22, 2022/23 and 2023/24. The figure for 2022/23 relating to this is £804k. This is partly funded from the TIG that was accrued for in 2020/21 and is being released from reserves in 2023/24 (**£301k**).

3.24 As noted at 3.22 the Draft 2023/24 Budget and MTFS will include “provisional” Collection Fund forecasts. During January, the Final Projected 2022/23 Surplus/(Deficit) will be evaluated which will be based on the latest CT and NDR collection information available; this will be:

- i. reported to Cabinet in February as part of the Final 2023/24 Budget and MTFS, and
- ii. as this must be shared with Preceptors by the statutory deadline of the end of January;

***It is recommended that Cabinet delegates authority to the Director of Resources, following consultation with the Portfolio Holder for Finance & Assets, to distribute the “Final” Forecast 2022/23 Collection Fund Surplus/(Deficit) to respective Preceptors by the statutory deadline.***

### **DRAFT BUDGET 2023/24 AND MEDIUM-TERM FINANCIAL STRATEGY 2024/25 TO 2027/28**

3.25 The Councils Consolidated Draft Budget 2023/24 and MTFS (2024/25 to 2027/28) is summarised in **Table 4** below with the detailed budget and MTFS being shown at **Appendix 1** and the detailed service budgets being shown at

**Appendix 2.** After reflecting the various budget changes in paragraphs 3.3 to 3.24 there is no forecast negative budget gap for 2023/24 or 2024/25. However, a £1.1m gap appears in 2025/26 and increases to £1.7m by 2027/28. The main reasons for this gap are a combination of future years pay award, consequences of the current high inflationary environment, significant changes in customer and resident demand, additional costs relating to the Waste/Environment contract and the expectation of a future deficit on the collection fund.

Summary Consolidated Budget 2023/24 & MTFS (2024/25 to 2027/28) (Final Budget & MTFS to be approved February 2021)							Table 4	
	2022/23			2023/24	2024/25	2025/26	2026/27	2027/28
	Original Budget £000	In-Year Changes £000	Updated Budget £000	£000	£000		£000	£000
<b>Net Cost of Services</b>	11,064	460	11,524	12,046	12,463	13,372	14,217	14,539
Capital Financing	506	0	506	424	437	509	539	564
<b>Net Expenditure</b>	<b>11,570</b>	<b>460</b>	<b>12,030</b>	<b>12,470</b>	<b>12,900</b>	<b>13,881</b>	<b>14,756</b>	<b>15,103</b>
Reserves Contributions to Support Services	0	0	0	3,383	852	(1,098)	(1,674)	(1,705)
Other Net Reserves Contributions	1,428	(460)	968	(790)	(322)	(206)	(206)	(206)
Total Reserve Contributions	1,428	(460)	968	2,593	530	(1,304)	(1,880)	(1,911)
<b>Budget Requirement</b>	<b>12,998</b>	<b>0</b>	<b>12,998</b>	<b>15,063</b>	<b>13,430</b>	<b>12,577</b>	<b>12,876</b>	<b>13,192</b>
Total Grant	(6,344)	0	(6,344)	(8,052)	(6,052)	(4,849)	(4,781)	(4,712)
<b>Council Tax Requirement</b>	<b>6,654</b>	<b>0</b>	<b>6,654</b>	<b>7,011</b>	<b>7,378</b>	<b>7,728</b>	<b>8,095</b>	<b>8,480</b>

3.26 ***It is recommended that Cabinet approves the Draft Budget 2023/24 and MTFS (2024/25 to 2027/28) shown at Table 4 (Appendix 1) and the detailed service budgets at Appendix 2.***

Members should note that:

- **Appendix 2** provides budget information to “cost centre” level, and
- this is the most granular information that can be provided to ensure that personal and commercial sensitivity is maintained.

## RESERVES

3.27 In December 2022, Cabinet approved an updated version of the Reserves Strategy as part of the Budget Principles report; the Strategy includes:

- A General Fund (Unallocated) Reserve; which has a minimum level of reserves set at 20% of net expenditure (Service Expenditure & Minimum Revenue Provision).
- The establishment of a series of earmarked reserves based on strategic groupings. The current strategic reserve groupings support:
  - financial sustainability; a Budget Surplus Reserve that demonstrates throughout the year whether the Council needs more or less reserve allocations.
  - the delivery of services by managing known risks and commitments. These reserves include a CV19 Internal Recovery

Reserve; Projects, Risks & Smoothing Reserve; Capital & Contract Reserve; Transformation Reserve and a Strategic Collaboration Reserve.

