

# Medium Term Financial Plan 2024 - 2028 and General Fund Budget 2024-25



<b>Report to:</b>	Cabinet
<b>Date:</b>	15 February 2024
<b>Portfolio Holder:</b>	Councillor James Leppard, Portfolio Holder for Finance and Governance
<b>Lead Officer:</b>	Simon Freeman, Deputy Chief Executive and Director of Finance (01279) 446228
<b>Contributing Officers:</b>	Jacqueline Van Mellaerts, Assistant Director – Finance (01279) 446251 Senior Management Board (01279) 446676
<b>Key Decision:</b>	Yes
<b>Forward Plan:</b>	Forward Plan number I015983
<b>Call In:</b>	This item is not subject to call in procedures as it stands as a recommendation to Full Council
<b>Corporate Priorities:</b>	All Corporate Priorities
<b>Wards Affected:</b>	No ward specifically

**RECOMMENDED** that Cabinet recommends to Full Council that:

- A** The Medium-Term Financial Plan 2024 - 2028, and the General Fund Budget for 2024/25 attached as Appendix A to the report, is approved.
- B** The Council's Band D Council Tax for 2024/25 is set at £288.90 representing a 0% increase as set out in the 2024/25 Medium Term Financial Plan.
- C** The General Fund estimates for 2024/25, as set out in Appendix B to the report, are approved.
- D** The proposed transfers between the General Fund and Earmarked Reserves, referred to within the report and set out in Appendix A to the report, are approved.

- E The proposed Fees and Charges, as set out in Appendix C to the report, are approved.
- F The Pay Policy Statement, as set out in Appendix E to the report, is approved.

### **Reason for decision**

- A To enable Cabinet to consider the current factors influencing the four-year Medium Term Financial Plan and agree the financial strategy for the period 2024/25 to 2027/28 in support of the overall financial plans of the council over that period and the delivery of its priorities.
- B To agree a budget proposal for the 2024/25 financial year (Including pay policy statement) which supports the delivery of the key themes and objectives set out within the new Corporate Plan.

### **Other Options**

- A Considerations of other options do not apply; the agreement of the Budget policy framework for the council is laid out in the council's constitution and is a matter for determination by Full Council.

### **Background**

1. The new Medium-Term Financial Plan (MTFP) covers the financial planning period 2024/25 to 2027/28. This has been brought forward alongside the new Corporate Plan for the council which matches the same planning period. The General Fund budget proposals are for the 2024/25 financial year. Both the MTFP and General Fund proposals are covered within this report and the appendices.
2. The purpose of the MTFP is to provide the strategic framework and a forward-looking approach for financial resilience, to achieve long term sustainability. It is central to the delivery of priority outcomes in the Corporate Plan in an affordable and sustainable way. It aids robust and methodical planning as it forecasts the council's financial position, taking into account known pressures, major issues affecting the council's finances, including international, national, sub-regional and the district's economic influences as well as local priorities and factors.
3. The 6 key objectives of the MTFP are to:
  - a) Provide financial parameters within which budget and service planning should take place;

- b) Ensure the council sets a balanced and sustainable budget;
  - c) Focus and re-focus the allocation of resources so that, over time, priority areas receive additional resources ensuring services are defined on the basis of a clear alignment between priority and affordability;
  - d) Ensure the council manages and monitors its financial resources effectively so that spending commitments do not exceed resources available in each service area;
  - e) Plan the level of fees, charges and taxation in line with levels that the council regard as being necessary, acceptable and affordable to meet the council's aims, objectives, policies and priorities whilst meeting the need to reduce the council's reliance on central government funding; and
  - f) Ensure that the council's long term financial stability and viability remain sound.
4. The General Fund is the main revenue account of the council, which includes day-to-day income and expenditure on the provision of services. The main exception is income and expenditure on the direct provision of social housing, which is accounted for in the Housing Revenue Account (HRA). This report proposes the new 2024/25 General Fund budget.

## **Issues/Proposals**

### **Key highlights of 2024/25 General Fund budget**

5. The key highlights of the proposed 2024/25 General Fund budget include:
- a) A 0% increase in Council Tax since 2022/23 as set out in the Medium-Term Financial Plan.
  - b) No cuts or closures, but increased investment for services such as Pets' Corner, Harlow Playhouse, Harlow Museum, supported housing, the Leah Manning Centre, Town Park, paddling pools, and splash parks.
  - c) No cuts, but increased investment for essential day-to-day services like bin collections, street cleaning, landscape and parks maintenance, housing repairs and supported housing.
  - d) Free car parking periods in the neighbourhood shopping centres and Town Park will continue.
  - e) A new Neighbourhood Renewal Fund to deliver targeted neighbourhood renewal projects.

