

**Report to the Cabinet
Meeting of 6 February 2023**

Report Number:	1
Title:	Final Budget 2023/24 & the Medium-Term Financial Strategy (2024/25 to 2027/28) <i>"Committed to Financial Sustainability & Resilience to enable Community Investment"</i>
Status:	Public
Key Decision:	No
Report Author:	Clive Mason – Director of Resources (& s.151 officer)
Portfolio Holder:	Cllr James Hallam, Finance
Appendices:	<ul style="list-style-type: none"> • Appendix 1: Changes Between the Draft 2023/24 Budget & MTFS (2024/25 to 2027/28) and the Final 2023/24 Budget & MTFS (2024/25 to 2027/28) • Appendix 2: Consolidated Final 2023/24 Budget & MTFS (2024/25 to 2027/28) • Appendix 3: Equalities Analysis • Appendix 4: Summary of Budget Consultation (to be tabled at the meeting)

Executive Summary

- i. This report sets out the Councils Draft 2023/24 Budget and Medium-Term Financial Strategy (2024/25 to 2027/28) (MTFS) in respect of revenue, capital, and reserves.
- ii. 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 December 2023 the government issued their provisional financial settlement which awarded the Council New Homes Bonus of £1.7m and other grants in excess of £1m and in January 2023 the Council was notified that it would receive additional business rates income for 2023/24 because of:
 - a. new properties coming into the rating list at Magna Park, which contribute to has now generated a Collection Fund surplus of £1.6m, and
 - b. the implementation of the government’s business rates revaluation from April 2023.

- iii. In summary the Council has a surplus revenue budget for the first two years of the MTFS (£6.7m). Considering this, the Council is proposing to freeze Council Tax for 2023/24; thereby maintaining a Band D property at the same level as 2022/23 (£177.97); for subsequent years the Council is proposing a notional increase of 2.99% per annum.
- iv. Once the surplus has passed through the General Fund (Unallocated) Reserve it is proposed that it be allocated to three new Earmarked Reserves as follows:
 - a. £3m into a Financial Sustainability reserve. These funds will then be released over the last three years of the MTFS to meet the forecast annual deficit.
 - b. £1m into a Collection Fund reserve. These funds will be held to meet future volatility on the collection of Council Tax and Business Rates.
 - c. £2.7m into a Corporate Plan & Strategy reserve. These funds will be released over the five years of the MTFS to help support the delivery of priorities within the Corporate Plan.
- v. The changes between the Draft 2023/24 Budget considered by Cabinet in January and the Final 2024/25 Budget are highlighted below:
 - a. **Revenue**, an additional net contribution to reserves of £2m, this is due to additional:
 - i. **service expenditure** of £7k, which relates to the Councils share of the cost of a Business Continuity post that will be administered by the Leicestershire Resilience Forum, and a
 - ii. net **increase in the Non-Domestic Rates** estimates of £1.2m due to the implementation of the national business rates revaluation from April 2023
 - iii. net **increase in the Collection Fund** Surplus of £857k, which relates to a reduction in the Council Tax surplus of £244k following a prior-year adjustment to the 2022/23 precept and an increase in the Non-Domestic Rates surplus of additional £1.1m due to the Valuation Office Agency (VOA) notifying the Council that three properties came onto the rating list.
 - b. **Capital**, there are four additional and one deleted capital propositions totalling a net increase of £1.5m. The additions are in respect of:
 - i. **Local Authority Housing Fund** - the Council is the only District Council in Leicestershire to participate in this government initiative to buy homes for Afghan and Ukrainian refugees and other families in crisis. The Council will receive £1.7m from the government, but as it is a non-stock holding authority, it will provide a capital grant for the

£1.7m to a local registered social landlord who deliver the required number of homes. This will have a net-nil impact on the Council.

- ii. **Market Hall Heating** - the heating system in the Market Hall has failed in the food hall and in the main hall is close to failure. Immediate investment is needed to replace this equipment to ensure effective continuation of the facility, the estimated cost is £145k.
- iii. **Environmental/Climate Project Grants Scheme** - the Council is to provide a £70k allocation over the next 4-years (totalling £280k) to support the local community in developing projects that will help to support the environment and tackle climate change.
- iv. **Various Capital Projects** relating to the implementation of the Corporate Plan, an allocation of capital funding totalling £1.5m to support the delivery over various projects/initiatives that are identified within the Corporate Plan. It should also be noted, that a further £1.3m is to be applied to support revenue projects that will also support the delivery of the Corporate Plan.

