

HARBOROUGH DISTRICT COUNCIL

REPORT TO THE CABINET MEETING OF 7 FEBRUARY 2022

PUBLIC REPORT: Yes

EXEMPT REPORT: No

<b>Report Title</b>	Final Budget 2022/23 & the Medium-Term Financial Strategy (2023/24 to 2026/27)  <i>"Committed to Financial Sustainability &amp; Resilience to enable Community Investment".</i>				
<b>KEY DECISION</b>	Yes				
<b>Report Author</b>	Clive Mason, Director; Finance, ICT & Assets				
<b>Purpose of Report</b>	<ul style="list-style-type: none"> <li>For Cabinet to consider the comments, questions, and response on the proposed 2022/23 Budget &amp; Medium-Term Financial Strategy (2023/24 to 2025/26) from the Performance Scrutiny panel on 27<sup>th</sup> January 2022 along with responses received from the public.</li> <li>For Cabinet to recommend the 2022/23 revenue budget and capital programme to Council.</li> </ul>				
<b>Reason for Decision</b>	The Council must set a balanced budget by the end of February 2022. The duty to recommend a budget to the Council rests with the Cabinet.				
<b>Portfolio (holder)</b>	Councillor James Hallam; Finance				
<b>Corporate Priorities</b>	<table border="1"> <tr> <td colspan="2">YOUR COUNCIL: creative, proactive, and efficient</td> </tr> <tr> <td>CO 08</td> <td>Deliver financial sustainability for the future</td> </tr> </table>	YOUR COUNCIL: creative, proactive, and efficient		CO 08	Deliver financial sustainability for the future
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<b>Financial Implications</b>	This report presents the Council's proposed 2022/23 revenue and capital budgets across all its activities, including the use of reserves. And proposes a Medium-Term Financial Strategy for the period 2023/24 to 2026/27. The financial implications of these proposals are given throughout the report.				
<b>Risk Management Implications</b>	An overall assessment of the robustness of the budget estimates, the adequacy of reserves, and the key financial risks to the Council has been undertaken by the S151 Officer and is presented in <b>Appendix 2</b> of this report.				
<b>Environmental Implications</b>	None				
<b>Legal Implications</b>	The Council is required to consult on its budget prior to formulating its budget requirement. The Council is also legally obliged to set a balanced budget by the end of February 2022. The Council is scheduled to approve the budget on 21 <sup>st</sup> February 2022.				
<b>Equality Implications</b>	None				
<b>Data Protection Implications</b>	None				