- f) Some small and proportional increases in certain fees and charges, but much-loved services such as Pets' Corner, Museum and the paddling pools and splash parks will remain free-to-use.
- g) Funding to continue keeping Harlow streetlights on all night, every night, and funding for more CCTV to protect our communities.
- h) Prudent use and make up of reserves to ensure sound financial management with a significant reduction of use of reserves towards the revenue budget.
- i) Provision for the staff pay award in full.
- j) A growth in the overall number of staff in the organisation with no redundancies or job losses, but instead new posts being created.
- k) A better than forecast Government settlement which increases overall Government funding to the council.

### **Medium Term Financial Plan**

- 3. The MTFP provides the parameters for the council's revenue spending and capital investment plans for the next four years. The revision of the MTFP has incorporated current known national and local assumptions and reflects an anticipated 2024/25 general fund financial position which forecasts a balanced budget for 2024/25 and ongoing budget deficits over the MTFP planning period.
- 4. The Housing Revenue Account and Capital Investment plans are covered fully in separate reports reported at the same meeting.
- 5. There are a number of key issues which could impact on the plans set out in Appendix A over the 4-year planning period including:
  - a) The medium-term economic impacts which continue to impact the council, particularly in respect of reduced income, following Covid-19 and the cost-of-living crisis.
  - b) The uncertainty regarding the Government's intentions regarding public sector funding, which has again seen just a one-year financial settlement, and an absence of any longer-term indications to provide clarity for planning purposes;
  - c) Potential inflationary pressures expected in 2024/25 and the possibilities of future interest rate rises impacting on future debt financing costs; and
  - d) Any further Government interventions in rent setting policy in the future;
  - e) Any changes to capital financing and investment regulations that may be implemented prior to or post budget setting.

6. The report outlines the approach to the budget setting process for 2024/25 and context in which this is being undertaken. There remain several variables and unknown matters that will impact the final budget and MTFP not least of which will be the PLGFS 2024 which will not be released by the Government until at least mid-December. An updated four-year MTFP will therefore be presented to Cabinet in February alongside the 2024/25 budget papers including General Fund, HRA and Capital plans. Any updates that may be possible following the release of Autumn Statement will be verbally updated at the Cabinet meeting.

## **Government Grants**

7. The 2024/25 draft one year finance settlement was announced on 19 December 2023. The final one-year settlement was announced on 5 February 2024 and the details have been incorporated into this report. The Council is expected to receive a Funding Guarantee Grant of £1.011 million and a Service Grant of £21,771. Further details and explanation of government funding is included within Appendix A.

## **Proposed General Fund Budget 2024/25**

8. In February 2023, the Council approved an MTFP which assumed a 0% increase in the level of Council Tax in 2024/25.
9. The council's latest MTFP shows projected General Fund expenditure and funding over the four-year period 2024/25 to 2027/28. The budget for 2024/25 shows details for every service and reflects continuing pressures on the council's finances.
10. Meanwhile, work to deliver a balanced budget for 2024/25 has identified a number of areas of the council's budget where further savings can be delivered with next to no impact on service delivery. These are detailed in Appendix A to this report.
11. Appendix B shows a summary of the proposed budget for 2024/25, together with the budget for the current year approved last February. The summary shows the budgets for each service together with other key estimate headings and contributions to and from reserves.
12. The pay award for 2024/25 has not yet been finalised and the budget has therefore allowed for an increase of 3%.
13. Provision has been included in individual budgets for anticipated price changes in Business Rates, energy costs and external contracts. In accordance with the normal practice, supplies and services budgets have not, in general, been increased to allow for inflationary increases in costs. Instead, managers are required to meet these increases from within their existing budgets, where it is possible to do so, as the Council continues to deliver ongoing efficiencies in the way it conducts its day to day business as set out in as a key ambition within the Corporate Plan.

## **Council Tax**

14. The MTFP agreed by Full Council in February 2022 was based on a 0% Council Tax increase in the HDC element of Council Tax for 2022/23, 2023/24 and 2024/25. The draft Local Government Finance Settlement (LGFS) published on 19 December 2023 has confirmed that the maximum permissible increase for 2024/25 will be 3 percent (or £5 whichever is the greater). The budget proposals set out in this report and the MTFP plan for a 0 percent Council Tax increase in the Harlow Council element of council tax for the period of the MTFP.
15. The council's 2024/25 tax base (the number of Band D equivalent dwellings in the area), which is used to determine the level of Council Tax charged to each dwelling by the Council and the preceptors, has been calculated as 28,753 (2023/24 – 28,483).
16. The council is required to forecast the surplus or deficit on the Council Tax element of the Collection Fund (the account which contains the amounts collected from taxpayers and distributed to local authorities) at 31 March 2024. This amount has been forecast to be £0.537 million surplus – more detail is included within Appendix A.

## **Business Rates**

17. The council is also required to forecast the surplus or deficit on the Business Rates element of the Collection Fund at 31 March 2024. The surplus has been forecast to be £1.514 million as at 31 March 2024 and more detail is included within Appendix A.
18. Cabinet has previously been advised of the high risk of year-on-year income variations in Business Rates income, and the council has established a reserve to mitigate against such volatility. Funding is proposed to be drawn down from the reserve in to offset the impact of any future accumulated deficits when required.