The deletion is in respect of the **Market Hall Development**. The Council was not successful in its Levelling Up Fund (LUF) Bid and this project therefore has been removed (£2.1m).

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

Recommendations

That Cabinet:

A. recommends to Council the approval of:

- The **Fees & Charges Schedule (Appendix 2, Annex A)**; including the delegation to the S.151 officer, in consultation with the Portfolio Holder for Resources, to vary Fees & Charges throughout the year, with retrospective reporting to Council; and the
- **Consolidated Final Budget 2023/24 and Medium-Term Financial Strategy (2024/25 to 2027/28) at Appendix 2.**

	Report	Appendix 2
○ In respect of the 2023/24 Final Budget, this includes a		
▪ Budget Requirement of £16.9m	3.2 Table 2	1.6.1 Table 2
▪ Council Tax Requirement of £6.8m	3.2 Table 2	1.6.1 Table 2

<ul style="list-style-type: none"> ▪ Freeze Council Tax (0%) giving a Band D charge of £177.97 (2022/23; £177.97) 	3.3 (i)	1.4.6
<ul style="list-style-type: none"> ▪ Capital Programme of £27.9m. 	3.11 Table 5	1.5.2 Table 1
<ul style="list-style-type: none"> ○ In respect of the Medium-Term Financial Strategy, by 2027/28 a 		
<ul style="list-style-type: none"> ▪ Budget Requirement of £13.8m 	3.2 Table 2	1.6.1 Table 2
<ul style="list-style-type: none"> ▪ Council Tax Requirement of £8.2m 	3.2 Table 2	1.6.1 Table 2
<ul style="list-style-type: none"> ▪ “Notional” increase in Council Tax of 2.99% (and notionally for each year of the MTFS). 	3.3 (ii)	1.4.6
B. note the comments of the Interim Deputy Chief Executive (& s.151 Officer) in respect of the “Robustness of the 2023/24 Budget and Medium-Term Financial Strategy 2024/25 to 2027/28”.	5	5
C. comments on the Equalities Analysis (Appendix 3) in respect of implications of the Final Budget 2023/24 and MTFS (2024/25 to 2027/28)	8	N/a
Reasons for Recommendations		
To invite Cabinet to consider, discuss and comment on the Final Budget and MTFS prior to presentation to Full Council in the light of the consultation with stakeholders and the equalities analysis.		

1. INTRODUCTION

1.1 At the 16 January 2023 Cabinet meeting, Cabinet approved the Draft 2023/24 Budget & MTFS (2024/25 to 2027/28), in summary this included for:

i. **Services,**

- net expenditure of £12.5m, a net contribution to reserves of £2.6m and a Budget Requirement of £15.1m.
- by 2027/28, the Medium-Term Financial Strategy (MTFS) is showing a Budget Requirement of £13.2m,
- a Capital Programme of £8.7m for 2023/24, totalling £26.3m by 2027/28; with net capital financing (MRP) of £424k and £564k, respectively.

ii. **Corporate Financing,** for 2023/24;

- Non-Domestic Rates of £4.7m, increasing to £5.1m by 2027/28.

- the receipt of New Homes Bonus of £1.7m, an estimate of £1.1m for 2024/25 and then nil for each year thereafter.
- a net receipt of £1m from Other Grants reducing to £196k in 2024/25 and then £140k by 2027/28.
- a net surplus on the Collection Fund of £704k reducing to a deficit position of £213k by 2027/28.
- an increase in the Council Tax of 2.99% (£5.32), with a similar notional increase for each year of the MTFs thereafter.

iii. **Reserves,**

- maintaining a 20% minimum level of reserves for the General Fund (Unallocated) Reserve for the entire period of the MTFs,
- for 2023/24 and 2024/25, a net contribution to:
 - General Fund (Unallocated) Reserves of £4.2m (*), and
 - From earmarked reserves of £790k
- For 2025/26 to 2027/28, a net contribution from
 - General Fund (Unallocated) Reserves of £4.5m (*), and
 - Earmarked reserves of £618k.