## REPORT 2

<b>Consultation</b>	<p>Consultation was undertaken over the period from 11<sup>th</sup> January 2022 to 6<sup>th</sup> February 2022 with:</p> <ul style="list-style-type: none"> <li>• Trade Unions.</li> <li>• Local Businesses.</li> <li>• General Public.</li> <li>• Parishes and Town Councils.</li> <li>• Residents and Members Newsletters.</li> <li>• The Performance Scrutiny Panel on the 28th January 2021.</li> </ul>														
<b>Background Papers</b>	<p>Draft Budget 2022/23 &amp; the Medium-Term Financial Strategy (2023/24 to 2026/27) considered by Cabinet on the 10<sup>th</sup> January 2021.</p>														
<b>Appendices</b>	<ul style="list-style-type: none"> <li>• <b>Appendix 1:</b> Changes Between the Draft 2022/23 Budget &amp; MTFS (2023/24 to 2026/27) and the Final 2022/23 Budget &amp; MTFS (2023/24 to 2026/27)</li> <li>• <b>Appendix 2:</b> Consolidated Final 2022/23 Budget &amp; MTFS (2023/24 to 2026/27)</li> <li>• <b>Appendix 3:</b> Summary of Budget Consultation (to be tabled at the meeting)</li> </ul>														
<b>Recommendation</b>	<p>That Cabinet:</p> <p><b>A.</b> recommends to Council the approval of:</p> <ul style="list-style-type: none"> <li>• The Fees &amp; Charges Schedule (<b>Appendix 2</b>, Annex A); including the delegation to the Deputy Leader/Portfolio Holder for Resources, in consultation with the S.151 officer to vary Fees &amp; Charges throughout the year, with retrospective reporting to Council, and the</li> <li>• Consolidated Final Budget 2022/23 and Medium-Term Financial Strategy (2023/24 to 2026/27) at <b>Appendix 2</b>.</li> </ul>														
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	<p>○ In respect of the 2022/23 Final Budget, this includes a</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;"> <ul style="list-style-type: none"> <li>▪ Budget Requirement of £13.0m</li> </ul> </td> <td style="width: 15%; text-align: center;">3.2 (i)</td> <td style="width: 15%; text-align: center;">1.6.1</td> </tr> <tr> <td> <ul style="list-style-type: none"> <li>▪ Council Tax Requirement of £6.7m</li> </ul> </td> <td style="text-align: center;">3.2 (i)</td> <td style="text-align: center;">1.6.1</td> </tr> <tr> <td> <ul style="list-style-type: none"> <li>▪ Increase in Council Tax of £5/maximum permitted i.e. the Band D charge will increase to £177.97 (2020/21: £162.97).</li> </ul> </td> <td style="text-align: center;">3.2 (i)</td> <td style="text-align: center;">1.6.1</td> </tr> <tr> <td> <ul style="list-style-type: none"> <li>▪ New Capital Programme projects totalling £2.5m</li> </ul> </td> <td style="text-align: center;">3.11</td> <td style="text-align: center;">3.1</td> </tr> </table>			<ul style="list-style-type: none"> <li>▪ Budget Requirement of £13.0m</li> </ul>	3.2 (i)	1.6.1	<ul style="list-style-type: none"> <li>▪ Council Tax Requirement of £6.7m</li> </ul>	3.2 (i)	1.6.1	<ul style="list-style-type: none"> <li>▪ Increase in Council Tax of £5/maximum permitted i.e. the Band D charge will increase to £177.97 (2020/21: £162.97).</li> </ul>	3.2 (i)	1.6.1	<ul style="list-style-type: none"> <li>▪ New Capital Programme projects totalling £2.5m</li> </ul>	3.11	3.1
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## REPORT 2

<ul style="list-style-type: none"> <li>▪ (including £40k for 2021/22), with a revenue capital financing contribution of £506k.</li> </ul>	3.2 (Table 2)	1.6.1
<ul style="list-style-type: none"> <li>○ In respect of the Medium-Term Financial Strategy, this includes by 2026/27 a:           <ul style="list-style-type: none"> <li>▪ Budget Requirement of £11.6m. <span style="float: right;">3.2 (ii)</span> <span style="float: right;">1.6.1</span></li> <li>▪ Council Tax Requirement of £8m. <span style="float: right;">3.2 (ii)</span> <span style="float: right;">1.6.1</span></li> <li>▪ Proposed “notional” increase in Council Tax of £5 (and notionally for each year of the MTFS). <span style="float: right;">3.2 (ii)</span> <span style="float: right;">1.6.1</span></li> <li>▪ No new Capital projects (although 2023/24 to 2026/27 inclusive a total programme of £10.2m) <span style="float: right;">3.11</span> <span style="float: right;">1.5.1</span></li> <li>▪ with a revenue contribution of £907k. <span style="float: right;">3.2</span> <span style="float: right;">1.6.1</span></li> </ul> </li> </ul>		
<p><b>B.</b> notes the comments of the Director, Finance &amp; Fixed Assets in respect of the “Robustness of the 2022/23 Budget and Medium-Term Financial Strategy 2023/24 to 2026/27” (para 5) and <b>Appendix 2</b>, Section 5).</p>		

### 1. INTRODUCTION

1.1 At the 10<sup>th</sup> January 2022 Cabinet meeting, Cabinet approved the Draft 2022/23 Budget & MTF5 (2023/24 to 2026/27), in summary this included for:

i. **Services,**

- net expenditure of £11.4m, a net “nil” contribution from reserves and a Budget Requirement of £11.9m.
- by 2026/27, the Medium-Term Financial Strategy (MTFS) is showing a Budget Requirement of £11.6m,
- a Capital Programme of £6.8m for 2022/23, decreasing to £0.9m by 2026/27; with net capital financing (MRP) of £506k and £907k, respectively.

