

Harborough District Council

Report to Council Meeting of 27 February 2023



Title:	2023/24 Budget and Medium-Term Financial Strategy (2024/25 to 2027/28)
Status:	Public
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Portfolio Holder:	Cllr James Hallam (Finance)
Appendices:	<ol style="list-style-type: none">1. Medium-Term Financial Strategy2. Changes between the Draft 2023/24 Budget & MTFS (2024/25 to 2027/28) to the Final 2023/24 Budget & MTFS (2024/25 to 2027/28) now presented to Council.3. Summary of Budget Principles Applied in respect of Services and Government Funding4. Schedule of Fees & Charges 2023/245. 2023/24 Special Expenses6. Reserves7. Capital Strategy8. Treasury Management Strategy and related documents9. Council Tax Resolution10. Response to Budget Consultation from Performance Scrutiny Panel on the 19 January 202311. Response to Budget Consultation from the general public12. Glossary of Terms13. Equalities

Executive Summary

- i. The Council is responsible for the prudent and lawful management of its financial resources. It achieves this by producing and implementing a balanced revenue budget on an annual basis, adopting a Medium-Term Financial Strategy (MTFS), and identifying a fully funded capital programme.
- ii. This report reflects that in comparison to 2022/23, the council's 2023/24 budget has seen:
 - a) A £907k (7.8%) increase in the net revenue budget to £12.5m.
 - b) A £3.9m (30%) increase in the budget requirement to £16.9m.
 - c) A £100k (3.9%) increase in government grant to £2.7m.
 - d) Growth in business rates receipts and a collection fund surplus.
 - e) The freezing of council tax at £177.97 (0%).
- iii. Whilst resources receivable from government grant and Council Tax have increased, the Council is not immune from the pay, price and demand pressures being experienced throughout the country. This means that the Council will need to deliver £4.5m of savings across the period of its MTFS to maintain a balanced budget position.
- iv. This budget report sets out the financial framework and strategy for aiding the delivery of the Council's Corporate Plan. Many of the proposals for the revenue budget and capital investment, including those over the medium-term, will enable the delivery of the Council's vision and outcomes.

Recommendations

Council is to determine the following recommendations "en-bloc" and:

1. APPROVE:

General Fund

- For 2023/24, the Council's net revenue budget requirement of £16.9m [paragraph 3.7, Table 1], including the budget allocations to portfolios as set out at Appendix 1 (Annex 1).
- The 10.1% increase in Fees and Charges for 2023/24 [paragraph 3.15 of the report], as set out at Appendix 4
- The planned net contribution to reserves of £4.4m to finance the budget requirement in 2023/24 [paragraph 3.7 of the report, Table 1]
- The Medium-Term Financial Strategy (2024/25 to 2027/28) [paragraph 3.7 of the report, Table 1] as set out at Appendix 1 (Annex 1), which includes forecasts on matters such as inflation and wage increases.

Capital Programme and Capital Strategy

- The Capital Programme 2023/24 to 2027/28 and its method of funding [Paragraph 3.26 of the report, Table 6]
- The Capital Strategy 2023/24 as set out at Appendix 7 [Paragraph 3.28 of the report and Appendix 6].

Reserves

- The Reserves Statement, including 2023/24 General Fund (Unallocated) Reserves of £2.5m [Paragraph 3.19 of the report, Table 5]

Council Tax, including resolution

- That the Council Tax Requirement for Harborough District Council's own purposes for 2023/24 (excluding Parish precepts) is £6,807,619. [Appendix 9]
- The following amounts be calculated by the Council for the year 2023/24 in accordance with Sections 30 to 36 of the Local Government Finance Act 1992 as amended (the Act):
 - a. £32,797,028 - being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) of the Act taking account of all precepts issued to it by Parish Councils;
 - b. £23,653,710 - being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) of the Act;
 - c. £9,143,318 - being the amount by which the aggregate at (a) above exceeds the aggregate at (b), calculated by the Council, in accordance with Section 31A (4) of the Act, as its Council Tax requirement for the year including special expenses items and Parish precepts [Item R in the formula in Section 32B of the Act]
 - d. £239.03 - being the amount at c above [Item R] divided by the amount of 38,251.46 [Band D equivalent, Appendix 9 1 (a) Item T above] in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year [Average Band D Council Tax including special expense items and Parish precepts];
 - e. £2,970,586 - being the aggregate amount of all special items (special expense items of the Council and Parish precepts) referred to in Section 34(1) of the Act
 - f. £161.37 being the amount at (d) above less the result given by dividing the amount at (e) above by Item T (38,251.46), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its areas to which no special item relates. [Band D Council Tax for

general expenses only excludes special expenses items and Parish precepts]

- g. Harborough District Council's element of Council Tax 2023/24 as set out at Appendix 9; being the amounts given by adding to the amount at (e) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at Appendix 9, 1(b), calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one or more special items relate.

- That the Harborough District Council's council tax level for a Band D equivalent of £177.97 [Paragraph 3.5 of the report] and each property band for 2023/24 be approved as set out in Appendix 9.

Special Expenses

- The Special Expenses for 2023/24 as set out at Paragraph 3.16 (Table 4) of the report and Appendix 5.

Treasury Management Strategy

- The Treasury Management Strategy as set out at Paragraph 3.29, Appendix 8;

2. **DELEGATE** to the Director of Resources, as the council's Chief Finance Officer, in consultation with the Leader of the Council and the Portfolio Holder for Finance & Assets, authority to:

- incorporate all outstanding precepts and levies once received from the relevant authorities.
- set aside sufficient sums in Earmarked Reserves as are considered prudent for both adequacy and purpose.

3. **NOTE:**

- The budget consultation process followed, and the feedback received set out at Appendices 10 and 11.
- The statement of the Director of Resources, as the council's Chief Finance Officer, that the Budget proposals for 2023/24 are robust and that the proposed level of reserves is adequate, as set out at in Appendix 1, Annex 3 to this report.
- The Council Tax base for 2023/24 adopted by Council on 19 December 2022:
 - of £38,251.46, [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended for the whole district];
 - for dwellings in those parts of its district to which one or more special items relates as listed at Appendix 5 and 9.

Reasons for Recommendation

The proposed recommendations address the Council's statutory obligations in respect of the management of public finances in furtherance of the vision and aim of the Council's corporate plan and are in accordance with the provisions of its Constitution.