** these amounts are netted off against opening balances within the General Fund (Unallocated) Reserve to eventually reside within a new earmarked reserve for Financial Sustainability.*

- iv. **Risk**, with the Council receiving a significant New Homes Bonus contribution this has helped the Council to mitigate some of the significant inflationary costs in the next few years. However, it should be noted that the Council is reliant on NHB to “balance” its budget and with the potential changes to local government funding from 2025/26 onwards this does pose a significant risk.

2. BUDGETARY CHANGES BETWEEN THE DRAFT AND FINAL 2023/24 BUDGET AND MTFs (2023/24 TO 2027/28).

- 2.1 Since the January 2023 Cabinet, there have been some changes to the Budget and MTFs, a detailed profile of the changes is shown in **Appendix 1** and summarised in Table 1 below. In effect there are four sets of changes:

Changes between Draft 2023/24 Budget & MTFS (2024/25 to 2027/28) and Final 2023/24 Budget & MTFS (2024/25 to 2027/28)		Table 1						
		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	7	35	
Changes in Capital Financing		0	0	0	0	0	0	
Changes in Reserves	b	1,829	665	660	654	648	4,456	
Change in Grant (incl. NDR, NHB etc)	c	(2,039)	(885)	(891)	(896)	(902)	(5,613)	
Net Changes in Council Tax		(203)	(213)	(224)	(235)	(247)	(1,122)	

a. Changes in Service Costs and Income

Shared Post for Business Continuity Planning;

All District Councils have agreed to co-fund a shared role within the Leicestershire Resilience Partnership who will co-ordinate Business Continuity Planning. The Councils annual contribution will be £7k. This was an omission from the Draft budget agreed by Cabinet in January.

b. Changes in Grant & Other Funding

There are two significant changes in respect of grants & other funding:

- i. **Non-Domestic Rates (NDR)**, when the draft budget was approved by Cabinet in early January this was based on the best known NDR income available at that time. By the end of January the Council is required to submit to government the statutory NDR1; however the Council received its NDR1 return from the Leicestershire Revenues & Benefits Partnership on the 24 January 2023 (the earliest the Council was able to receive it). The NDR1 is showing a net increase of £1.2m in business rates; the increase is due to the consequential impacts of the government's revaluation of all businesses from 1 April 2023 and s.31 grant that compensates for government policy. The £1.2m is net of a reduction of £500k to reflect an amount set-aside to meet the likely increase in appeals that businesses routinely make following any national revaluation. This increase in NDR represents an annual uplift from the draft budget NDR position.
- ii. **Collection Fund Surplus/(Deficit) (CFSD)** reported to Cabinet in January was based on Council Tax and Non-Domestic Rates collection information as at the end of 2022/23 Quarter 2. Now Quarter 3 information is available and following due analysis the surplus has increased by £857k to £1.6m, this is due to:
 - **Council Tax Surplus/(Deficit):** A £244k reduction in the Council Tax Surplus/(Deficit) due to an adjustment required to the 2022/23 Leicestershire County precept for

the prior year surplus; this gives a revised surplus of £231k.

- **Non-Domestic Rates (NDR) Surplus/(Deficit):** A £1.3m increase in the NDR Surplus/(Deficit) due to three developments at Magna Park that were notified to the Council in January by the Valuation Office Agency (VOA) who included them as rating growth in the December 2022 Rating List; consequently these properties fell into the Quarter 3 monitoring. It should be noted that one of these properties had a rateable value of £37.1m and that it is not prudent to include additions to (or deletions from) the rating list until changes are confirmed by the VOA.
- This is a 2023/24 only increase, there are no changes to future years CFSD estimates.

c. Change to Council Tax Proposal

In the draft budget, Cabinet proposed a 2.99% (£5.32) increase in Band D Council Tax. However, following the funding increases noted in (b) above, it is now proposed that this is shared with the wider Harborough community and that Council Tax is frozen for 2023/24, remaining at the 2022/23 Band D equivalent of £177.97 (0%) increase. This reduces the 2023/24 Council Tax Requirement from £7m (@ 2.99%) to £6.8m (@ 0%), a net reduction in Council Tax of £203k.

d. Changes in Reserves

The changes in (a) to (c) have a direct impact on reserves. Effectively the Council has a surplus in the service budget for both 2023/24 and 2024/25 totalling £6.7m, reducing to a net deficit budget from 2025/26 onwards that totals £2.5m over the remaining period of the MTFS.

