Appendix A

HARLOW COUNCIL

Budget Planning Guidelines

2025/26

Harlow Council

Working together for Harlow

CONTENTS

1. Medium Term Financial Plan (MTFP)

Harlow's Medium Term Financial Plan (MTFP) is a strategic document that is aligned with and supports the delivery of the Corporate Plan over a 4-year period. The MTFP sets out how council's priorities will be achieved by setting out the framework within which resources are available to the council over the medium term and the financial challenges facing the council in terms of future funding gaps.

The key overriding aim of the MTFP is therefore:

> ***To provide a financial framework within which financial stability can be achieved and sustained in the medium term to deliver the council's key strategic outcomes, priorities, and sustainable services.***

The 6 key objectives of the MTFP are to:

- Provide financial parameters within which budget and service planning should take place;
- Ensure the council sets a balanced and sustainable budget without ongoing reliance on reserves;
- 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;
- Ensure the council manages and monitors its financial resources effectively so that spending commitments do not exceed resources available in each service area;
- 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
- Ensure that the council's long term financial stability and viability remain sound.

These guidelines apply to the General Fund, Housing Revenue Account and the Capital Programme.

Part 1- Medium Term Financial Plan Overview

General Fund

The council's General Fund budget for 2024/25 through to 2027/28 was approved by full council on 22 February 2024.

A summary of the General Fund's budget requirement and funding projections for the next 4 years are shown.

	2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000	2027/28 Budget £'000	Total Budget £'000
Net Budget Requirement	15,512	15,493	16,286	17,056	
Total Funding	(15,512)	(12,568)	(12,678)	(12,788)	
Funding Gap/(Surplus)	**0**	**2,925**	**3,608**	**4,268**	
Net Budget Requirement Movement	15,512	(19)	793	770	1,544
Total Funding	(15,512)	(2,943)	(110)	(110)	2,724
Funding Gap/(Surplus)	**0**	**2,925**	**683**	**660**	**4,268**

	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Previous Years Budget Requirement (Before Reserves)	**13,043,791**	**13,792,282**	**15,266,292**	**15,979,689**
Inflation	684,990	568,160	585,480	616,540
Other Changes	125,238	905,850	127,917	513,592
New Pressures	234,025			
Savings Identified	-295,762			
Net Expenditure	**13,792,282**	**15,266,292**	**15,979,689**	**17,109,821**
Movement through Earmarked Reserve	1,134,488	227,482	306,227	-54,253
Movement through General Reserve	0	0	0	0
Budget Requirement	**14,926,770**	**15,493,774**	**16,285,916**	**17,055,568**
Funded by:				
Collection Fund Deficit / (Surplus)	-2,051,376	0	0	0
Settlement Funding Assessment	-3,399,603	-4,220,000	-4,288,000	-4,356,001
Essex Business Rates Pooling	0	0	0	0
Revenue Service Grant	-135,959	0	0	0
Service Grant	-21,771	0	0	0
Funding Guarantee	-1,011,318	0	0	0
Other Non-Ringed Fenced Grants	0	0	0	0
Previous Years Council Tax Demand	-8,228,739	-8,306,743	-8,348,344	-8,389,946
Changes in Tax Base	-78,003	-41,602	-41,602	-41,891
Changes in Council Tax Charge	0	0	0	0
Council Tax Demand	**-8,306,743**	**-8,348,344**	**-8,389,946**	**-8,431,837**
Total Funding	**-14,926,770**	**-12,568,344**	**-12,677,946**	**-12,787,838**
Budget Shortfall/(Surplus)	**0**	**2,925,430**	**3,607,970**	**4,267,730**

The council manages rolling budgets and therefore future funding gaps are cumulative. The council currently faces a funding gap of £4.268 over the next three years with £2.925m in 2025/26, £0.683m in 2026/27 and £0.660m in 2027/28.

The table overleaf shows a detailed breakdown of the council's budget requirement and funding expectations and aligns with the MTFP approved in February 2024.