Purpose of Report

- 1.1 This report presents to Council important financial information to allow it to agree:
 - 1.1.1 Council's 2023/24 budget (general fund revenue budget and capital programme);
 - 1.1.2 Medium-Term Financial Strategy (2024/25 to 2027/28); and
 - 1.1.3 Related documents intrinsically linked to the financial governance of the council.
- 1.2 The report provides technical financial information and assumptions, the evolution of which have been carefully considered by Cabinet on 5 December 2022, 16 January 2023, and 6 February 2023, and by the Performance Scrutiny Panel.

Background

- 2.1 The current financial climate for local government continues to be challenging. This report has been prepared against a background of uncertainty about government spending plans from April 2023, as well as the wider economic volatility in respect of rising demand, pay and prices. The council continues to work hard to protect the delivery of services in a way which is sustainable. Since the council set its 2022/23 budget the national economy has moved into a higher inflation environment which is having an impact across all services, with some services still seeing post-pandemic impacts; with the council forecasting a revenue overspend of [£810k](#) at quarter 2.
- 2.2 The local government finance settlement included an expected New Homes Bonus (NHB) payment of £1.7m, but no indication of future NHB. The council will also receive a new grant that guarantees a minimum increase in funding of 3%. In mid-January 2023 it was confirmed that the council would receive additional income because of the national non-domestic rates (NDR) revaluation. The additional income of £1.2m reflects the compounding impact of growth across the district, new rateable values and increases in the grant payable to the council under section 31 of the Local Government Act 2003 (s. 31 grant). Further, a little earlier in January it was confirmed that the council would receive an additional one-off £857k in business rates relating to three new buildings at Magna Park that came onto the rating list in December 2022.
- 2.3 The forecast position for the financial period to March 2024, as referenced in this report, recognises the requirement to make the council's budget more financially resilient and sustainable whilst providing increased resources to support demand led services within the council.
- 2.4 COVID-19 continues to fundamentally affect the way the council works – it has reduced the level of resources available to the council while providing opportunities for the council to evaluate how it should operate in the future. The budget proposals therefore recognise the ongoing impact of COVID on the district.
- 2.5 This report is structured as follows:
 - Section 1: 2023/24 Local Government Finance Settlement
 - Section 2: The General Fund Revenue Budget (including the Medium-Term Financial Strategy).
 - Section 3: The Proposed Capital Programme.
 - Section 4: Treasury Management

Section 5: Statement by the council's statutory officer for finance (the Director of Resources) that the Budget proposals for 2023/24 are robust and that the proposed level of reserves is adequate, as set out at Appendix 1, Annex 3 to this report.

2.6 The report is supported by the following Appendices:

Appendix 1: Medium-Term Financial Strategy (MTFS)

A detailed commentary on the entire MTFS period, which currently shows a surplus in years one and two and a deficit in years three, four and five.

Appendix 2: Changes between the Draft 2023/24 Budget & MTFS (2024/25 to 2027/28) considered by Cabinet to the Final 2023/24 Budget & MTFS (2024/25 to 2027/28) now presented to Council.

This is presented in a table to make it easier to identify changes.

Appendix 3: Summary of Budget Principles Applied in respect of Services and Government Funding

Appendix 4: Schedule of Fees & Charges 2023/24

This reflects statutory and discretionary fees.

Appendix 5: 2023/24 Special Expenses

The contribution sought from residents where the Council provides services provided by parish councils in other areas of the district.

Appendix 6: Reserves Strategy

The governance of the councils reserves.

Appendix 7: Capital Strategy

Capital expenditure is strictly defined and controlled - this appendix sets out how the Council will invest in capital projects.

Appendix 8: Treasury Management Strategy

Including relevant supporting documents:

- 8.1 Treasury Management Strategy and Prudential Indicators
- 8.2 Criteria for Investment of Surplus Funds
- 8.3 Interest Rates Forecasts
- 8.4 Economic Background
- 8.5 External Debt Analysis (Long Term Borrowing)
- 8.6 Counterparty List
- 8.7 Temporary Investment Report
- 8.8 Prudential Code Definitions
- 8.9 Flexible Use of Capital Receipts Strategy 2023/24

Appendix 9: Council Tax Resolution

- 9.1 Harborough District Council's Element of Council Tax 2023/24

Appendix 10: Response to Budget Consultation from Performance Scrutiny Panel on the 19 January 2023

Appendix 11: Response to Budget Consultation from the general public

Appendix 12: Glossary of Terms

Appendix 13: Equalities

Details

Section 1: 2023/24 Local Government Finance Settlement

- 3.1 The council's core funding allocations for the forthcoming financial year are announced annually by Government in the provisional local government finance settlement, usually in December. Following consultation, allocations were confirmed in the final settlement on 6 February 2023.
- 3.2 The settlement issued by the government is again a one-year settlement; effectively a roll-over budget reflecting the government's intention of ensuring stability over the next couple of years (LGA Finance Conference, January 2023).
- 3.3 In national terms the Local Government Finance Settlement for 2023/24 announced a 9.4% increase in [Core Spending Power in England](#), an increase over the Core Spending Power increase of 7.4% that occurred when the final settlement was announced for 2022/23. Core Spending Power is the overall level of resources government estimates is available for funding local authority services. The Core Spending Power increase for Harborough District is 4.8% (1.2% less than in 2022/23), compared to the County:
 - 3.3.1 the highest District was 5.3% (1 Council), lowest 4.6% (1 Council).
 - 3.3.2 county was 9.7%, and for the
 - 3.3.3 two unitaries, an average of 8.5%.
- 3.4 The key aspects of the settlement relevant to the council is discussed in Appendix 1 and summarised below:
 - 3.4.1 The **NHB** grant is a one-year allocation for 2023/24 of £1.7m. The government did consult on a replacement for NHB during 2021 but its replacement is not yet known. Considering that there is likely to be a general election in 2024 it is considered unlikely that this funding will be nil for 2024/25 so a reduced estimate has been included.
 - 3.4.2 The **Services Grant** is a one-year allocation of £69k in 2023/24 and no estimate has been included for future years.
 - 3.4.3 The **3% Funding Guarantee** is a new grant that guarantees all councils a minimum increase in funding before Council Tax. For 2023/24 this is £819k, and a minimal provision of £55k included for 2024/25.
 - 3.4.3 Shire District Councils can increase Band D Council Tax demands by the higher of 2.99% or £5.
 - 3.4.4 The **Business Rate multiplier** has not been increased for 2023/24, and over the MTFs only marginal increases have been included (0.6% per annum).