To ensure that the 20% minimum level is maintained, the annual surpluses and deficits are passported via the General Fund (Unallocated) Reserve, which results in an allocation to reserves for 2023/24 and 2024/25 of £6.7m but an allocation from reserves from 2025/26 onwards of £3m. The respective allocations to and from reserves are highlighted below:

- i. 2023/24, the allocation to reserves is £5.3m; of this,
 - £3m is to be allocated to the Financial Sustainability Earmarked Reserve to meet the deficits from 2025/26 onwards.
 - £1m is to be allocated to a new Collection Fund Earmarked Reserve. The aim of this reserve is to protect the Council from potential future negative movements in the collection fund.

- £1.3m is to be allocated to a new Corporate Plan & Strategy Earmarked Reserve. The aim of this reserve is to provide funding to meet commitments included in the Corporate Plan.
- ii. 2024/25, the allocation to reserves is £1.4m and this will be directly allocated to the Corporate Plan & Strategy Earmarked Reserve.
- iii. Between 2025/26 and 2027/28 there will be an annual draw from the Financial Sustainability reserve of £635k, £1.2m and £1.1m respectively.

Consequences of Changes Proposed

2.2 It should be noted that the proposal to reduce the 2023/24 Council Tax from the 2.99% proposed in the Draft Budget to 0% in the Final Budget will have a medium-term compounded impact because future years Council Tax increases will be based on the previous year's lower base. Over the 5-years to 2027/28; if Council Tax is increased by:

- 2.99% per annum the total Council Tax collected = £38.7m.
- 0% in 2023/24, 2.99% per annum thereafter, the total Council Tax collected = £37.6m,

thus a cumulative loss of £1.1m.

3. FINAL BUDGET 2023/24 AND MEDIUM-TERM FINANCIAL STRATEGY (2024/25 to 2027/28)

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 2023/24 Budget & Detailed MTFS (2024/25 to 2027/28) 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 2023/24 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 2023/24 Budget and Medium-Term Financial Strategy** is summarised in **Table 2** below; a detailed analysis showing the movements between the Draft and Final Budget and MTFS is shown in **Appendix 2** (Section 1).

Summary Consolidated Final Budget 2022/23 & MTFS (2023/24 to 2026/27)	Table 2					
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Original Budget £000	£000	£000	£000	£000	£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)	(10,092)	(6,938)	(5,741)	(5,677)	(5,614)
Council Tax Requirement	6,653	6,807	7,165	7,504	7,861	8,232

- 3.3 The key messages to note in respect of the Final 2023/24 Budget and Medium-Term Financial Strategy (2024/25 to 2027/28) are as follows:

i. Final 2023/24 Budget

- **Net Expenditure** of £12.5m, an increase of:
 - £7k (0.1%) compared to the Draft 2023/24 Budget and MTFS.
 - £908k (7.8%) compared to the 2022/23 Budget.
- **Budget Requirement** of £16.9m, an increase of:
 - £1.8m (12.2%) compared to the Draft 2023/24 Budget and MTFS.
 - £3.9m (30%) compared to 2022/23.
- **Council Tax Requirement** of £6.8m, this reflects an increase of 0%, or the same for a Band D equivalent property as in 2022/23 (£177.97).
- **Net Contribution to General Reserves** of £5.2m.

ii. Medium-Term Financial Strategy, by 2027/28:

- **Net Expenditure** of £15.1m, an increase of £2.6m (21.9%) compared to 2023/24.

- **Budget Requirement** of £13.8m, a reduction of £3.1m (18.1%) compared to 2023/24.
- **Council Tax Requirement** of £8.2m, this reflects an annual notional increase of 2.99% in Council Tax for 2024/25 and each subsequent year of the MTFS along with 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 surplus generated in 2023/24 and 2024/25 to finance the deficit in the last 3-years of the MTFS. It is fair to say however, that the gap in the final three years of this MTFS has effectively levelled out at circa £1m, which is £1m less than the final year of last year's MTFS (£2m) – this is a fair indicator that, based on current assumptions, the future cost pressures within services are now known, controlled and can be more effectively managed.