ii. **Corporate Financing,** for 2022/23;

- Non-Domestic Rates of £6.9m, with a decrease to £4.1m by 2026/27.
- the receipt of New Homes Bonus of £2.3m (a new allocation of £1.8m, legacy allocation of £557k), reducing to nil by 2023/24.
- the receipt of £201k in Services Grant and Lower Tier Services Grant, reducing to nil by 2023/24.
- a net deficit on the Collection Fund of £4.4m, reducing to a deficit position of £213k by 2026/27.
- an increase in the Council Tax of £5, with a similar notional increase for each year of the MTF5 thereafter.

iii. **Reserves,**

- maintaining a 20% minimum level of reserves for the General Fund (Unallocated) Reserve for the entire period of the MTF5,
- for 2022/23, a contribution to reserves of £479k, and for 2023/24 and 2024/25 a “nil” contribution to support services, with a contribution of £1.2m and £411k respectively.
- for 2025/26 and 2026/27, the application of £551k and £1.6m from general reserves to finance the estimated budget gap (a total reserve contribution of £2.1m).

iv. **Risk,** with the Council receiving a significant New Homes Bonus contribution this has helped the Council to mitigate some of the significant Collection Fund forecast costs in the next few years and costs contribute to future budgetary pressures.

**2. BUDGETARY CHANGES BETWEEN THE DRAFT AND FINAL 2022/23 BUDGET AND MTF5 (2022/23 TO 2026/27).**

2.1 Since the January Cabinet, there have been some changes to the Budget and MTF5, a detailed profile of the changes is shown in **Appendix 1** and summarised in Table 1 below. In effect there are two sets of changes:

Changes between Draft 2022/23 Budget & MTF5 (2023/24 to 2026/27) and Final 2022/23 Budget & MTF5 (2023/24 to 2026/27)	Table 1					
	Budget 2022/23 £000	Medium-Term Financial Strategy				
	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total	
Changes in Service Costs and Income	149	260	339	393	442	1,583
Changes in Capital Financing	0	0	0	0	0	0
Changes in Reserves	949	(236)	(315)	(369)	(417)	(388)
Change in Grant (incl. NDR, NHB etc)	(1,098)	(24)	(24)	(24)	(25)	(1,195)
<b>Net Changes in Council Tax</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

These changes are due to additional:

- inflation relating to the Waste Management Contract, this change is £131k in 2022/23 but increases to £423k by 2027/28.
- partner contributions to the Leicestershire Revenues & Benefits Partnership of £54k per annum.
- Savings from the establishment within the HIC/GOC of £36k per annum.

**ii. Changes in Reserves**

As a consequence of the changes to service costs (i) above and grant (iii) below, in the main the Council has applied the additional “net” New Homes Bonus and Non-Domestic Rates receipts into an Earmarked Reserve and used these to “smooth” expenditure over the MTF5 (the application of this reserve is shown in the “Other Net Reserves Contributions” line). However, in 2025/26 and 2026/27 it is necessary to apply Earmarked Reserves to fund unplanned expenditure (budget gap); for 2025/26 this is £551k and for 2026/27 this is £2.0m. In comparison to the Draft Budget/MTF5, there has not been any increase for 2025/26 but there has been an increase of £386k in 2026/27 (the Draft Budget/MTF5 showed a reserves contribution of £1.6m).

iii. Changes in Grant

**Non-Domestic Rates (NDR)**

The change between the Draft and Final 2022/23 Budget is an increase in NDR of £2.2m; and the reasons for the change are shown in **Table 2** below. Members should note that this change has come about as a consequence of the production of the NDR 1, which is a statutory return and is produced in late January; whereas the numbers included in the Draft Budget are based on best estimates prior to the detail of the provisional settlement and on collection performance of earlier in the year. Future years changes are minimal (circa £24k per annum).