3.4.5 Following the onset of the pandemic and the expectation of collection fund losses, the government permitted local authorities to “spread” 2020/21 losses over the subsequent 3 years with 2023/24 being the last year of this spreading.

3.5 It is important to note that the government assumes in its Core Spending Power figures that the Council Tax base and Council Tax itself will increase; the latter by the maximum. In respect of:

3.5.1 **Council Tax:** Cabinet has proposed a 0% increase in its 2023/24 Council Tax Band D equivalent for 2023/24; thereby holding Council Tax at the same rate as 2022/23 (£177.97).

3.5.2 **Council Tax Base:** at Decembers Council meeting, Council approved a 2.3% increase in the Council Tax Base to 38,251.5 for 2023/24. This is a significant increase but reflects the growth that has occurred over the past year. For the MTFs, an annual increase is proposed based on the 5-Year Housing Supply.

3.5.3 the statutory **Council Tax Resolution** is attached at Appendix 9.

Section 2: The General Fund Revenue Budget (including the Medium-Term Financial Strategy).

2023/24 forecast outturn

3.6 The latest reported position on the General Fund revenue budget as at quarter 2 is an overspend of £810k; this was discussed at the 5 December 2022 Cabinet meeting ([Report](#) / [Appendix](#))

Proposed 2021/22 Revenue Budget and Medium-Term Financial Strategy (2024/25 to 2027/28)

3.7 Detailed commentary on the 2023/24 revenue budget is given in Appendix 1 and is summarised in Table 1 below.

Summary Consolidated Final Budget 2022/23 & MTFs (2023/24 to 2026/27)				Table 1		
	2022/23 Original Budget £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Net Cost of Services	11,064	12,053	12,470	13,380	14,224	14,546
Capital Financing	505	424	438	509	540	563
Net Expenditure	11,569	12,477	12,908	13,889	14,764	15,109
Reserves Contributions to/from Support Services	0	5,212	1,517	(438)	(1,020)	(1,057)
Other Net Reserves Contributions	1,428	(790)	(322)	(206)	(206)	(206)
Net Reserve Contributions	1,428	4,422	1,195	(644)	(1,226)	(1,263)
Budget Requirement	12,997	16,899	14,103	13,245	13,538	13,846
Total Grant	(6,344)	(10,091)	(6,938)	(5,741)	(5,677)	(5,614)
Council Tax Requirement	6,653	6,808	7,165	7,504	7,861	8,232

3.8 The key information in respect of the 2023/24 Budget and MTFS is shown below:

2023/24 Budget

- 3.8.1 **Net Expenditure: £12.5m**, which represents an additional £908k (7.8%) when compared to 2022/23.
- 3.8.2 **Net Reserves Contribution:** a net contribution to reserves of £4.4m
- 3.8.3 **Budget Requirement: £16.9m**, which represents a £3.9m (30%) increase when compared to 2022/23.
- 3.8.4 **Council Tax Requirement: £6.8m**, a net increase of £154k (2.3%) when compared to 2022/23.

MTFS (2027/28)

- 3.8.5 **Net Expenditure:** £15.1m, which represents a £2.6m (21.1%) increase when compared to 2023/24.
- 3.8.6 **Net Reserves Contribution:** a net contribution from reserves of £1.3m; £1.1m to meet the in-year forecast deficit and £206k to mitigate service costs. The first year within the MTFS where a deficit occurs is 2025/26 which requires a contribution from reserves of £644k; £438k to meet the in-year deficit and £206k to mitigate services costs.
- 3.8.7 **Budget Requirement:** £13.9m, which represents a £3.1m (18.1%) reduction when compared to 2023/24.
- 3.8.8 **Council Tax Requirement:** a net increase of £1.4m (20.9%) when compared to 2023/24. The MTFS has been modelled on a “notional” increase of 2.99% per Band D equivalent per annum.

3.9 With regard to service expenditure, the 2023/24 Budget and MTFS has been developed reflecting on the four approaches which are summarised below. This has been discussed extensively at Cabinet and Scrutiny in January and February with detailed commentary shown in Appendix 1 and summarised below:

- 3.9.1 **Service Income:** this primarily involves increases in fees and charges and corporate income related to investment. There have been reductions in Car Parking income (£216k) and Development Management income (£103k) to reflect the legacy impacts of the Covid Pandemic and the potential impact of recession respectively and increases in investment income (£400k) due to the increase in bank base interest rates.
- 3.9.2 **Service Savings:** there are a significant number of savings themes included within the budget. These include the embedding of savings accrued from:
 - 3.9.2.1 **Budget Challenge 2025**, the transformation programme that was held from September 2020 through to September 2021. These savings are embedded into the councils MTFS; this will be the last year that this process will be mentioned.
 - 3.9.2.2 **Target Operating Model Service Efficiency**, this is a saving attributable to how the council is operated. The original saving was £353k per annum, the balance yet to be achieved is £281k and remains within each year of the MTFS.

3.9.2.3 **General service savings** of £957k (£4.5m over the MTFs), these are detailed in [Appendix 3](#) of the draft budget that was reported to Cabinet in January 2023.

3.9.3 **Service Growth:** this is primarily due to:

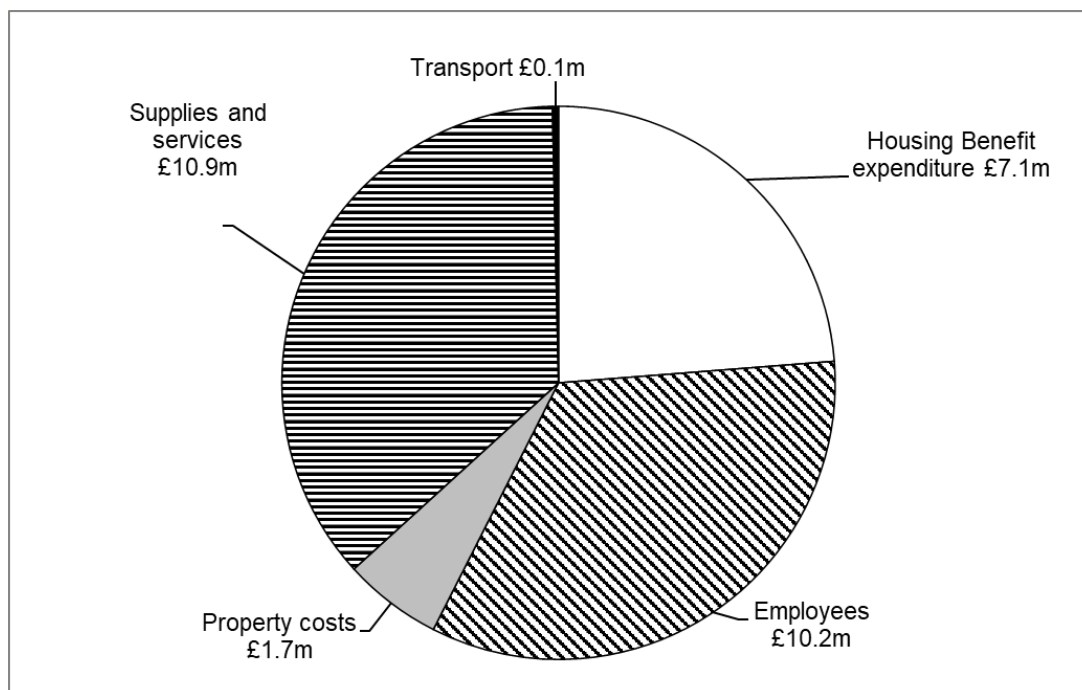
3.9.3.1 **Inflation**, with significant increases in utility costs (£42k) for council administrative buildings, utility costs relating to the new leisure contract from 2024/25 (£188k), the FCC waste and environment contract (£610k)¹ and Pay (£375k).

3.9.3.2 **Unplanned service budget changes**, because of the 2022 budget review process some additional costs needed to be included in the budget. These include the costs of the Netcall licence (£60k), Legal and Democratic system licence (£28k), higher external audit fees (£48k), additional contributions to the Leicestershire Revenue and Benefits Partnership (£62k) and additional project management resource (£116k).

3.9.4 **Capital Financing:** following a technical review of how the council finances its Capital Expenditure, Council approved a new Minimum Revenue Provision (MRP) Policy in December 2021 and this continues to award annual savings.

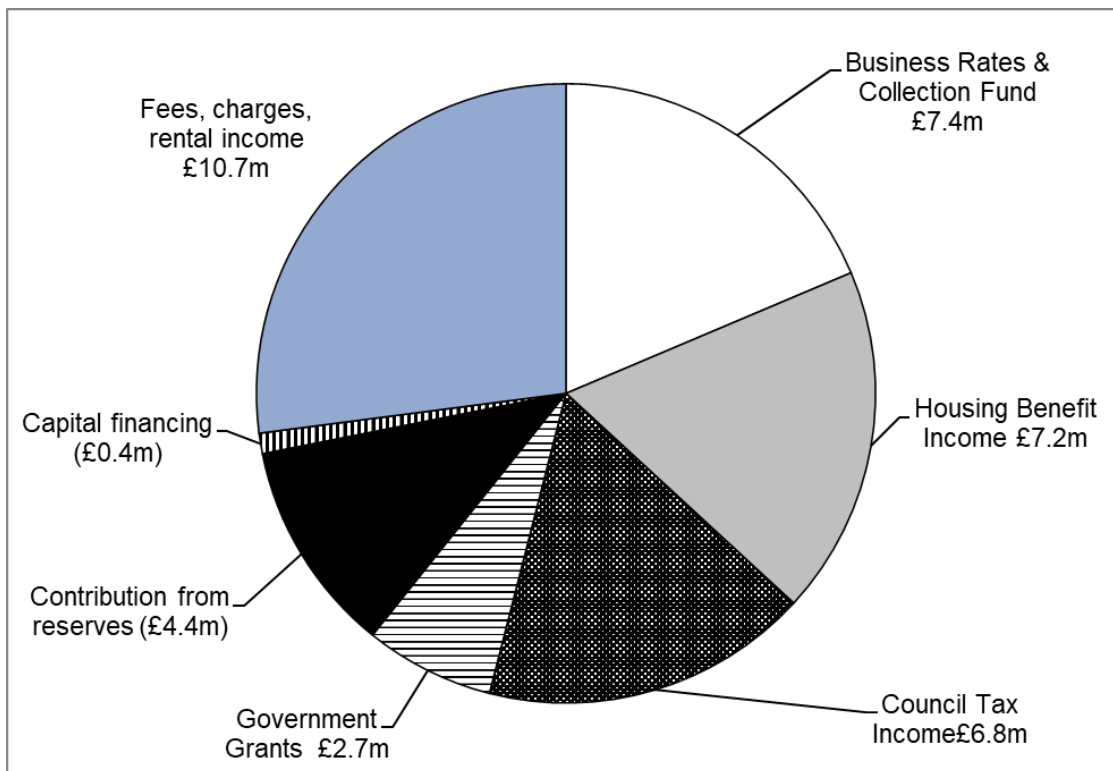
3.10 The proposed gross expenditure budget for 2023/24 is £30m including housing benefits (£7.1m). The pie charts below show how the gross expenditure budget will be spent and funded (detailed analysis in Appendix 1, Annex 1).

Chart 1 showing the General Fund Gross Expenditure Budget of £30m



¹ Table 2 of the [Draft Budget](#) shows the 2023/24 FCC net inflationary increase as £205k. The 2023/24 FCC increase is £610k when compared to the 2022/23 approved budget. However, when the 2022/23 budget-MTFs was approved, the 2023/24 year included an inflation assumption of £405k; therefore the adjustment needed is £205k to bring it to the now determined 2023/24 inflationary increase.

Chart 2 showing how the Gross Expenditure Budget is financed



* Business Rates: NDR of £5.8m and Collection Fund Surplus of £1.6m

3.11 In November, Cabinet approved its Budget Principles – the base assumptions on how the budget would be constructed. Appendix 3 shows how these have been applied to the budget and their impact along with the government funding announced in the financial settlement.

Changes between Original Budget 2022/23 and Final Budget 2023/24

3.12 It is important that members understand how the council’s budget has changed; both between the original budget of the preceding year (2022/23) to the draft budget (2023/24) presented to Cabinet in January and then how that transitioned to the final budget that was considered by Cabinet earlier this month and is presented to Council.

3.13 In respect of the changes between the approved 2022/23 Budget and the Final Budget for 2023/24, these have been reported in detail to Cabinet in January and February and reviewed by Scrutiny in January. A summary of the changes is shown in **Table 2** below.