3.4 Detailed operational budgets are shown in **Appendix 2, Section 2. Table 3** below shows a detailed subjective analysis of the net expenditure Budget for 2023/24:

Subjective Analysis for the 2023/24 Budget		Table 3		
2022/23 Net £000	Subjective Analysis	2023/24		Net £000
		Expenditure £000	Income £000	
9,460	Employees	10,128	0	10,128
1,747	Premises	1,734	0	1,734
100	Transport	105	0	105
7,919	Supplies & Services	8,966	0	8,966
2,371	Third Party Payments (*)	1,933	0	1,933
95	Transfer payments	35	0	35
91	Housing Benefit	7,136	(7,235)	(99)
(10,719)	Fees & Charges, Rental Income etc		(10,749)	(10,749)
11,064		30,037	(17,984)	12,053

NB.
* mainly payments to other local authorities for various services

Reserves

3.5 The Council's Constitution is unclear 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 (as confirmed in the budget definitions adopted by Cabinet on 5 December 2022 when considering the 2023/24 Budget & MTFS - Budget Principles & Reserves Strategy report).

3.6 In December 2022 Cabinet approved an updated Reserves Strategy ([Report / Appendix](#)), which included a minimum level of General Fund (Unallocated) Reserves to be set at 20% of Net Expenditure (Net Expenditure being the total of service and capital finance) (Para 5.1 of the aforementioned appendix).

Impact on Reserves of the 2023/24 Final Budget and MTFS (2024/25 to 2027/28)

- 3.7 Surpluses (or deficits) in funding are adjusted via contributions to or from reserves; in the Summary Consolidated Budget shown at **Table 2** this is shown against the line entitled “Net Reserve Contributions”.
- 3.8 **Table 4** below summaries the impact of the 2023/24 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 2023/24 & MTFS (2024/25 to 2027/28)	Table 4					
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Original Budget £000	£000	£000	£000	£000	£000
All numbers as at 31 March of each year						
General Fund (Unallocated) Reserve - Reserves at 20% of Net Expenditure	2,291 Yes	2,495 Yes	2,581 Yes	2,778 Yes	2,953 Yes	3,022 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 Transformation	748	2,427	2,427	2,427	2,427	2,427
Financial Sustainability	1,067	1,000	1,000	1,000	1,000	1,000
Collection Fund	0	2,956	2,956	2,321	1,126	0
Corporate Plan & Strategy	0	1,000	1,000	1,000	1,000	1,000
Community, Economic & Infrastructure	0	723	1,110	248	52	0
Commercial Investment Reserve	1,872	1,000	1,000	1,000	1,000	1,000
	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

- 3.9 In the Final 2023/24 Budget and MTFS (2024/25 to 2027/28), the Council is forecasting a balanced budget for 2023/24 through to 2027/28 – primarily due to the surplus generated in the revenue budget for 2023/24 and 2024/25 (£6.7m). These surpluses will be set-aside into a Financial Sustainability Earmarked Reserve (agreed when the Draft budget was approved). In respect of the MTFS, the council continues to maintain its 20% minimum level for the General Fund (Unallocated) Reserve through to 2027/28. However, from 2025/26 onwards the Council has to use £2.5m of reserves to ensure that the General Fund (Unallocated) Reserve is maintained at the 20% threshold. In addition, the Council intends to set-aside funds into two new Earmarked Reserves, the first to meet potential future volatility in the Collection Fund and the second to hold funds to support a range of projects that will support the delivery of various projects committed to in the Corporate Plan.

➤ *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 5** below. Members should note that the programme over the MTF5 totals £27.9m. Compared to the Draft budget approved by Cabinet in January 2023, the programme now includes several additional capital propositions and one deleted project that gives a net increase in the capital programme of £1.5m.

a. The **additions to the capital programme** total £3.6m:

- i. £280k in respect of an **Environmental/Climate Change Grant Scheme**. This proposition is a Council administered grant scheme to support the local community in environmental improvement. The details of the scheme are yet to be determined and will be agreed by the Cabinet in due course, but it is expected that the core elements of the scheme will include the following:
 - Be a 4-year scheme.
 - An annual allocation of £70k.
 - Award a minimum of £10k per grant giving a maximum of seven grants per annum.
 - Provide a maximum contribution of 50% for each initiative/project (the minimum project size being £20k; requiring a 50% match-funding contribution).

The grant scheme will be financed by internal borrowing.

- ii. £145k in respect of a **New Heating System at the Market Harbourough Market Hall**. In January, the system failed, and it is

uneconomic to repair so a complete replacement is needed. This system will be financed by capital receipts.

- iii. £1.7m in respect of the “[Local Authority Housing Fund](#)”, a government initiative to support the housing needs for Ukrainian and Afghan refugees and other families in housing crisis.