NDR Change Between Draft and Final 2022/23 Budget				Table 2
	Draft £000	Final £000	Variance £000	Reason for Variance
Council Share of Business Rates	19,081	18,000	(1,081)	Extension by government of COVID reliefs for hospitality and retail
Estimated Growth	1,641	800	(841)	More prudence allowed for additional discounts being applicable on new premises
less Tariff	(13,600)	(13,600)	0	
<b>HDC Business Rates</b>	<b>7,122</b>	<b>5,200</b>	<b>(1,922)</b>	
less Levy (paid to Pool)	(2,661)	(1,699)	962	Links directly to the reduced council share of business rates
less Growth retained in Pool	(2,549)	(1,628)	921	Links directly to the reduced council share of business rates
<b>HDC Business Rates after Pooling</b>	<b>1,912</b>	<b>1,873</b>	<b>(39)</b>	
s.31 Grant	5,049	7,319	2,270	Government extension of COVID related reliefs resulting in additional compensation for the council
100% Renewable Energy Retention	31	35	4	Increased properties
<b>Estimate Net Business Rates</b>	<b>6,992</b>	<b>9,227</b>	<b>2,235</b>	

**NB.** Changes over the MTFs period (2023/24 to 2026/27) are marginal, an annual increase over £24k per annum.

**Collection Fund (Surplus)/Deficit (CF)**

The change between Draft and Final 2022/23 Budget is an increase of the CF Deficit of £1.1m; and the reason for the change is shown in **Table 3** below. Members should note that this change is due to the latest collection performance. There are no changes to future years.

Collection Fund Change Between Draft and Final 2022/23 Budget				Table 3
	Draft £000	Final £000	Variance £000	Reason for Variance
<b>Council Tax</b>				
Forecast Surplus	(235)	(250)	(15)	Improved position on council tax collected.
<b>NDR</b>				
1/3 contribution of 2020/21 deficit	800	800	0	
2021/22 Estimate deficit (HDC Share)	3,850	5,001	1,151	Decreased net business rates collected.
<b>Estimated Collection Fund (Surplus)/Deficit</b>	<b>4,415</b>	<b>5,551</b>	<b>1,136</b>	
<b>NB.</b> There are no changes over the MTFS period (2023/24 to 2026/27).				

### 3. FINAL BUDGET 2022/23 AND MEDIUM-TERM FINANCIAL STRATEGY (2023/24 to 2026/27)

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 2022/23 Budget & Detailed MTFS (2023/24 to 2026/27) 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 2022/23 Budget and Medium-Term Financial Strategy
  - Annex A – Fees & Charges
  - Annex B – CIPFA 2022 Resilience Index

#### Strategic Budget Summary

##### Revenue Budget

3.2 The **Consolidated Final 2022/23 Budget and Medium-Term Financial Strategy** is summarised in **Table 4** 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 2022/23 & MTFS (2023/24 to 2026/27)	Table 4					
	2021/22 Original Budget £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
<b>Net Cost of Services</b>	12,241	11,064	10,942	11,094	11,896	12,708
Capital Financing	856	506	542	741	820	906
<b>Net Expenditure</b>	<b>13,097</b>	<b>11,570</b>	<b>11,484</b>	<b>11,835</b>	<b>12,716</b>	<b>13,614</b>
Reserves Contributions to Support Services	(1,935)	0	0	0	(551)	(1,962)
Other Net Reserves Contributions	2,677	1,428	(1,451)	(725)	(804)	(31)
<b>Net Reserve Contributions</b>	<b>742</b>	<b>1,428</b>	<b>(1,451)</b>	<b>(725)</b>	<b>(1,355)</b>	<b>(1,993)</b>
<b>Budget Requirement</b>	<b>13,839</b>	<b>12,998</b>	<b>10,033</b>	<b>11,110</b>	<b>11,361</b>	<b>11,621</b>
Total Grant	(7,551)	(6,344)	(3,020)	(3,749)	(3,675)	(3,601)
<b>Council Tax Requirement</b>	<b>6,288</b>	<b>6,654</b>	<b>7,013</b>	<b>7,361</b>	<b>7,686</b>	<b>8,020</b>