Reconciliation of Budget Changes:		Table 2	
1) 2022/23 Budget to 2023/24 Base Budget		£000	£000
2) 2023/24 Base Budget to 2023/24 Final Budget			
1) 2022/23 Budget to 2023/24 Base Budget (*)			
2022/23 Budget Approved February 2022			11,064
Previously Approved Growth/Savings		(121)	
Previously Approved BC25 Savings		130	9
2023/24 Base Budget			11,073
2) 2023/24 Base Budget to 2023/24 Final Budget			
Net Expenditure	£000		
2023/24 Base Budget			11,073
<u>Budget Changes: Draft Budget (*)</u>			
- Pay increases	570		
- Service growth	(674)		
- Waste contract	205		
- Elections/Local Plan	372		
- Unplanned Pressures	499		
- Capital Financing	424	1,396	
<u>Budget Changes: Final Budget (**)</u>			
- Service Growth		7	1,403
2023/24 "Final" Net Expenditure Budget (**)			12,476
Reserves			
2023/24 Draft Budget (*)			2,594
Budget Changes: Final Budget (**)			1,829
2023/24 Final Budget (**)			4,423
Government Funding			
2023/24 Draft Budget (*)			(8,052)
Budget Changes: Final Budget (**)			
- NDR		(1,182)	
- Collection Fund		(857)	(2,039)
2023/24 Final Budget (**)			(10,091)
Council Tax			
2023/24 Draft Budget		7,011	(a+b+c+d)
2023/24 Final Budget		6,808	(1+2+3)
Change in Council Tax		203	
NB * - Draft Budget approved by Cabinet 16 January 2023; reviewed by Scrutiny 19 January 2023. ** - Final Budget approved by Cabinet 6 February 2023.			

3.14 Budgets are, by their very nature evolving financial management plans and as ever with such plans, changes routinely occur. The 2023/24 changes between the draft budget and the budget now presented to Council have resulted in a net reduction in Council Tax of £203k, along with additional contributions to reserves of £1.8m. This is summarised in Table 3 below and a detailed analysis is shown in Appendix 2.

Changes between Draft 2023/24 Budget & MTFS (2024/25 to 2027/28) and Final 2023/24 Budget & MTFS (2024/25 to 2027/28)		Table 3					
		Budget 2023/24 £000	Medium-Term Financial Strategy				Total
			2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	
Changes in Service Costs and Income	a	7	7	7	7	35	
Changes in Capital Financing		0	0	0	0	0	
Changes in Reserves	b	1,829	665	660	654	4,456	
Change in Grant (incl. NDR, NHB etc)	c	(2,039)	(885)	(891)	(896)	(5,613)	
Net Changes in Council Tax		(203)	(213)	(224)	(235)	(1,122)	

Fees and Charges

3.15 Each year the council is required to approve a schedule for Fees & Charges. This represents a 10.1% increase for non-statutory fees and charges. The schedule for 2023/24 is attached at Appendix 4. It should be noted that there are some income streams that have been increased by other amounts or not at all, by way of example:

3.15.1 **car parking charges** have not been increased due to the current strategic review of the service,

3.15.2 **green bin charges** have increased by £6 to ensure that the twin principles of full cost recovery and no cross-subsidisation from scheme non-participants and scheme participants is achieved, and

3.15.3 **lease rentals** at the Harborough Innovation Centre/Grow-On Centre which are subject to market determined prices.

Special Expenses

3.16 The overall Council Tax bill (excluding precepts) will separately show the Harborough District Council Element (charged to all residents in the district) and Special Expenses which relate to specific localities where the Council is providing services which are provided by Parish Councils elsewhere. Appendix 5 gives the proposed charges for Special Expenses for 2023/24 and Table 4 below provides a summary of how Special Expenses equates in the Council Tax bill.

Special Expenses - Redistribution by Parish Area							Table 4
Area within the District	Basic amount of HDC council tax before special expense redistribution a £	Redistribution of Special Expense			Parish element e £	Basic amount of Council Tax by Parish (1) f (a+d+e) £	Reconciliation of HDC council tax after special expense amount a-b £
		Total special expense amount in HDC budget to be redistributed b £	Redistributed special expense by parish area c £	Net special expenses adjustment d (b+c) £			
Blaston	177.97	(16.60)	9.85	(6.75)	0.00	171.22	161.37
Foxton	177.97	(16.60)	9.96	(6.64)	47.85	219.18	161.37
Great Bowden	177.97	(16.60)	8.05	(8.55)	60.53	229.95	161.37
Great Easton	177.97	(16.60)	14.87	(1.73)	37.55	213.79	161.37
Lutterworth	177.97	(16.60)	12.77	(3.83)	115.05	289.19	161.37
Market Harborough	177.97	(16.60)	53.60	37.00	0.00	214.97	161.37
Saddington	177.97	(16.60)	30.52	13.92	22.57	214.46	161.37
Thurnby & Bushby	177.97	(16.60)	25.20	8.60	55.45	242.02	161.37
Broughton Astley	177.97	(16.60)	4.70	(11.90)	112.13	278.20	161.37
Fleckney	177.97	(16.60)	0.41	(16.19)	99.18	260.96	161.37
Great Glen	177.97	(16.60)	1.65	(14.95)	132.03	295.05	161.37
Scraptoft	177.97	(16.60)	6.10	(10.50)	96.85	264.32	161.37
NB.							
(1) agrees to Appendix 9: Council Tax Resolution.							

3.17 Special expenses are applied when Harborough District Council provides a service in a parish (or unparished area) which is provided in other parishes by a town or parish council. Special Expenses are paid to the 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.

Reserves

3.18 In December 2022, Cabinet approved an updated Reserves Strategy. The strategy confirms the council's approach to the governance of reserves and was updated to reflect a minimum level of General Fund (Unallocated) Reserves of 20% of Net Expenditure.

3.19 Forecast balances at the end of each year of the MTFs are shown in Table 5 below. Reserves are also discussed at Appendix 1. This reflects the establishment of three new earmarked reserves; namely:

3.19.1 **Financial Sustainability**; the aim of this reserve is to smooth the expected budget gaps in the future years of the MTFs.

3.19.2 **Collection Fund**; the aim of this reserve is to mitigate future volatility in the collection of Council Tax and Business Rates.

3.19.3 **Corporate Plan & Strategy**; the aim of this reserve is to hold funds that will be released over the MTFs to implement projects/initiatives that are highlighted within the Corporate Plan.