In late December 2022, the government notified the Council that it is one of two councils in Leicestershire that will receive government funding to help it secure the purchase of fourteen houses to support refugees. Following an initial analysis based on the scheme guidelines:

- if the Council were to directly provide the required housing it would have to provide £2.9m of capital finance from within its own resources; such a contribution would significantly impact on its current and proposed capital programme.
- it is considered that there would be significant viability issues because the rental income would not exceed the cost of external borrowing (even if the borrowing was over 60-years), this is without considering the typical costs of managing residential properties on a day-to-day basis (e.g. costs of management, voids, and maintenance).

However, following discussions with a local registered social landlord, they have indicated that they would be willing to provide the required housing (both in number and type of housing) providing they receive all the £1.7m funding from the government (no Council contribution required). This transfer of funding would be a capital grant.

The Department for Levelling Up, Communities and Housing (DLUCH) have confirmed that the above is a permitted approach. On the assumption that this approach is acceptable, both the government funding (income) and capital grant (expenditure) will be recognised in the capital programme – the net impact to the Council being “net nil”.

£1.5m in respect of **various capital projects relating to the implementation of the Corporate Plan**. The projects to be supported are not yet fully defined but are likely to support the development of biodiversity projects, community facilities and a pan-district residential scheme to support town and village centres and an enhanced environmental and climate change grants scheme.

As well as the capital projects noted above, the surplus budget is also facilitating the development of several revenue projects. The expected allocation is circa £1.3m and will support the development of the Lutterworth and Market Harborough Masterplans, the implementation of the Young Persons, Older Persons and Rural

Strategies and provide project support to deliver these revenue and capital projects.

- b. The **deletion from the capital programme** is in respect of the Councils bid for Levelling-Up (LUF) funding. The Council was notified in January that its bid was not successful and therefore the £2.1m allocation is to be removed.
- c. A reconciliation of the Draft to Final Budget Capital Programme is shown below:

			2023/24	2024/25 to 2027/28	Total
			£000	£000	£000
Draft Budget: Capital Programme			8,729	17,614	26,343
Additions to Capital Programme	a (i)	Environmental/ Climate Change Grant Scheme.	70	210	280
	a (ii)	New Heating System at the Market Harborough Market Hall.	80	65	145
	a (iii)	Local Authority Housing Fund	1,736	0	1,736
	a (iv)	Projects relating to the implementation of the Corporate Plan	305	1,183	1,488
Deletion from Capital Programme	b	Market Hall (dependent on LUF funding)	(197)	(1,944)	(2,141)
Net changes in capital programme			1,994	(486)	1,508
Final Budget: Capital Programme			10,723	17,128	27,851

Summary of the Capital Programme						Table 5
	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 Flates 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

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 6** below shows the special expenses for 2023/24 which will be incorporated into the Council Tax calculations:

Special Expenses by Parish 2023/24 - Variance Analysis Between Years							Table 6	
Parish	Charge for:				Variance			
	2022/23		2023/24		Change in Expense Between Years		Change in Individual Band D Charge	
	£	Per Band D Property (*)	£	Per Band D Property (**)	£	%	£	%
Blaston	327	11.08	334	9.85	7	2.1%	(1.23)	-11.1%
Foxton	2,245	10.09	2,319	9.96	74	3.3%	(0.14)	-1.3%
Great Bowden	5,107	8.18	5,056	8.05	(51)	-1.0%	(0.13)	-1.6%
Great Easton	4,920	14.38	5,087	15.69	167	3.4%	1.31	9.1%
Lutterworth	43,296	11.73	47,891	12.77	4,595	10.6%	1.04	8.9%
Market Harborough	464,052	52.26	505,496	53.60	41,444	8.9%	1.34	2.6%
Saddington	3,085	17.16	3,327	30.52	242	7.8%	13.36	77.9%
Thumby & Bushby	36,392	24.24	39,135	25.20	2,743	7.5%	0.96	4.0%
Broughton Astley	14,421	4.32	15,878	4.70	1,457	10.1%	0.38	8.8%
Fleckney	1,188	0.73	726	0.41	(462)	-38.9%	(0.32)	-43.4%
Great Glen	3,426	1.85	3,128	1.65	(298)	-8.7%	(0.20)	-10.7%
Scraptoft	5,580	5.35	6,570	6.10	990	17.7%	0.74	13.9%
Total	584,039		634,947		50,908	8.7%		
NB								
* 2022/23 Council Tax Base								
** 2023/24 Council Tax Base								

4. FEES & CHARGES

- 4.1 Fees & Charges for the forthcoming year, these are shown in **Appendix 2**, Section 4 **Annex A**. The main change in Fees & Charges between 2022/23 and 2023/24 is an increase of 10.1% except for those Fees & Charges that are controlled by statute.