3.3 The key messages to note in respect of the Final 2022/23 Budget and Medium-Term Financial Strategy (2023/24 to 2026/27) are as follows:

i. **Final 2022/23 Budget**

- **Net Expenditure** of £11.6m, a reduction of £1.5m (11.7%) compared to 2021/22.
- **Budget Requirement** of £13.0m, a reduction of £1.9m (6.1%) compared to 2021/22.
- **Council Tax Requirement** of £6.7m, this reflects an increase of £5 (to £177.97) compared to 2021/22.
- **Net Contribution to General Reserves** of £1.4m.

ii. **Medium-Term Financial Strategy**, by 2026/27 a

- **Net Expenditure** of £13.6m, an increase of £2.0m (17.7%) compared to 2022/23.
- **Budget Requirement** of £11.6m, a reduction of £1.4m (10.6%) compared to 2022/23.
- **Council Tax Requirement** of £8m, this reflects an annual notional increase of £5 in Council Tax for each year of the MTFS and a gradual increase in the Council Tax Base over the period.
- **Net Contribution from General Reserves**; over the MTFS period the Council is committing to use the additional New Homes Bonus and surplus NDR to finance the inflationary costs noted elsewhere. However, members should note that there is an opening budget gap from 2025/26 (£551k) to 2026/27 (£2.0m).

3.4 Detailed operational budgets are shown in **Appendix 2**, Section 2. **Table 5** below shows a detailed subjective analysis of the net expenditure Budget for 2022/23:



## REPORT 2

Subjective Analysis for the 2022/23 Budget		Table 5		
2021/22 Net £000	Subjective Analysis	2022/23		Net £000
		Expenditure £000	Income £000	
9,839	Employees	9,460	0	9,460
1,733	Premises	1,747	0	1,747
128	Transport	100	0	100
8,592	Supplies & Services	7,919	0	7,919
2,431	Third Party Payments (*)	2,371	0	2,371
110	Transfer payments	95	0	95
38	Housing Benefit	7,771	(7,680)	91
(10,630)	Fees & Charges, Rental Income etc		(10,719)	(10,719)
<b>12,241</b>		<b>29,463</b>	<b>(18,399)</b>	<b>11,064</b>

**NB.**  
\* 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 November 2020 Cabinet approved a new [Reserves Strategy](#). As well as the strategy itself, Cabinet approved General Fund (Unallocated) Reserves; that a minimum level of reserves be established at 20% of Net Expenditure (Net Expenditure being the total of service and capital finance)

#### Impact on Reserves of the 2022/23 Final Budget and MTFS (2023/24 to 2026/27)

- 3.7 Surpluses (or deficits) in funding are adjusted via contributions to or from reserves; in the Summary Consolidated Budget shown at **Table 4** this is shown against the line entitled "Net Reserve Contributions".
- 3.8 **Table 6** below summaries the impact of the 2022/23 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 2022/23 & MTF5 (2023/24 to 2026/27)	Table 6					
	2021/22	2022/23	2023/24	2024/24	2025/26	2026/27
	Original Budget £000	£000	£000	£000	£000	£000
All numbers as at 31 March of each year						
<b>General Fund (Unallocated) Reserve</b>	2,619	2,291	2,297	2,367	2,543	2,723
- Reserves at 20% of Net Expenditure	Yes	Yes	Yes	Yes	Yes	Yes
<b>Earmarked Reserves</b>						
Budget Surplus	0	0	0	0	0	0
CV19 Internal Recovery	1,074	2,157	1,140	1,000	1,000	1,000
Projects, Risk & Smoothing	919	3,719	3,295	2,869	2,365	2,633
Capital & Contract	403	748	748	748	748	748
Transformation	2,000	1,067	1,067	1,067	1,067	1,067
Community, Economic & Infrastructure	1,447	1,947	1,947	2,087	2,087	1,016
Commercial Investment Reserve	3,128	2,857	2,857	2,786	2,059	988
<b>Total Reserve Balances</b>	<b>11,590</b>	<b>14,786</b>	<b>13,351</b>	<b>12,924</b>	<b>11,869</b>	<b>10,175</b>