Part 1- Medium Term Financial Plan Overview

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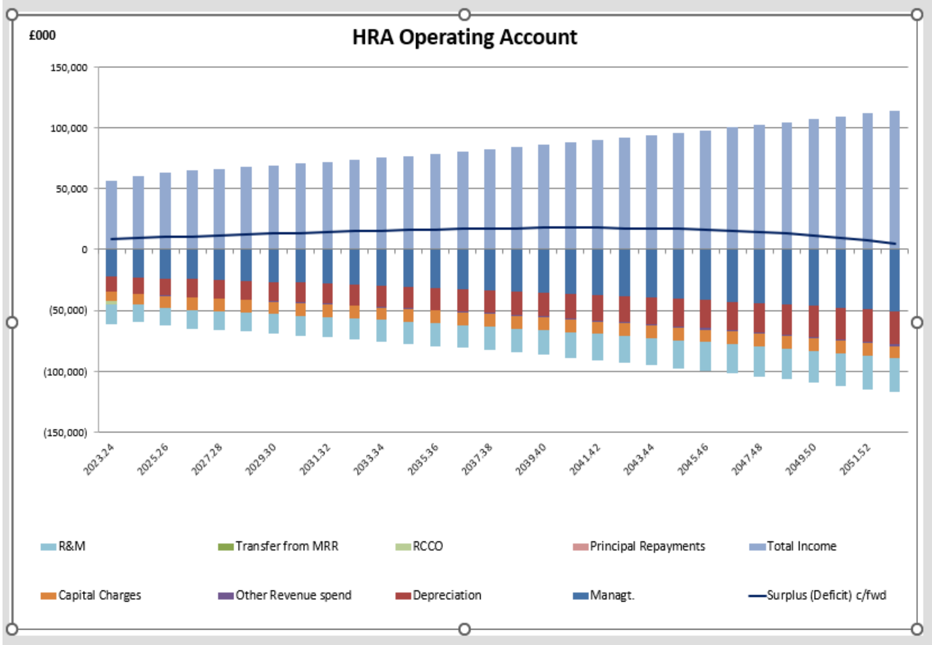
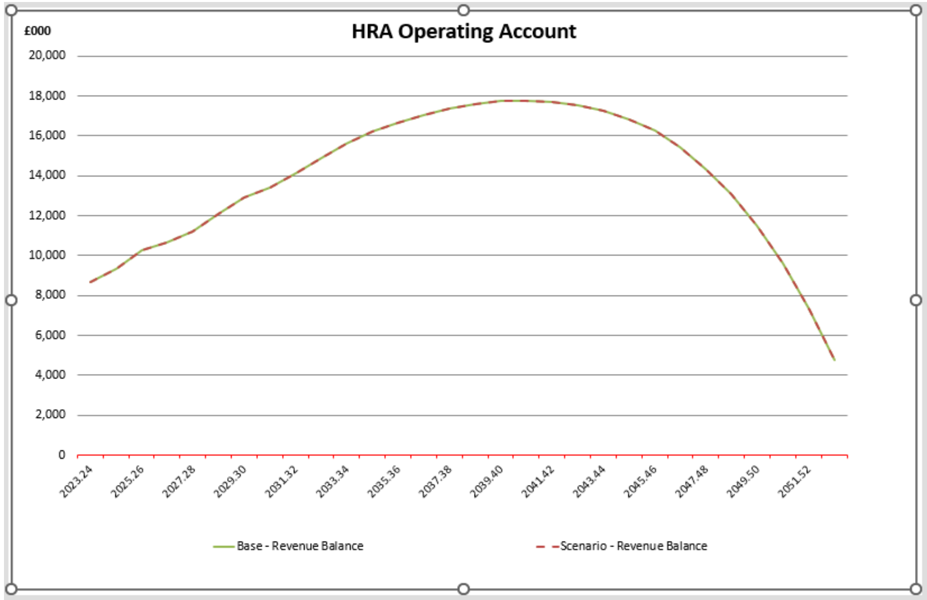
<u>Housing Revenue Account (HRA)</u>

The HRA 30 year Business plan was approved at full council on 22 February 2024. A three year forecasted is extract below. The table shows surpluses with the HRA over the next few years. These surpluses are required in order to balance the HRA programme over the 30 year period. Management and Repairs & Maintenance costs increases expect to reduce working balances from 2040 onwards.