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

3.28 These reserves allocations will be considered formally by Council in February when the Final 2023/24 Budget and MTFS (2024/25 to 2027/28) is approved. However, at this time is it opportune to consider the Reserves impact of the Draft 2023/24 Budget and MTFS and **Table 5** summaries the estimated impact on the Councils General Fund and Earmarked Reserves over the life of the MTFS (a detailed analysis of Reserves is shown at **Appendix 4**). For the Draft 2023/24 Budget, the current 2022/23 Q2 forecast overspend has been reflected in the net brought forward balances.

3.29 ***It is recommended that the reserves allocations noted within Table 5 are accepted.***

Summary General Fund + Budget Surplus/Other Earmarked Reserves (Final Budget & MTFS to be approved February 2023)					Table 5		
		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
		Forecast Outturn Q2 2021/22 0	£000	£000	£000	£000	£000
<b>General Fund (Unallocated Reserve)</b>	<b>b/f</b>	2,361	2,568	2,494	2,580	2,776	2,951
	Cont from/(to) Services	(810)	3,383	852	(1,098)	(1,674)	(1,705)
	Cont from/(to) Budget Surplus Reserve	1,017	(3,457)	(766)	1,295	1,849	1,774
	<b>c/f</b>	2,568	2,494	2,580	2,777	2,951	3,020
<b>Reserve &gt; 20% Minimum Level of Reserves Threshold</b>		<b>Balanced</b>	<b>Balanced</b>	<b>Balanced</b>	<b>Balanced</b>	<b>Balanced</b>	<b>Balanced</b>
<b>Earmarked Reserves</b>							
<b>Budget Surplus Reserve</b>	<b>b/f</b>	0	0	0	0	0	0
	Cont from/(to) Services	0	0	0	0	0	0
	Cont from/(to) General Fund	(1,017)	3,457	766	(1,295)	(1,849)	(1,774)
	Cont from/(to) Specific Earmarked Reserves	1,017	(3,457)	(766)	1,295	1,849	1,774
	<b>c/f</b>	0	0	0	0	0	0
<b>Reserve: Balanced/Unbalanced</b>		<b>Balanced</b>	<b>Balanced</b>	<b>Balanced</b>	<b>Balanced</b>	<b>Balanced</b>	<b>Balanced</b>
<b>Specific Earmarked Reserves</b>							
<b>CV19 Internal Recovery</b>	<b>b/f</b>	4,171	301	0	0	0	0
	Cont from/(to) Services	(4,935)	0	0	0	0	0
	Cont from/(to) Funding etc	(733)	(301)	0	0	0	0
	Cont from/(to) Community, Economic & Infrastructure	1,798	0	0	0	0	0
	<b>c/f</b>	301	0	0	0	0	0
<b>Projects, Risk &amp; Smoothing</b>	<b>b/f</b>	1,051	2,686	2,631	2,742	2,853	2,964
	Cont from/(to) Services	300	(55)	111	111	111	111
	Cont from/(to) Funding etc	2,278	0	0	0	0	0
	Cont from/(to) Budget Surplus Reserve	(1,017)	0	0	0	0	0
	Cont from/(to) Specific Earmarked Reserves	75	0	0	0	0	0
	<b>c/f</b>	2,687	2,631	2,742	2,853	2,964	3,075
<b>Capital &amp; Contract</b>	<b>b/f</b>	1,888	1,427	2,427	2,427	2,427	2,427
	Cont from/(to) Services	(461)	0	0	0	0	0
	Cont from/(to) Specific Earmarked Reserves	0	1,000	0	0	0	0
	<b>c/f</b>	1,427	2,427	2,427	2,427	2,427	2,427
<b>Transformation</b>	<b>b/f</b>	1,837	837	1,000	1,000	1,000	1,000
	Cont from/(to) Services	0	(116)	(116)	0	0	0
	Cont from/(to) Specific Earmarked Reserves	(1,000)	279	116	0	0	0
	<b>c/f</b>	837	1,000	1,000	1,000	1,000	1,000
<b>Financial Sustainability</b>	<b>b/f</b>	0	0	3,457	4,223	2,929	1,080
	Cont from/(to) Budget Surplus Reserve	0	3,457	766	(1,295)	(1,849)	(1,080)
	<b>c/f</b>	0	3,457	4,223	2,928	1,080	0
<b>Community, Economic &amp; infrastructure</b>	<b>b/f</b>	1,447	1,000	1,000	1,000	1,000	1,000
	Cont from/(to) Specific Earmarked Reserves	(447)	0	0	0	0	(347)
	<b>c/f</b>	1,000	1,000	1,000	1,000	1,000	653
<b>Commercial investment</b>	<b>b/f</b>	2,934	2,508	1,229	1,113	1,113	1,113
	Cont from/(to) Specific Earmarked Reserves	(426)	(1,279)	(116)	0	0	(347)
	<b>c/f</b>	2,508	1,229	1,113	1,113	1,113	766
<b>Total Reserves</b>	<b>b/f</b>	15,689	11,327	14,238	15,085	14,098	12,535
	In-year movements	(4,361)	3,027	963	(987)	(1,563)	(1,594)
	<b>c/f</b>	11,328	14,238	15,085	14,098	12,535	10,941