3.9 In the Final Budget 2022/23 and MTF5 (2023/24 to 2026/27), the Council is forecasting a balanced budget for 2022/23 through to 2026/27 – primarily due to the application of NHB and surplus NDR that has been set-aside to meet future years collection fund deficits and known service pressures. In respect of the MTF5, the council continues to maintain its 20% minimum level for the General Fund (Unallocated) Reserve through to 2026/27. However, from 2026/27 onwards the Council has to utilise £2.5m of reserves to ensure that the General Fund (Unallocated) Reserve is maintained at the 20% threshold (2025/26, £551k; 2026/27, £2.1m).

➤ *Using Reserves*

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

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

**Capital**

3.11 The detailed capital programme is shown at **Appendix 2**, section 3 and is summarised in **Table 7** below. Members should note that the programme over the MTFS totals £30.1m. In respect of:

- **2022/23**, the programme is £6.8m and does:
  - not include any new capital allocations in respect of Naseby Close, De Verdon Road or Commercial Property Acquisitions.
  - include allocations in respect of service transformation, although this will be entirely funded by the freedoms awarded by the “Flexible Use of Capital Receipt” policy approved by Council in 2021/22.
- **2023/24 onwards**, the programme includes additional allocations for the Market Harborough and Lutterworth Leisure Centres, and significant allocations in respect of the acquisition and development of a new depot and cemetery at Market Harborough.

Summary of the Capital Programme						Table 7	
	Current Year	New Budget Year	MTFS				Total Capital Programme
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	£000
	£000	£000	£000	£000	£000	£000	
<b>Capital Projects Approved in Previous Years</b>	5,303	4,261	3,835	1,960	1,160	860	17,379
<b>New Capital Proposals</b>							
Frank Whittle Monument			75				75
The Symington Building: External Works		222	250				472
Welland Park Public Toilet Refurbishment		260					260
EV Charging Points (Car & Bike)		90					90
Finance & Assets System		430					430
New Depot					5,000		5,000
Cemetery: Market Harborough				1,000			1,000
Service Transformation (Flexible Use of Capital Receipts)		1,500					1,500
Hybrid Democratic Virtualisation	40						40
A Market Harborough Leisure Centre - Additional Funds			1,000	2,000	550		3,550
A Lutterworth Leisure Centre - Additional Funds			100	250			350
<b>Total New Capital Proposals</b>	<b>40</b>	<b>2,502</b>	<b>1,425</b>	<b>3,250</b>	<b>5,550</b>	<b>0</b>	<b>12,767</b>
<b>Total Capital Programme</b>	<b>5,343</b>	<b>6,763</b>	<b>5,260</b>	<b>5,210</b>	<b>6,710</b>	<b>860</b>	<b>30,146</b>
<b>Sources of Finance</b>							
External Funding & Grants	3,474	1,626	1,820	3,328	1,270	720	12,238
Capital Receipts	703	3,926	500	450	50	50	5,679
Service Charges	6	6	6	6	6	6	36
Direct Revenue Financing	250	630	100	0	0	0	980
Unsupported Borrowing (MRP/Capital Financing)	910	575	2,834	1,426	5,384	84	11,213
<b>Total Sources of Finance</b>	<b>5,343</b>	<b>6,763</b>	<b>5,260</b>	<b>5,210</b>	<b>6,710</b>	<b>860</b>	<b>30,146</b>
A This is the additional allocation to the Leisure Centre Redevelopment approved by Cabinet in September 2021. As noted in the report, the future contractor will reimburse the Council for the revenue capital financing cost. The total "gross" capital commitment at each site is as follows:							
	<b>Current</b>	<b>Additional</b>	<b>Total</b>				
	<b>£000</b>	<b>£000</b>	<b>£000</b>				
Market Harborough	5,200	3,550	8,750				
Lutterworth	650	350	1,000				
	<b>5,850</b>	<b>3,900</b>	<b>9,750</b>				