	2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000	2027/28 Budget £'000
Net budget requirement	59,935	62,281	64,898	66,257
Total Funding	(60,559)	(63,253)	(65,271)	(66,813)
Deficit/(Surplus)	**(664)**	**(972)**	**(373)**	**(557)**
HRA Balance Brought forward (forecasted)	8,638	9,302	10,275	10,648
(Deficit)/Surplus	**664**	**972**	**373**	**557**
Funding Gap/(Surplus)	**9,302**	**10,275**	**10,648**	**11,204**





Part 1- Medium Term Financial Plan Overview

Harlow Council
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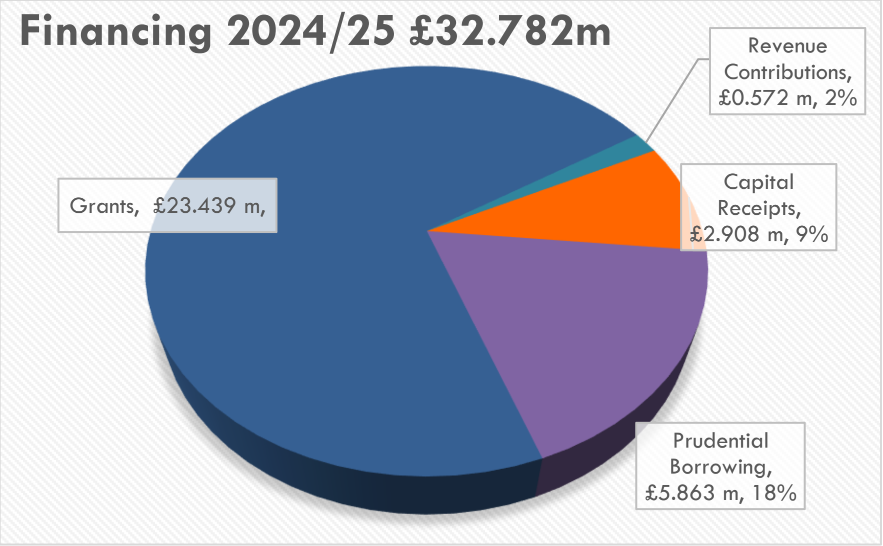
Non Housing Capital Programme (NHCP)

An extract of the Non Housing Capital Programmes and the way it is financed are included below.

Non Housing Capital Programme 2024/25 to 2027/28

SCHEMES	Budget 2024/25 £'000s	Budget 2025/26 £'000s	Budget 2026/27 £'000s	Budget 2027/28 £'000s
Garages (Non Housing)	197	136	136	136
Council House Build Programme	3,708	-	-	-
TRANSFORM TOTAL	**3,905**	**136**	**136**	**136**
Highways and Car Parks	240	807	85	85
Drainage Works	135	99	50	50
Environment and Infrastructure	701	525	525	525
Playhouse	261	96	-	-
Museum	660	120	326	-
Pets Corner	35	14	36	-
RENEW TOTAL	**2,032**	**1,661**	**1,022**	**660**
Town Centre	-	-	-	-
Public Realm	-	-	-	-
Harvey Centre	375	266	266	266
Towns Fund	13,461	6,772	-	-
Town Centre Ltd	-	-	-	-
Levelling Up	9,352	9,352	-	-
REBUILD TOTAL	**23,189**	**16,391**	**266**	**266**
Innovation Park	-	-	-	-
Enterprize Zone	-	-	-	-
SECURE TOTAL	**-**	**-**	**-**	**-**
CCTV	200	-	-	-
Community Safety	55	50	20	45
PROTECT TOTAL	**255**	**50**	**20**	**45**
Latton Bush Centre	873	540	1,000	-
Civic Centre	769	14	-	-
Asset Management	1,258	1,685	317	289
ICT Strategy & Systems	451	160	100	-
Contingency	50	50	50	50
DELIVER TOTAL	**3,401**	**2,449**	**1,467**	**339**
TOTAL NON-HOUSING CAPITAL PROGRAMME	**32,782**	**20,687**	**2,911**	**1,446**