## **Income – Fees & Charges**

19. As part of the 2024/25 budget setting process, income has been reviewed and the income budgets for next year have only been increased where it is absolutely necessary or there is a national/legal requirement to do so. The proposals are set out in Appendix C.

## **Pay Policy Statement**

20. Incidental to the council's staffing budgets is the council's Pay Policy Statement which must be prepared annually and approved by the council before the 31 March of the preceding financial year. The statement relates to the remuneration of chief officers and of the lowest-paid employees; and the relationship between the remuneration of chief officers and of all other staff. The statement is attached as Appendix E to the report.

## Robustness of Estimates

21. The Council's Director of Finance is required by statute to report to the Council, when it is considering the budget and level of Council Tax, on the robustness of the estimates made. The Council must have regard to the report when making its decisions.
22. The council's Director of Finance reports that, following consultation with senior officers of the council, it is his view that the estimates contained in this report are reasonable, robust and based on prudent assumptions. Nevertheless, as outlined in Appendix D to the report, there are a number of risks and opportunities that will require careful and ongoing management.

## General Fund Reserve

23. Table 2 shows the anticipated position for the uncommitted General Fund Reserve taking into account in-year changes arising from consideration of the budget monitoring position reported to Cabinet in November 2023.

**Table 2 – Uncommitted General Fund Reserve (working balance)**

	<b>£millions</b>
<b>Balance at 1 April 2023</b>	<b>3.233</b>
Forecast budget variations in 2023/24 Surplus/(Deficit)	0.145
<b>Projected balance at 31 March 2024</b>	<b><u>3.378</u></b>

24. The council's Director of Finance is required by statute to report to the Council on the adequacy of its reserves when the Budget and Council Tax are set. The report is attached as Appendix D. It recommends that the minimum level of the uncommitted Reserve (the General Fund balance) is set at £2.5 million to reflect adequate provision to meet known or potential future risks. Uncommitted reserves (working balance) are currently forecasted at £3.378 million.

## Earmarked Reserves

25. The council has both General Fund and HRA earmarked reserves. The earmarked reserves have been categorised to provide further explanation of their purpose included within Appendix A.
26. The categories are as follows:

- a) Mitigation – Earmarked specifically to mitigate future financial risks to the council.
- b) Service – Set aside for services to be used on specific investment Initiatives or projects.
- c) Capital – Earmarked to contribute towards the Capital Programme.

27. Full details of all General Fund and HRA reserves and their categorisation are contained in Appendix A to this report.

### **Council Tax Levels**

- 28. The proposed Budget is based on 0 percent increase in the Harlow Council element of Band D Council Tax, meaning that the 2024/25 charge will be £288.90.
- 29. The final composite level of Council Tax depends on decisions by Essex County Council and the Essex Police, Fire and Crime Commissioner. Both bodies are due to meet to set their elements of the Council Tax on dates after the reports were published for this Cabinet meeting. Full Council will meet on 22 February 2024 to approve the composite Council Tax and the formal Council Tax resolution.

### **Implications**

#### **Equalities and Diversity**

This report is to approve the MTFP for Harlow Council but does not require an Equality Assessment as the recommendations will not have a disproportionate adverse impact on anybody with a protected characteristic. Individual schemes and projects that come forward may require an equality impact assessment.

#### **Climate Change**

This report has no direct impact on climate change, however individual projects and service will have an impact and would have been considered within the commentary of the report.

#### **Communities and Environment**

The MTFP sets a framework for the funding of council services including key Community and Environment services.

Author: Simon Freeman, Deputy Chief Executive and Director of Finance

#### **Finance**

The MTFP is a key component in the efficient and effective management of the Council's financial resources. Financial implications are contained within the report.

Author: Simon Freeman, Deputy Chief Executive and Director of Finance



## **Governance and Corporate Services**

The MTFP is part of the budgetary framework that is set out within the constitution. It is required to be reviewed on an annual basis and approved by Full Council

Author: Simon Hill, Director of Governance and Corporate Services

## **Housing**

None specific - Housing finance are covered fully in a separate Housing Revenue Account Budget and Business Plan Report, reported at the same meeting.

Author: Cara Stevens, Assistant Director – Housing Operations - People

## **Strategic Growth and Regeneration**

Regeneration plans are included within the MTFP (Appendix A) and is aligned to the missions within the corporate plan.

Author: James Gardner, Assistant Director – Regeneration and commercial development.

## **Appendices**

Appendix A – Medium-Term Financial Plan & General Fund Budget 2024-25

Appendix B – General Fund Summary

Appendix C – Fees and Charges 2024/25

Appendix D – Section 151 Statement

Appendix E – Pay Policy Statement 2024/25

## **Background Papers**

None.

## **Glossary of terms/abbreviations used**

MTFP – Medium Term Financial Plan

Further terms are included within Appendix A.