## Reflections on the “Revenue” Draft 2023/24 Budget and MTFS and its impact on Reserves

3.30 In respect of:

- i. the **General Fund**; for 2023/24 and each year of the MTFS the Council maintains a minimum level of “unallocated” General Fund reserves at 20% of Net Expenditure. This demonstrates financial resilience over the medium-term in that the Council considers it has sufficient “emergency” funding to support its community. However, it should be noted that to the maintain services over the MTFS period, it is required to set-aside surplus funds in the first two years (£4.2m) to be drawn-down against to contribute to the unfunded gap in the last three years (which totals £4.5m). If the Council wished to use these surplus funds to fund capital projects; this would mean that the Council would have to cut services,

generate more income (likely to be well above inflation increases) or delivering services via alternative means (sharing services with others).

- ii. the **Budget Surplus Reserve**; members will note that for 2023/24 and each year of the MTFs, a positive balance is maintained which demonstrates that the Council is effectively managing its reserves and maintains a positive reserves position.

However, to maintain this positive reserve position, it is necessary for the Budget Surplus Reserve to be supported by £616k of contributions from the Community, Economic & Infrastructure and Commercial Investments Earmarked Reserves.

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

3.31 What must not be forgotten however is that this proposed MTFs maintains services at current levels and contains only limited investment. To maintain this “stand-still budget”, it is essential that:

- services achieve the previously approved and new savings proposals.
- current inflationary pressures are only a short-term economic issue. If they become a more sustained economic driver, then this will erode the Councils spending power and consequently the delivery capacity of the Council.
- agreed service transformation is delivered i.e. savings related to the TOM, ICT and Customer Services Transformation.

If the ambition of the Council is to “invest” in its services, it is essential that it explores and delivers alternative and innovative ways to deliver; including collaborative working. If the macro and micro economic climate does not improve, it will be very challenging for the Council to investment in its local community.

### **Capital Programme**

3.32 The Draft Capital Programme for the period 2023/24 to 2027/28 totals £26.3m and is shown at **Appendix 5**; these tables show the:

- Draft Capital Programme for 2023/24 through to 2027/28, and
- How the Capital Programme is to be financed.

3.33 The 2023/24 Capital Programme is summarised into two categories:



- Existing Schemes, which total £18m.
- Proposed Schemes, which total £8.3m,
  - non-invest to save, which total £8.1m.
  - invest to save, which total £254k.

3.34 The capital programme is quite broad and reaches across most Council services; it includes items in respect of Elections, Democracy, The Symington Building (TSB), Housing and Amenities. However, it also includes provisional amounts in respect of:

- **New Depot;** last year Council approved a capital allocation of £5m. Over the past year the Council has worked with partners who have recently undertaken similar projects and it is now considered that a new depot will be closer to £10m; so for the 2023/24 capital programme a further £5m allocation has been included.
- **Housing;** improvement works are needed at the existing Ploughman's Yard flats in respect of damp (estimated at £50k). Further, with the significant increases in inflation, the costs of Roman Way are estimated to have increased by 20% (£136k); considering the revenue saving that will be generated from the project it is considered that it should still go ahead but the Council should accept that the payback will be extended.
- **Various Mechanical and Electrical Works;** provision needs to be made for the replacement of obsolescent equipment at both the TSB and the Harborough Innovation Centre (£350k). For both, the main works will take place towards the end of the MTFS period.
- **TSB;** in addition to the Mechanical and Electrical Works; significant works are needed in respect of efficiency of the TSB's "Crittall" windows. Because of the buildings protected status, the Council needs to consider a scheme of secondary glazing and the £150k allocation is a start of that programme. Further, the TSB has a generator in respect of Business Continuity. However, the current generators capacity is to maintain services for a few hours; a replacement generator is needed to ensure that the Council can operate for an extended period of a few days (£95k).
- **Market Hall Redevelopment;** as part of the Councils Levelling Up Bid (LUF) it included a significant investment in the Market Hall. This project has been included in the capital programme in case the Councils LUF Bid is successful, and it can mobilise quickly. If the bid is not successful these works will not take place.