FINANCED BY	Budget 2024/25 £'000s	Budget 2025/26 £'000s	Budget 2026/27 £'000s	Budget 2027/28 £'000s
Grants - Towns Fund	(13,461)	(6,772)	-	-
Grants - Levelling Up	(9,352)	(9,352)	-	-
Grants - Other	(625)	(500)	(500)	(500)
Revenue Contributions - Harvey Centre	(375)	(266)	(266)	(266)
Revenue Contributions - Other	(197)	(136)	(136)	(136)
Capital Receipts	(2,908)	-	-	-
Prudential Borrowing	(5,863)	(3,660)	(2,009)	(544)
TOTAL FINANCING	**(32,782)**	**(20,687)**	**(2,911)**	**(1,446)**

Part 1- Medium Term Financial Plan Overview

Harlow Council
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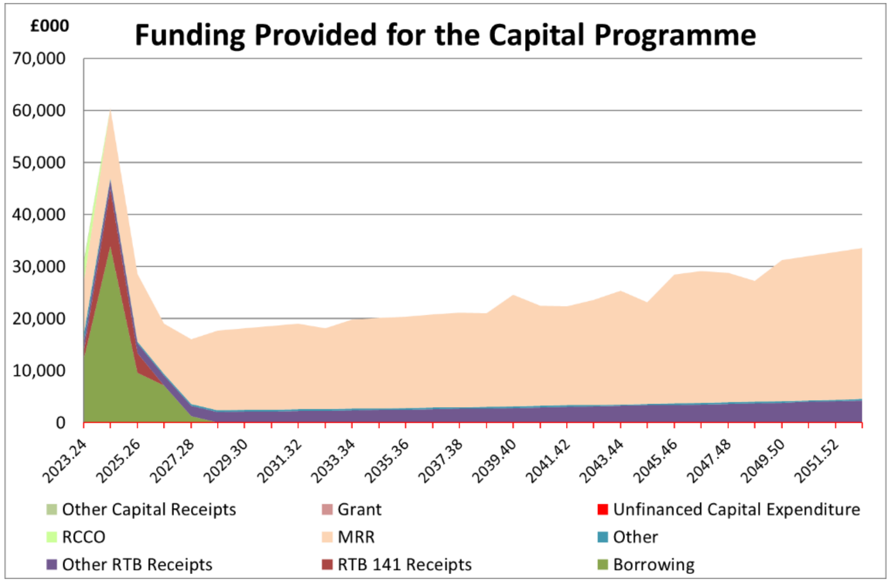
Housing Capital Programme

The Housing Capital programme and the way it is financed is included below, and is included within the 30 year business plan.

Housing Capital Programme 2024/25 to 2027/28

SCHEMES	Budget 2024/25 £'000s	Budget 2025/26 £'000s	Budget 2026/27 £'000s	Budget 2027/28 £'000s
Internal Works - Annual Service Charge	1,139	1,161	1,185	2,007
Internal Works - Compliance	1,100	900	900	400
Internal Works - Energy Efficiency	1,100	100	100	100
Internal Works - Aids & Adaptations	1,000	1,000	1,000	1,000
Internal Works - Roofing	2,000	1,500	1,500	1,000
Internal Works - Internal	2,600	2,800	4,000	2,600
Decent Homes Standard	**8,939**	**7,461**	**8,685**	**7,107**
External Works	7,150	7,050	5,050	4,050
Damp & Structural Works	1,600	600	1,100	940
Other Works				
Fire Safety & Compliance	12,600	3,500	3,500	3,400
Energy Efficiency Works	100	100	100	100
Housing IT	255	50	80	30
Contingency	500	228	260	158
Stock Condition	250	-	-	-
Garages	215	197	234	214
Sumners Farm Close	300	-	-	-
Property Conversions	350	-	-	-
Garage Demolition Programme	500	-	-	-
TOTAL CORE HOUSING CAPITAL PROGRAMME	**32,759**	**19,186**	**19,009**	**15,999**
Acquisitions	-	-	-	-
Council House Building Programme	27,650	9,400	-	-
TOTAL NON CORE PROGRAMME	**27,650**	**9,400**	**-**	**-**
TOTAL HOUSING CAPITAL PROGRAMME	**60,409**	**28,586**	**19,009**	**15,999**