5 ROBUSTNESS OF THE 2023/24 BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY 2024/25 TO 2027/28

- 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 any residual impacts of the Coronavirus pandemic or the current inflationary environment.

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 2023/24 the budget requirement is £16.9m, with a net contribution to reserves of £5.2m. However, some reserves are used, as permitted by government, and agreed by Council last year, to finance the third (and last) year of the “spreading” of 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 2023/24 the Council has sufficient reserves to meet a range of scenarios. This also holds true over the MTFS period except in the last year (2027/28).

➤ *Self-Financing*

5.2 In respect of the Council becoming self-financing, it cannot be said that over the MTFS income = expenditure as it does need to use “unplanned” reserves by 2025/26. However, it can be concluded that it maintains fair financial resilience as it has sufficient reserves to meet future years deficits.

5.3 However, the Council is heavily reliant on the benefits it accrues from housing growth and if this were to reduce or the government was to change its funding regime the Council would very quickly face into significant funding issues. Consequently, members must ensure that the Council:

- continues to strive to ensure all services are “continuously improving” and that such an approach is central to its service delivery model,
- delivers on its previously agreed and current proposed savings, and
- ensures that its ICT and other transformation programmes are achieved.

The Councils “Consolidated MTFS” assumes all the above are achieved and that housing growth related funding (New Homes Bonus) is curtailed from 2025/26, which inevitably means that the Council is facing into significant funding shortfalls. The Council can make further direct service savings, but this does mean that services will have to be curtailed or stopped altogether. The alternative is further collaboration; this can either be by ad-hoc direct sharing of services or by taking a more strategic approach and formally partnering with another local authority. The latter will allow the authority to deliver services in a more holistic, controlled manner rather than what would be possible via a “piecemeal, service-by-service” approach. Only by being innovative and welcoming of change will the Council be able to:

- improve its self-financing and financial resilience,

- be 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. The types of service etc risks that the Council may have to face into include:

- i. **providing services at reduced service standard.** Local Authorities are proud of delivering high quality services to their communities; however, quality comes at a cost and in the end, councillors may have to consider some element of reduced service provision.
- ii. **stopping services.** If funding continues to fall and service demand increases, the Council may well have to stop some services to enable the delivery of core “last resort” services.
- iii. **capital investment.** Currently the Council is relatively healthy in respect of capital resources. However, strict control will be needed to ensure that these resources are invested for the benefit of the local community; to either reduce net revenue cost or support the development of infrastructure redevelopment.
- iv. **increasing fees & charges.** The budget includes proposals to increase some fees & charge, but also includes a reduced income profile from car parking and development management due to the impacts of CV19 and early indications of a slow-down in the housing market. Over the past few months the Council has taken a more systematic review of its fees and charges, with more being increased by specific rates of increase rather than a more general increase; this approach should continue during the next year.
- v. **increases in Council Tax.** The proposal is to freeze Council Tax for 2023/24 (0% increase), thus maintain it at £177.97 which is the same as applied in 2022/23 for a Band D property. In respect of the MTFs, the proposal is to apply a notional increase of 2.99% for each subsequent year. By choosing not to increase Council Tax introduces a compounded structural income loss into its funding, the net loss to the Council for 2023/24 is £203k (compared to what would have been generated if the Council has increased to 2.99%) and over the MTFs this loss is £1.1m. Consequently the Council should make every endeavour to avoid this as it currently is facing an annual deficit budget from 2025/26 onwards. Members should note that the government’s own funding model (Core Spending Power) assumes that each Council will increase its Council Tax by the maximum allowed.

Cabinet should note that the government has imposed restrictions on local governments participation in commercial activity, especially property investment. The controls imposed are in respect of borrowing from the Public Works Loans Board (PWLB) in that if the Council has anywhere within its capital plans any commercial (for yield) investment; access to PWLB finance will not be possible – and this would also bar the Council from borrowing for non-commercial development i.e. all capital investment must have a clear purpose that is not predicated on income generation (for yield).