Summary Reserves Statement for the Consolidated Final Budget 2023/24 & MTFS (2024/25 to 2027/28)				Table 5		
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
All numbers as at 31 March of each year	Original Budget					
	£000	£000	£000	£000	£000	£000
General Fund (Unallocated) Reserve	2,291	2,495	2,581	2,778	2,953	3,022
- Reserves at 20% of Net Expenditure	Yes	Yes	Yes	Yes	Yes	Yes
Earmarked Reserves						
Budget Surplus	0	0	0	0	0	0
CV19 Internal Recovery	2,157	0	0	0	0	0
Projects, Risk & Smoothing	3,794	2,631	2,742	2,853	2,964	3,075
Capital & Contract	748	2,427	2,427	2,427	2,427	2,427
Transformation	1,067	1,000	1,000	1,000	1,000	1,000
Financial Sustainability	0	2,956	2,956	2,321	1,126	0
Collection Fund	0	1,000	1,000	1,000	1,000	1,000
Corporate Plan & Strategy	0	723	1,110	248	52	0
Community, Economic & Infrastructure	1,872	1,000	1,000	1,000	1,000	1,000
Commercial Investment Reserve	2,857	1,229	1,113	1,113	1,113	1,113
Total Reserve Balances	14,786	15,461	15,929	14,740	13,635	12,637

3.20 It is a statutory requirement for the council to set a balanced budget and it achieves this for 2023/24; as shown in Table 1 it makes a net contribution to reserves of £4.4m.

3.21 However, in respect of the 5-years of the MTFS and the:

3.21.1 **“unplanned” use of reserves.** The council has a surplus budget for 2023/24 and 2024/25 and its net contribution to reserves is £5.6m. The intention is to apply such surpluses to meet future year deficits and to earmark funding to meet future Collection Fund Volatility and the costs of capital and revenue priorities within the Corporate Plan.

In respect of future year deficits, these occur between 2025/26 and 2027/28 and the council estimates to contribute £2.5m from reserves. The average annual reserves needed to finance these deficits is £838k. When the council set the 2022/23 budget, the average annual reserves need to finance the MTFS was £1.2m for each deficit year.

3.21.2 **Use of earmarked reserves,** over the MTFS, the council plans to commit £1.7m from earmarked reserves (an average of £346k per annum) to meet ongoing obligations in respect of costs relating to the local plan, elections, project management resources and the tax income guarantee (the government funding initiative awarded to councils in 2020/21 to enable them to smooth the losses on revenues collection resulting from the pandemic).

3.22 The Chief Financial Officer’s view on the robustness of the reserves position is given in section 5 of this report.

Section 3: The Proposed Capital Programme

Definition of capital expenditure

- 3.23 Capital expenditure is strictly defined as expenditure on the creation or enhancement of assets.
- 3.24 Unless expenditure qualifies as capital it will normally be charged to the revenue budget in the period that the expenditure is incurred. If the expenditure meets the definition of capital, there may be opportunities available to finance the outlay from capital receipts (income from selling assets), capital grants, section 106 money, or by spreading the cost over future years' revenue budgets by borrowing (capital financing / minimum revenue provision).

2022/23 revised budget

- 3.25 Council approved a capital programme in February 2022 of £30.8m for 2022/23. In July 2022, Cabinet approved capital carry forwards from 2021/22 into the current financial year of a further £4.3m.

2023/24 to 2027/28 Capital Programme and Capital Ambition

- 3.26 The proposed capital programme for 2023/24 to 2027/28 is summarised in Table 6 and shown in Appendix 1; it has also been reported to Cabinet and Scrutiny in January and Cabinet again in February. The capital programme totals £27.9m over the MTFS period; £9.8m being new capital proposals; including the four additional and one deleted capital projects.

Summary of the Capital Programme					Table 6	
	New Budget Year 2023/24 £000	Medium-Term Financial Strategy				Total Capital Programme £000
		2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	
Capital Projects Approved in Previous Years	5,300	7,660	4,210	860	0	18,030
New Capital Projects						
Depot - Additional Funds	2,500	2,500	0	0	0	5,000
Play Areas - reduced funding required 23/24-25/26	(80)	(80)	(80)	0	20	(220)
Welland Park Works	150	0	0	0	0	150
On-going Net call developments and enhancements (reduced funding requirement 23/24)	(55)	20	20	20	20	25
Replacement and new EV points	117	0	0	0	0	117
New AV equipment Council Chamber	20	0	0	0	0	20
Elections scanners	20	0	0	0	0	20
The Symington Building - Concierge	60	0	0	0	0	60
The Symington Building - Generator	90	0	0	0	0	90
The Symington Building - M&E works	15	0	0	0	180	195
The Symington Building - Secondary Glazing	0	150	0	0	0	150
Plowmans Yard Damp	50	0	0	0	0	50
Roman Way - 20% uplift for costs	136	0	0	0	0	136
Cemetery Footpath and boundary works	57	15	0	0	0	72
Cemetery Extension works (s106)	50	0	0	0	0	50
HIC M&E	0	15	0	0	140	155
Welland Park and Lutterworth New CCTV cameras (existing scheme but delayed - additional costs)	25	0	0	0	0	25
HIC Solar panels £77k (Direct Revenue Financing)	77	0	0	0	0	77
Environmental/Climate Change Grants	70	70	70	70	0	280
Market Hall Heating	80	65	0	0	0	145
LA Housing Fund - grant to Platform Housing	1,736	0	0	0	0	1,736
Biodiversity Projects Reserve	50	150	135	0	0	335
Enhanced Environmental & Climate Change	52	52	52	52	52	260
Parks and Open Spaces	50	100	140	0	0	290
Community Facilities	75	215	0	0	0	290
District Wide Flats Above Shops Scheme	78	78	78	79	0	313
Total New Capital Projects	5,423	3,350	415	221	412	9,821
Total Capital Programme	10,723	11,010	4,625	1,081	412	27,851
Sources of Finance						
Better Care Fund	420	420	420	420	0	1,680
External Funding/Other Grants	2,928	2,250	550	0	0	5,728
S106	500	658	300	320	360	2,138
Capital Receipts/FU Capital Receipts	3,752	465	(10)	50	0	4,257
Service Charges	6	6	6	6	0	24
Direct Revenue Financing	617	595	405	131	52	1,800
Borrowing (Internal: MRP/Capital Financing)	2,500	6,616	2,954	154	0	12,224
Total Financing	10,723	11,010	4,625	1,081	412	27,851

3.27 The sources of finance noted above are indicative at the time of approving the budget. The council currently is effectively “debt-free” but in time there might be a need to replace internal borrowing with external borrowing, which brings with it associated capital financing costs. However, with prevailing low rates of external borrowing, the council will need to consider the most cost-effective means of financing its capital expenditure and this might entail:

- wholly borrowing internally,
- wholly borrowing externally (either short or long-term), or a
- combination of both internal and external financing.