FINANCED BY	Budget 2024/25 £'000s	Budget 2025/26 £'000s	Budget 2026/27 £'000s	Budget 2027/28 £'000s
Revenue Contributions	-	-	-	-
Major Repairs reserve	(13,410)	(13,025)	(9,629)	(12,443)
Major Work Contributions	(300)	(300)	(300)	(300)
1-4-1 Receipts Used	(11,060)	(3,760)	-	-
RTB Receipts	(1,764)	(1,853)	(1,911)	(1,971)
Other Grants & Contributions	-	-	-	-
Prudential Borrowing	(33,875)	(9,648)	(7,169)	(1,285)
Capital Receipts	-	-	-	-
TOTAL FINANCING	**(60,409)**	**(28,586)**	**(19,009)**	**(15,999)**

PART 2 – Budget Setting Timetable

2. To Follow for Officers

3. Budget Setting Guideline 2025/26

The Council's budget for 2024/25 through to 2027/28 was approved by Council in February 2024. This includes the General Fund, Housing Revenue Account, Capital Programme and Treasury Management Strategy.

Managers are expected to work within the budgets set by Council and no changes will be made to the budget unless approved by the Section 151 Officer and in line with the Financial Regulations as set out in the Constitution.

When reviewing budgets in year and for future years, managers should consider the following:

- Resources should be aligned to deliver the Corporate Plan and in accordance with approved service levels.
- Managers are required to update their forecasts, using current financial system reports, every month to record their estimated outturn for the current year. Working alongside their Service Accountant, managers should be highlighting any issues that may affect the outturn and future financial years budgets. It is the Managers responsibility to provide outturn estimates and explanations to variances.
- The year-end outturn is the expected variance between the budget set at Full Council and estimated actual net expenditure. Managers need to ensure they undertake all reasonable actions to manage any budget pressures, as well as maximise any underspends and over-recovery of income. All variances are reported monthly to the Chief Executive, Section 151 Officer, Corporate Leadership Team, and the Informal Cabinet.
- Performance, Finance and Risk update reports will be taken to Cabinet during the year, allowing members to review and comment.
- Review fees and charges in line with general principles.
- Managers are required to review the base budget for the current financial year as agreed at Full Council. This allows managers to identify any potential financial issues and capture them when developing the MTFP for the next year financial year.
- Managers should be highlighting to their Service Accountants any future legislative, demand or service delivery change which will have a financial impact. The revenue impact of any capital investment also needs to be factored into the MTFP. Accountants can work with managers to model the financial impact and update the MTFP accordingly.
- Always raise any budget issues with their service accountants in the first instance.
- Identify saving ideas and establish plans for deliverability and sustainability.
- Identify any known future year budget pressures. These will only be considered If unavoidable. All budget pressures will be reported to informal cabinet for approval.

PART 3 – Budget Setting Guidelines

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Salary Budgets

When budgeting for the Council's establishment, the following will be applied:

- All vacant posts will be budgeted at the bottom of the grade.
- There is an assumed vacancy factor target set at 2% for all years within the base salary budgets.
- Pay scales are reviewed on an annual basis. The current assumption is that 2% pay inflation will be built into the current pay scales for 2025/26. However, in light of recent discussions with unions this is being reviewed by officers, depending on the final outcome for 2024 and may need to be revised before the budget is set.
- Increments will be calculated allowing for one additional increment per annum until the employee is at the top of the grade.
- All establishment growth for 2025/26 will require the approval of a growth bid approved by the Corporate Leadership Team and Section 151 Officer.
- Managers need to take into consideration staff who are delivering work on capital projects, as these costs can be charged directly to the capital budget. These arrangements come under external audit review annually and therefore managers need to ensure that there is an adequate audit trail to support the decision.
- Managers will be required to review their establishment information and confirm back to their service accountant that the information is accurate.

Central Support Service Recharges

- Support Service areas are required to be recharged to the Direct Service areas for year-end purposes only. Most of these support areas are considered 'back office', examples include, Finance, ICT, Payroll, HR etc.
- Finance will circulate a proforma to each recharging service area. It is the responsibility of managers to complete the allocation for their service area.
- Managers are requested to supply specific information to support the allocations provided.
- Finance will collate the completed allocations to calculate the recharges which are then analysed for the base budget.
- Central support service recharges are not controllable expenditure for direct service areas and individual budgets lines will not be allocated.