**Special Expenses**

- 3.12 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.
- 3.13 Special expenses have been calculated in accordance with the current policy. **Table 8** below shows the special expenses for 2022/23 which will be incorporated into the Council Tax calculations:

Special Expenses by Parish 2022/23					Table 8			
Parish	Charge for:				Variance			
	2022/23		2021/22		Change in Expense Between Years		Change in Individual Band D Charge	
	£	Per Band D Property (*)	£	Per Band D Property (**)	£	%	£	%
Blaston	327	11.08	329	11.71	(2)	-0.6%	(0.63)	-5.4%
Foxton	2,245	10.09	2,168	10.13	77	3.6%	(0.04)	-0.4%
Great Bowden	5,107	8.18	5,760	9.30	(653)	-11.3%	(1.12)	-12.0%
Great Easton	4,920	14.38	5,250	15.44	(330)	-6.3%	(1.06)	-6.9%
Lutterworth	43,296	11.73	41,847	11.47	1,449	3.5%	0.26	2.3%
Market Harborough	464,052	52.26	453,038	51.99	11,014	2.4%	0.27	0.5%
Saddington	3,085	17.16	3,270	23.96	(185)	-5.7%	(6.80)	-28.4%
Thurnby & Bushby	36,392	24.24	35,338	24.65	1,054	3.0%	(0.41)	-1.7%
Broughton Astley	14,421	4.32	13,876	4.24	545	3.9%	0.08	1.9%
Fleckney	1,188	0.73	1,172	1.74	16	1.4%	(1.01)	-58.0%
Great Glen	3,426	1.85	3,311	1.84	115	3.5%	0.01	0.5%
Scraptoft	5,580	5.35	5,391	5.54	189	3.5%	(0.19)	-3.4%
<b>Total</b>	<b>584,039</b>		<b>570,750</b>		<b>13,289</b>	<b>2.3%</b>		

NB  
 \* 2022/23 Council Tax Base  
 \*\* 2021/22 Council Tax Base

**4.1 Fees & Charges**

- 4.1 Fees & Charges for the forthcoming year, these are shown in **Appendix 2, Section 4/Annex A**. The main changes in Fees & Charges between 2021/22 and 2022/23 is an increase of 4.9% increase except for those Fees & Charges that are controlled by statute.

**5 ROBUSTNESS OF THE 2022/23 BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY 2023/24 TO 2026/27**

- 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 impact of the Coronavirus pandemic. 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 2022/23 the budget requirement is £13m, with a net contribution to reserves of £1.4m. However, some reserves are used, as permitted by government, and agreed by Council last year, to finance the second year of the “spreading” the Collection Fund deficit.
- 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 2022/23 the Council has sufficient reserves to meet a range of sensitivity scenarios. This also holds true for over the MTFS period except in the last year (2026/27).

➤ *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 good financial resilience as it has sufficient reserves to meet the first 4 years of the MTFS (barring a most pessimistic scenario) – this is a significant improvement compared to last year’s MTFS.

5.3 Councillors must however remain cognisant of the fact that the Council must have “continuous improvement” at the core of its service delivery model and that that it must deliver the results of the BC25 and transformation programme. Only in this will the Council be able to improve its self-financing and financial resilience be in a position 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. Such issues 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 increase, the Council may well have to stop some services to enable the delivery of core “last resort” services.

- iii. **capital investment.** At this time 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 from car parking due to the impacts of CV19. A systematic review is needed of all fees and charges, ensuring where services can be charged for that they are and to the maximum extent possible.
- v. **further increases in Council Tax.** It is recommended that Council increases Council Tax for 2022/23 by £5 and the MTFS has included a notional increase for each subsequent year. If the Council chooses not to increase its Council Tax annually in the years after 2023/23, this will have a structural impact on future income of the Council. Members should note that the government's own funding model assumes that each Council will increase its Council Tax by the maximum allowed.