However, such decisions will be determined based on:

- prevailing treasury conditions at that time,
- the Councils approved Treasury Management Strategy, and the
- most cost-effective means of financing over the medium-term.

Capital Strategy

- 3.28 Council approved the Capital Strategy in February 2020, much of this document remains applicable to the 2023/24 Budget and MTFs (2024/25 to 2027/28) and only requires minor updating. The updated strategy is attached at Appendix 7 and one minor change is shown in Appendix 7.1.

Section 4: Treasury Management

- 3.29 Treasury Management is an intrinsic part of the budget; especially relevant to the financing of capital expenditure and budgets relating to interest and investment income; further explanation is shown at Appendix 8.

Section 5: Statement by the Council's Chief Finance Officer (the Director of Resources) that the Budget proposals for 2023/24 are robust and that the proposed level of reserves is adequate, as set out at Appendix 1, Annex 3 to this report.

- 3.30 Section 25 of the Local Government Act 2003 places specific responsibilities on the Chief Financial Officer (CFO) (also known as the s151 Officer / the statutory officer for finance / Responsible Finance Officer) to report on the robustness of the budget and the adequacy of proposed financial reserves when the Council is considering its budget requirement. The Council is required to have regard to this statement when it sets the budget.
- 3.31 In addition, the Chartered Institute of Public Finance and Accountancy (CIPFA) recommends that the CFO refers to:
- Treasury related items, including the range of prudential and capital indicators (Appendices 8 to 8.9).
 - financial resilience, primarily CIPFA's resilience index (addressed at Appendix 1, Annex 3).
 - Capital strategy and the associated prudential code and the deliverability, affordability, & the risks. (Appendix 7 and 8).

Detailed Commentary and Conclusion on the robustness of reserves.

3.32 A detailed commentary on the “robustness of reserves” is shown in Appendix 1, Annex 3. In summary, following extensive sensitivity analysis of potential risks and estimated uses of reserves it is fair to conclude that in respect of:

3.32.1 the use of the General Fund (Unallocated) Reserve, the Budget Surplus and some of the Earmarked Reserves, the Council should be able to absorb considerable additional financial risk. It should be noted however:

- it is unlikely that all these risks would occur all at the same time.
- where in future years drawdowns from reserves are considered; the Council needs to be cognisant that this will reduce the available funds to meet potential financing stresses towards the end of the MTFs. However, the Council needs to take a balance approach between investing in its community and securing longer term financial security.

3.32.2 the Council is not self-sufficient over the medium-term in respect of “income = expenditure” as there is an “unplanned” use of reserves in the last two years of the MTFs. However, it is fair to say that in respect of its total resource availability, other than in an extreme scenario, the Council can meet its medium-term financial commitments.

Conclusions

2023/24 Budget

3.33 Considering all the factors noted within the “Robustness” statement in respect of 2023/24, the CFO considers that the combination of the:

- Councils’ commitment to continue to find service efficiencies,
- the direction of travel in relation to governance,
- it’s clear intention to invest in services, and
- it’s prudent position relating to income recognition (including raising Council Tax),

the budget proposed for 2023/24 should not give Councillors any significant concerns over the Council’s financial position.

Medium Term Financial Strategy (2024/25 to 2027/28)

3.34 Regarding the period covered by the MTFs; at this point in time the Council does face some significant future funding risks:

- An expected reduction in NHB;
- the implications of Fair Funding and
- the ongoing issues pertaining to the localisation of Business Rates, and if,
- current levels of service are maintained, the Council is likely to continue to face a challenging financial future.

3.35 The Council has taken proactive action to address its budgetary concerns by undertaking two significant budget review processes as well as several other transformational and cost control initiatives. However, the current programme of change must continue and for the Council to achieve full financial sustainability and resilience

and be able to continue to invest in its local community, the Council will have to ensure that “continuous improvement” remains at the centre of its future service delivery model.

Implications

Corporate Priorities

- 4.1 This report promotes the corporate priority of being innovative, proactive, and efficient by delivering financial sustainability for the future. The budget and MTFS shows the available financial resources to deliver the council’s corporate priorities as well as the statutory services it is required to deliver. This year, the council has established a dedicated earmarked reserve to provide funding to meet specific corporate plan priorities.

Consultation

- 4.2 In preparing this report, statutory consultation requirements have been complied with, these have included:
- 4.2.1 formal consultation via the council’s website with the public (Appendix 11).
 - 4.2.2 continuous development discussions with Cabinet through the preparation of both a draft (16 January 2023) and final (6 February 2023) budget & MTFS prior to consideration by Council.
 - 4.2.3 consultation with the Performance Scrutiny Panel (19 January 2023) on the draft budget. This meeting was open to all members so they could participate in the review process.
 - 4.2.4 consultation with Unison (8 February 2023).
 - 4.2.5 ongoing consultation with services and respective portfolio holders as the budget was developed since August 2023.

Financial

- 4.3 During the budget development process, Financial Services has constructively challenged budget propositions with services to ensure that, as far as is possible, the proposed service estimates award the council value for money. During the year, finance business partners work closely with services and continue the approach of constructive challenge to ensure that the council makes every effort to meet its primary budget principles of:

“Committed to Financial Sustainability & Resilience to enable Community Investment”.

- 4.4 Throughout this report there is a detailed commentary on the changes from the 2022/23 budget through to the 2023/24 budget, as well as 4-year projection to complete the MTFS. As part of the review of financial governance last year there was a commitment to develop a Long-Term Financial Strategy (LTFS). However, with the recent inflationary increases and differing expert advice on how long the current macro environment will

continue such a strategy, at this time, could be detrimental to the effective delivery of both immediate and medium-term priorities. An LTFS will be developed during 2023/24 as market expectations crystalise.