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

3.36 As noted elsewhere within this report, the Council is facing considerable inflationary pressure, and this is particularly true in respect of the capital programme. In these challenging times it is possible that increases in costs could cause unnecessary delay in the development of capital projects due to required increases in budgetary provision. To avoid this and to keep capital projects on their timeline, the following delegation is proposed:

“Where it is apparent that a capital project will exceed its capital programme allocation due to inflationary pressures; the Director, Resources, following consultation with the Portfolio Holder for Finance & Assets is authorised to exceed the capital programme allocation providing:

- a. It can be clearly demonstrated that the increase in cost is due to project inflationary pressures.
- b. It can be clearly demonstrated that value engineering has been undertaken to establish the minimisation of costs.
- c. Where cost increases cannot be avoided, approval is given to an increase in the project cost providing the additional capital cost can be financed from:
  - i) unallocated capital receipts, or
  - ii) where other capital projects have not started (slippage) and can have their financing diverted to fund the potential overspend.

The use of this delegation will be reported in the next Quarterly monitoring report.”

- 3.37 ***It is recommended that Cabinet approves the capital programme and sources of finance noted in Appendix 5, and the proposed delegation at 3.36.***

## **BUDGET CONCLUSION**

- 3.38 In conclusion, for the Council to

- meet its financial commitments and risks,
- ensure it can undertake the service transformation needed to deliver financial sustainability and resilience, including where possible collaboration with partners, and
- deliver sound economic and community investment opportunities that will provide long-term secure income;

it is necessary that the Council continues its programme of transformation and continuous improvement.

## **4. Implications of Decisions**

### **4.1. Corporate Priorities**

The contents of this report supports the Council in the delivery of the Corporate Plan and its agreed priorities.

### **4.2. Financial**

The 2023/24 budget and MTFs is balanced for the next two years and then requires funding thereafter; this will be achieved by setting-aside surpluses

from 2023/24 ad 2024/25 into a new Financial Sustainability Earmarked Reserve.

The Capital Programme is duly financed in its entirety and includes a number of proposals that will seek to minimize medium term risks relating to asset obsolesce and revenue service risks.

It should be noted that the budget does include a £280k saving in respect of the TOM efficiency programme. Council has chosen to not proceed with the Strategic Partnership with Melton Borough Council; this would have been the best means of addressing this pressure. For the time being this “unachieved saving” will be met from reserves; however, it is expected that this pressure will be closed over 2023/24 to ensure that future Council Tax payers do not continue to carry-burden.

4.3. **Legal**

This report supports the Chief Financial Officer in meeting his statutory responsibilities in respect of the proper administration of the Councils financial affairs [s.151 of the Local Government Act 1972].

4.4. **Policy**

No policy issues arise directly from this report other than this budget and MTFs seeks to allocate resources to meet policy objectives and expected outcomes.

4.5. **Environmental Implications including contributions to achieving a net zero carbon Council by 2030**

There are no direct environment implications arising from this report.

4.6. **Risk Management**

Main implications: The budget proposals are subject to a risk assessment in their formulation and subsequent delivery. An overall assessment of the risks in the budget proposals will be undertaken by the S151 Officer and will form part of the report to Cabinet on in February 2023 and Council later in February 2023

4.7 **Equalities Impact**

The equality implications arising from this budget, including savings programmes, have been addressed through each of those individual reviews.

4.8 **Data Protection**

There are no direct data protection implications arising from this report.

5. **Summary of Consultation and Outcome**

Consultation has been undertaken with Cabinet and in due course with the Scrutiny Panel (Performance). Further, the statutory consultation in respect of Business Rates will take place between the January and February Cabinet meetings.

**6. Alternative Options Considered**  
Not applicable.

**7. Background papers**  
DHLUC Provisional Settlement.  
Services budget working papers.