However, in respect of commercial investment Cabinet should note that such activity has now been significantly curtailed by government so it should not be seen as the opportunity it once was. The government has imposed new controls on borrowing from the Public Works Loans Board 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 2022/23 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
- it’s prudent position relating to income recognition, including raising Council Tax to the permitted maximum,

....the budget proposed for 2022/23 should not give Members any significant concerns over the Council’s financial position.

5.5 With regard to the MTFS (2023/24 onwards):

- New Homes Bonus will have been removed as a source of central government funding by 2023/24;
- The Council is expecting a negative impact from the Fair Funding Review, although this has been delayed until 2023/24.

However, the Council has mitigated some potential risk from this review by including a negative funding adjustment;

...but the Council continues to face a not insignificant financial challenge towards the last two years of the MTFS. This is discussed earlier 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.

5.6 With regard to:

- i. **Service Transformation;** the Council must deliver the savings that have been identified from the Budget Challenge 2025 programme and continue with its broad transformation programme. It is expected that these proposals will impact on all aspects of service delivery; ranging from how the Council delivers its front-line services, supports these services, and delivers democracy.
- ii. **Coronavirus Pandemic;** the Council continues to be impacted by the CV19 pandemic, but it has introduced a number of budgetary mitigations to help manage its impact. Further, the Council is maintaining a £1m CV19 Internal Recovery Fund for the life of the MTFS to provide a safety-net of funding to help deliver future services.

### **CIPFA Resilience Index (Appendix 2, Annex B)**

5.7 Each year the Chartered Institute of Public Finance and Accountancy (CIPFA) issues its annual Resilience Index. The 2022 index, which reviews financial resilience based on the 2020/21 statement of accounts, was published on the 2<sup>nd</sup> February 2022, this is shown at **Annex B to Appendix 2**. In summary, the index for the Council fairly represents the position of the authority as at the 31st March 2021. Since then, the BC25 programme has concluded, identifying savings of £3.1m, it has introduced the ICT Strategy and the Flexible Use of Capital Receipts Strategy and undertaken a further budgetary review that includes propositions in respect of a review of the Council's target operating model and shared services proposals.

### **Sensitivity Analysis**

5.8 As a cautionary commentary, the sensitivity analysis shown in **Appendix 2**, Section 5 does show that if the most Pessimistic risk profile is followed, the Council will have insufficient reserves by 2026/27. The Council therefore needs to remain cognisant of the fact that although its financial position is significantly more robust than this time last year, it needs to continue with its programme of change to ensure that it remains on this path.

### **Conclusion**

5.9 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.

5.10 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, 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.32, 43 & 93, Local Government Act 1992) and supporting the Responsible Financial Officer in meeting his statutory responsibilities in respect of the proper administration of the Councils 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; these are in respect of both revenue and capital budgeting, and reserves management. With the continuation of the BC25 programme, there is the potential for changes in establishment and where such changes may occur, they will be managed via the Councils human resource policies.

## 8. Equality Analysis Implications/Outcomes

8.1 The equality implications arising from each of the BC25 reviews includes appropriate equality implications.

## 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 2022/23; it can only do this by it delivering the savings it has programmed into its revenue budget. However, it cannot provide a balanced budget for the entire period of the MTFS (i.e. 2025/26 and 2026/27). Further, to balance the latter years of the MTFS the Council has had to apply in excess of £2.5m in reserves.
- 9.3 To mitigate this risk, the Council has as 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)
- Parish and Town Councils; via the Council’s Parish Liaison Team,
- Residents and Members Newsletter, and the
- The Performance Scrutiny Panel on the 28th January 2021.

10.2 The consultation does not close until the 6<sup>th</sup> February, the day before the February Cabinet. This information will be tabled on the day for members (**Appendix 3**).

### **11 Background Papers**

11.1 There are no direct background papers for this report. However, the Councils website shows the earlier Draft 2022/23 Budget and MTFS (2023/24 to 2026/27) and the government website does show the financial settlement.