4.5 Regarding:

4.5.1 **Revenue**, the council is planning for a surplus budget for 2023/24 and 2024/25, with a net surplus of £5.6m. This surplus has been generated due to a combination of strong financial control, leadership and management, continuous service improvement and transformation and the benefits of residential and business rate growth throughout the district. Such an approach is now bearing fruit as the surplus now permits members to have choices in the delivery of its corporate plan along with ensuring medium-term financial resilience. For 2023/24, the council has agreed to freeze Council Tax, but as shown in the MTFS, it has included a nominal increase in Council Tax for each year thereafter. It cannot be said that the council is financially sustainable because on a year-by-year basis its income does not equal expenditure. But by setting-aside surplus funds to meet future year deficits, which themselves include prudent budgetary estimates, has enabled the council to effectively manage budgetary risk and therefore awards it financial resilience.

4.5.2 **Capital**, the council has an ambitious capital programme totalling £27.9m, £9.8m of which are new projects introduced this budget round. There is a broad mix of capital propositions including essential works to enhance the value of its estate, ICT development, investments in leisure, the community and environmental / climate priorities and housing to meet both long and short pressures.

4.5.3 **Reserves**, the council has a pragmatic approach to reserves that is embedded within its reserve's strategy. By the end of 2023/24 it is estimated to hold reserves of £15.5m, with a slight increase in 2024/25 and then a general reduction to £12.6m by 2027/28. The council can maintain the General Fund (Unallocated) Reserve at the minimum 20% for the entire MTFS period.

4.6 The Budget and Policy Framework Procedure Rules are set out within the Constitution at part 4, section 3 and the Financial Procedure Rules for Officers at part 4, section 6 of the Constitution. The process followed in the development of this budget and MTFS, and its subsequent approval and monitoring throughout the year, is in line with the framework.

4.7 All members should consider the reflections of the s.151 officer in respect of the s.25 report in respect of "robustness of reserves". This is a statutory report, and it models various financial and budgetary risks to determine the financial stress that the council would be under and whether it could finance such scenarios.

Legal

4.8 Legal Services have been consulted in relation to the proposals contained within this report from the outset.

4.9 In the case of R (Buck) v Doncaster MBC [2012] the High Court confirmed that Council's role in budget setting is limited to the allocation of resources to meet the

authority's potential expenditure for the next financial year, which enables it to set an appropriate level of council tax.

- 4.10 The Director of Governance and Law, as Monitoring Officer, considers that the proposals set out within this report comply with the provisions of the above case. Further, the proposals meet the below statutory requirements to determine the amount of Council Tax for the forthcoming year and set a balanced budget:

4.10.1 S30 (6) Local Government Finance Act 1992 (the 1992 Act)

This section requires that Council Tax must be set before 11 March, in the financial year preceding that for which it is set. Failure to set a budget by this date does not of itself render the Council Tax invalid.

4.10.2 S31A the 1992 Act

This section sets out the calculations to be made in determining the council tax requirement, including contingencies and financial reserves. Failure to undertake the required calculations renders any Council Tax void and unenforceable.

4.10.3 S31B the 1992 Act

This section sets out the detail of the calculations required to meet the Council's obligations as at S31A.

4.10.4 S25 (1) Local Governance Act 2003 (the 2003 Act)

The Chief Finance Officer must report to Council on:

4.10.4.1 the robustness of the estimates made for the purposes of the calculations; and

4.10.4.2 the adequacy of the proposed financial reserves.

4.10.5 S25 (2) the 2003 Act

When the Council is considering calculations under S31A, it must have regard to a report of the Chief Finance Officer concerning the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves.

4.10.6 The Local Authorities (Functions & Responsibilities) (England) Regulations 2000 (as amended)

These Regulations set out what are to be the respective functions of Council and of the Executive. With regard to the setting of the budget and Council Tax for the forthcoming year, Regulations provide that the Leader formulates the plan or strategy (in relation to the control of the Council's borrowing or capital expenditure) and the preparation of estimates of the amounts to be aggregated in making the calculations under S31A of the 1992 Act. The approval of such plan or strategy/calculations is the responsibility of full Council.

- 4.11 This report supports the Council's adopted budget and policy framework as set out in the Constitution at Part 4, Section 3.

Environmental Implications

- 4.12 The Council has declared a climate emergency. This report addresses climate issues by including capital projects that will help to provide mitigate the impacts of climate change.

It should be noted that the council does not have any dedicated resource to deliver climate change mitigation, although it does have an officer whose role is to monitor the districts climate impact and performance.

Risk Management

- 4.13 The s.151 officers' independent assessment of the "robustness of reserves", the s.25 report, considers several risks and whether the council has enough reserves to meet these potential liabilities – the conclusion is that it does for 2023/24 and over the medium-term some of the scenarios do put the council into financial stress. However, it must be recognised that the assessment does anticipate a worst-case scenario because it is unlikely that all these risks would occur at the same time.
- 4.14 In respect of mitigation, the council will monitor and report its financial performance quarterly to Cabinet and then to Performance Scrutiny. The financial controls within the council are robust and subject to unfettered review by internal audit and managers are duly skilled and experienced to ensure compliance with agreed financial controls.

Equalities Impact

- 4.15 An equalities impact screening assessment has been undertaken and is disclosed at Appendix 13. In respect of the public consultation (Appendix 11) there were seven responses and they represented a mix of the demography of the council. Upon reflecting on the responses, the consensus was
- 4.15.1 there are some lessons to be learnt for when the budget reports are drafted for next year (71% of respondents),
- 4.15.2 there should not be an increase in Council Tax for 2023/24 (71% of respondents), and
- 4.15.3 that there should not be an allocation from the Community Fund to celebrate the Kings Coronation (57% of respondents).
- 4.16 There are no other no other equality impacts because of this report. The assessment is an iterative process, one that starts when services review their budgets through to when the consolidated final budget and MTFS is considered by Cabinet and then Council.

Data Protection

- 4.17 The seven data principles set out in the Data Protection Act 2018 have been complied with in the preparation of this report.

Alternative Options

- 5.1 As set out in the detailed main body of the report, the requirement to set a balanced budget is a statutory obligation. It is for Councillors to determine whether to approve the proposed final budget.

Recommendation

- 6.1 For the reasons set out within this report, it is recommended that the Council consider the recommendations set out at the start of this report.

Background Papers

- 7.1 Cabinet papers for Draft and Final Budget;
- 7.2 Scrutiny papers for Draft Budget.
- 7.3 Various background service budget review documents.
- 7.4 Published government papers relating to the provisional and final settlements.