5.4 Considering all the factors noted within the “Robustness” statement in respect of the 2023/24 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,

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

5.5 With regard to the MTFS (2024/25 onwards):

- New Homes Bonus will have been removed as a source of central government funding by 2025/26;
- By introducing a notional increase in Council Tax from 2024/25 onwards, the Council is indicating that it is still ensuring that it can maximise income to ensure the delivery of services.
- The Council is expecting a negative impact from the Fair Funding Review, although this has been delayed until 2025/26. However, the Council has mitigated some potential risk from this review by including a negative funding adjustment;

Consequently, the Council continues to face a not insignificant financial challenge over the last three 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 over the past and current budget rounds 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 changes in customer behaviour because of the CV19 pandemic (i.e. car parking) and it has introduced budgetary mitigations to help manage these longer-term impacts.

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 latest version of the index is 2022 and was issued by CIPFA in early January 2023. The index considers the 2020/21 Statement of Accounts, the last set of accounts that have been signed by the external auditor and 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.

Sensitivity Analysis

5.8 As a cautionary commentary, the sensitivity analysis shown in **Appendix 2**, Section 5 does show that the Council can maintain financial resilience in a worst-case scenario – but it would have to apply all its non-risk/uncommitted earmarked reserves to maintain service deliver if the broad range of risks were to occur (although it should be noted that it is unlikely that all the identified risks would occur at the same time). The Council therefore needs to remain cognisant of the fact that although its financial position is now significantly more robust than in 2020, it needs to continue with its programme of change to ensure that it remains on this path.

Conclusion

5.9 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, collaboration, transformation, and continuous improvement.

6. Legal Issues

- 6.1 This report supports the Council in its statutory responsibilities in respect of delivering a balanced budget (s.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 and address both the revenue and capital impacts and reserves management. The BC25 programme and subsequent budgetary reviews, ongoing budget management and effective financial control demonstrates the Councils commitment to achieving financial resilience and sustainability. Further, with a rapidly changing financial environment the Council may need to “pivot” relatively quickly to accommodate such change, the sensitivity analysis shows that it has the scope and ability to do this. As demonstrated through the pandemic it is also fully agile to be able to redeploy its workforce to meet unforeseen and unexpected challenges. However, not increasing Council Tax does have an impact on future years due to subsequent years being calculated on a lower previous year. It is estimated that over the proposed MTFS the loss in resources is £1.1m.

8. Equality Analysis Implications/Outcomes

- 8.1 The equality implications arising from the proposals in respect of changes to services, the 2023/24 Budget and MTFS and Council Tax are considered and shown in **Appendix 3**. The Councils services are broad and they impact widely across its community. However, the budget and MTFS reflect the corporate plan and the impact of changes in resource have been considered including increases in some service areas where they directly support the Councils communities.
- 8.2 To directly support its communities through the current cost-of-living crisis the Council is proposing to freeze Council Tax for 2023/24 at the same level for a Band property as in 2022/23 (£177.97). Although this will have a future impact as the one-year reduction can never be recovered the Council is proposing a notional increase in its Council Tax from 2025/26 onwards.

- 8.3 As a consequence of the surplus budget for 2023/24 and 2024/25 it is proposing to not only use this to meet future years planned deficits and collection fund risks – thereby mitigating future funding risks and supporting the delivery of future service provision to all – it is also proposing to invest some of the surplus into a broad range of revenue and capital projects/initiatives that will support the delivery of a broad range of priorities identified within the corporate plan.

9. Risk Management Implications

- 9.1 Specific risk issues, and associated sensitivity analysis are presented throughout this report and appendices, including the Responsible Financial Officers commentary in respect of the “Robustness of Reserves” as s.25, Local Government Act 2003.
- 9.2 Although the Council can present a balanced budget for 2023/24; it can only do this by it delivering the savings it has programmed into its revenue budget. However, with the use of its reserves it can provide a balanced budget for the entire period of the MTFS (i.e. 2025/26 to 2027/28)– however, members should note that the reserves that it will be applying are those that it will set-aside from the surplus budgets generated in 2023/24 and 2024/25.
- 9.3 To help further mitigate service risks, 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 19 January 2023.
- 10.2 The consultation does not close until the 6 February 2023, 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 Draft 2023/24 Budget and MTFs (2024/25 to 2027/28) and the government website does show the financial settlement.