Other Non-Salary Expenditure

- Inflation will be applied to expenditure that is subject to contractual obligations.
- Other inflationary lines will be monitored throughout the year and will be set by Accountancy in the Autumn. CPI for May was confirmed at 4%.
- Insurance budgets will be calculated based on 2024/25 premiums, with an inflation factor applied later on in the year.
- Energy Inflation includes separate gas and electricity assumptions which were known at the time. The current assumptions are below and will be reviewed later on in the year.

Gas -9% Electricity -7% (25/26)
Gas -10% Electricity -8% (26/27)
Gas -10% Electricity -8% (27/28)

Fees and Charges

Non-Statutory Fees and Charges income budgets will usually be increased by the estimated CPI of 2025/26, because of the current economic outlook further work needs to be undertaken by Corporate Finance and managers to ascertain a balanced increase.

For the purpose of this guidance 2% is to be set as a minimum. Given the current economic situation, there may be areas which cannot bear the increase in CPI and may even experience a material reduction in income. These areas of income need to be separately identified in the budget preparation along with key assumptions.

The general principle remains that all fees and charges are set on either:

a) Full cost recovery basis and should be reviewed annually.
b) Competitive pricing, benchmarked where appropriate.
c) Social value where a) or b) are not appropriate.

It is important that Service Managers review their fees and charges thoroughly and ensure that all charges are included in the schedule. A charge should not be made to members of the public without formal approval by Members.

Any proposed changes should be considered in terms of the impact on the budgeted income levels along with usage/volumes. With the ongoing financial challenges that the Council is facing, managers should have a clear understanding of what drives service income.

Increasing Fees and Charges above the average increase, or not changing them at all needs to be explained and justified in an accompanying cover sheet that supports the Fees & Charges schedule. The cover sheet will be reviewed by Wider Leadership Team and Portfolio Holders that support the Fees & Charges schedules.

All Fees and Charges information including schedule and cover sheet will be collated and presented to informal cabinet prior to full council approval in February.

The VAT liability of each fee and charge will be determined by Finance, in consultation with the Manager if appropriate, and this will be clearly indicated on the schedule of fees and charges approved by Council and posted on the Council's website.

Managers should ensure that the correct VAT liability is always applied. Any queries concerning the VAT liability of a fee or charge should be raised with Finance as soon as possible.

Other Income

Business Rates for Council properties are reviewed, and any increase is based on the national multiplier, which is restricted to CPI. In the absence of any formal notification, the multiplier should be increased by 2%. Business Rates retention forecasts will be maintained at safety net levels.

No Council Tax increase is assumed within the MTFP. The Council Tax base will increase by 0.5% growth year on year, however an annual reconciliation process is carried out and the council tax base is realigned to actual levels each year. Further modelling work will being carried out to strengthen future forecasting tax base.

Growth Bids - Capital and Revenue

When reviewing the base budget for future years, managers are expected to consider whether these budgets are realistic for the delivery of the service. Any increase in the base budget needs a growth bid completed.

Growth bids are to be discussed with the managers service Accountant, Corporate Leadership Team and portfolio holder. Managers should be mindful of their budgets and whether they are deemed sufficient to deliver the current service and future demand for the service.

No growth will be added to the budget without completion of a growth bid which has gone through the approval process. The growth bid template and guidance on competing the template will be circulated to all managers in July.

All Growth bids will be reviewed by Finance and presented to the Corporate Leadership Team and Informal Cabinet for scrutiny. Growth bids will be reflected in the budget once scrutinised by CLT and approved by the Section 151 Officer.

Capital Financing

When considering capital projects, budget holders need to determine how the project will be financed.

Capital Projects can be financed by the following:

- Capital Receipts
- Section 106 – Planning Obligations
- External Grants & Contributions
- Revenue Contributions
- Balances and Reserves
- Borrowing

Capital projects that cannot be funded from any other source can be funded from Prudential Borrowing. The Council must be able to afford the borrowing repayment and interest charges on the loan from existing revenue budgets or the Council must see this as their key priority for the budget process and to be factored into the Medium-Term Financial Plan accordingly.

The Council does not have excess capital receipts, revenue or reserves to contribute to capital projects that are not within the existing Capital Programme. Therefore, projects that cannot secure funding are assumed 100% funded by borrowing. This will have revenue implications to the Council's revenue budget.

Capital projects will assume that these projects will be short term borrowed during development. On completion of the project, the short-term borrowing will be replaced with long term borrowing aligned with the development's life.

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Interest rates to be assumed are:

Long-term Rates:

Short- term rates at 5%

Period	Forecast Interest Rate (%)
5 Years	5.5
10 Years	5.3
25 Years	5.65
50 Years	5.78

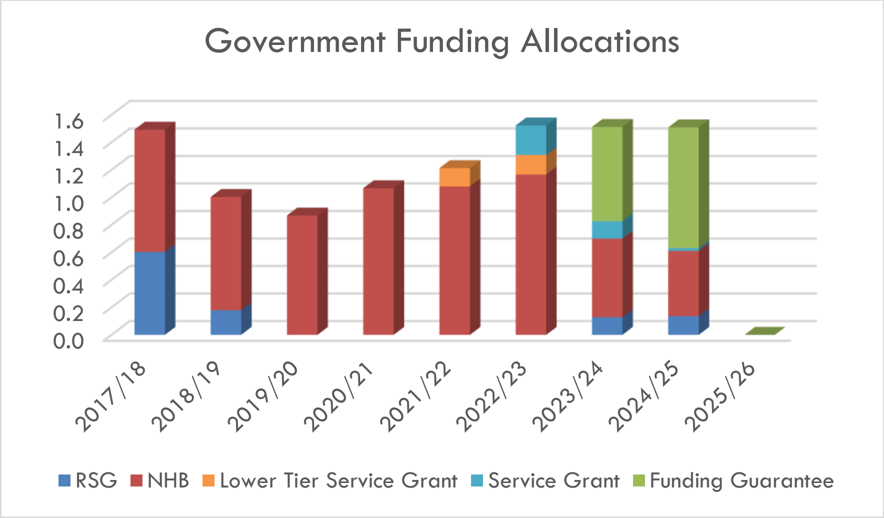
Minimum Revenue Provision (MRP) is based on the Council's MRP policy as outlined in the Capital and Treasury Budget Report. Minimum revenue provision for new capital expenditure incurred wholly or partly by unsupported (Prudential) borrowing will be determined by reference to the expected life of the asset either in equal instalments, or by using the annuity method. The asset life is deemed to begin once the asset becomes operational. Minimum revenue provision will commence from the financial year following the one in which the asset becomes operational.

For forecasting, 2.5% is the MRP rate to use on an equal instalment basis.

There is no requirement on the HRA to make a minimum revenue provision but under HRA reform there is a requirement to charge depreciation on its assets, which will have a revenue effect. The HRA business plan will need to fund this depreciation over the life of the assets.

Government Funding

It is expected that the Provisional Local Government Finance Settlement will be announced in December 2024. Currently no additional government funding is factored into the MTFP.



Other Controls and Considerations

The following controls have been designed to ensure that budgets are monitored effectively:

- All budget holders must comply with Financial Regulations and Contract Procedure Rules.

- Managers will be expected to ensure that budget forecasts are accurate at the point of setting the budget for the future financial years. This is to ensure that budgets are managed effectively and that budget variances do not include fluctuations in spending patterns.
- Managers are required to ensure they have adequate assets available for the delivery of their services. Any future expenditure requirements should be identified Accountancy at the earliest opportunity.
- All owners of key corporate strategies are responsible for ensuring that the strategy action plans are appropriately costed and that the resources are available to meet those costs.
- All capital schemes need to be approved by Corporate Leadership Team and Portfolio Holders and must include full future revenue implications.
- When applying for external funding Accountancy must be consulted before submission. No application should be submitted without finance sign off. Any requirements for this funding to be audited must be discussed with Internal Audit in advance of an application being submitted.
- Managers are required to give fair consideration to risk and volatility levels in service areas and where necessary, separate calculations should be made showing best and worst case scenarios and probabilities of incidence, so that decisions can be taken early and appropriate contingencies made (your accountant can provide assistance on the appropriate calculations).
- Review relevant performance indicator targets and the resources required to meet them.