

# Medium Term Financial Plan & Budget Planning Guidelines



<b>Report to:</b>	Cabinet
<b>Date:</b>	13 June 2024
<b>Portfolio Holder:</b>	Councillor Michael Hardware, Portfolio Holder for Finance
<b>Lead Officer:</b>	Jacqueline Van Mellaerts, Assistant Director Finance and Deputy Section 151 Officer (01279) 446 251
<b>Key Decision:</b>	No
<b>Forward Plan:</b>	Forward Plan number I017196
<b>Call In:</b>	This item is subject to call in procedures
<b>Corporate Missions:</b>	All
<b>Wards Affected:</b>	None Specific

## Executive Summary

- A** The report sets out the proposed budget timetable and guidelines that will be followed to develop the budget for 2025/26 and the financial forecasts for 2026/27 to 2027/28.

## Recommended that:

- A** Cabinet notes the baseline position of the Medium-Term Financial Plan 2025/26 to 2027/28.
- B** Cabinet approves the budget setting timetable 2025/26 as set out in the body of the report. (Paragraph 20)
- C** Cabinet notes the officer operational budget setting guidelines 2025/26 as set out in Appendix A.

## **Reason for decision**

- A** Early planning and intervention are required for the budget setting process 2025/26, in order to set a balanced budget in February 2025.

## **Other Options**

- A** Medium Term Financial Plan position and budget setting guidelines are for noting and does not require other options to be considered.

## **Background**

1. The Medium-Term Financial Plan (MTFP) for 2024/25 – 2027/28 was approved on 22 February 2024. The MTFP set a balanced budget for 2024/25 and identified future budget gaps arising from 2025/26.
2. The overriding influencing factor in the budget setting process for 2025/26 is, therefore, the need to generate efficiencies and increase income to meet the forecasted funding gap and continue to deliver on the Council's aspirations as outlined in the Corporate Plan.
3. Local government finance continues to experience external pressures and uncertainties as a result of the continued pressure on public sector spending and wider inflationary pressures. Proposed changes to the way the government funds local government are still awaited. Details of the settlement for 2025/26 are currently unknown and are expected to be announced in December 2024.
4. Early planning and intervention are required for the budget setting process for 2025/26. This report sets out the current assumptions assumed within the financial forecasting for the Councils Budget setting Cycle for 2025/26. Alongside the operational budget guidelines as outlined in Appendix A to be issued to officers. These guidelines will be used to prepare draft budgets that will be presented to committee in February 2025 for approval to Full Council.

## **Issues/Proposals**

### **Medium Term Financial Plan**

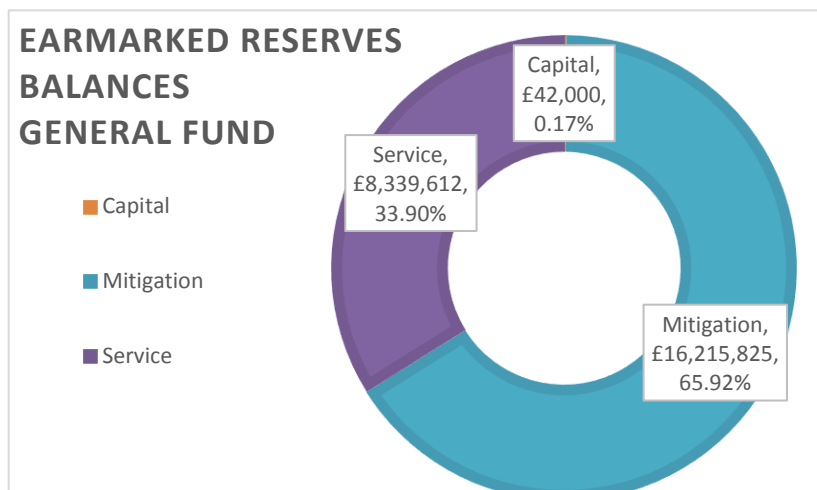
5. The council's General Fund budget for 2024/25 through to 2027/28 was approved by full council on 22 February 2024. A summary of the General Fund's budget requirement and funding projections for the next four years are shown below.

6. 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.

	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)	<b>0</b>	<b>2,925</b>	<b>3,608</b>	<b>4,268</b>	
Net Budget Requirement Movement	15,512	(19)	793	770	1,544
Total Funding	(15,512)	(2,943)	(110)	(110)	2,724
Funding Gap/(Surplus)	<b>0</b>	<b>2,925</b>	<b>683</b>	<b>660</b>	<b>4,268</b>

## Reserves

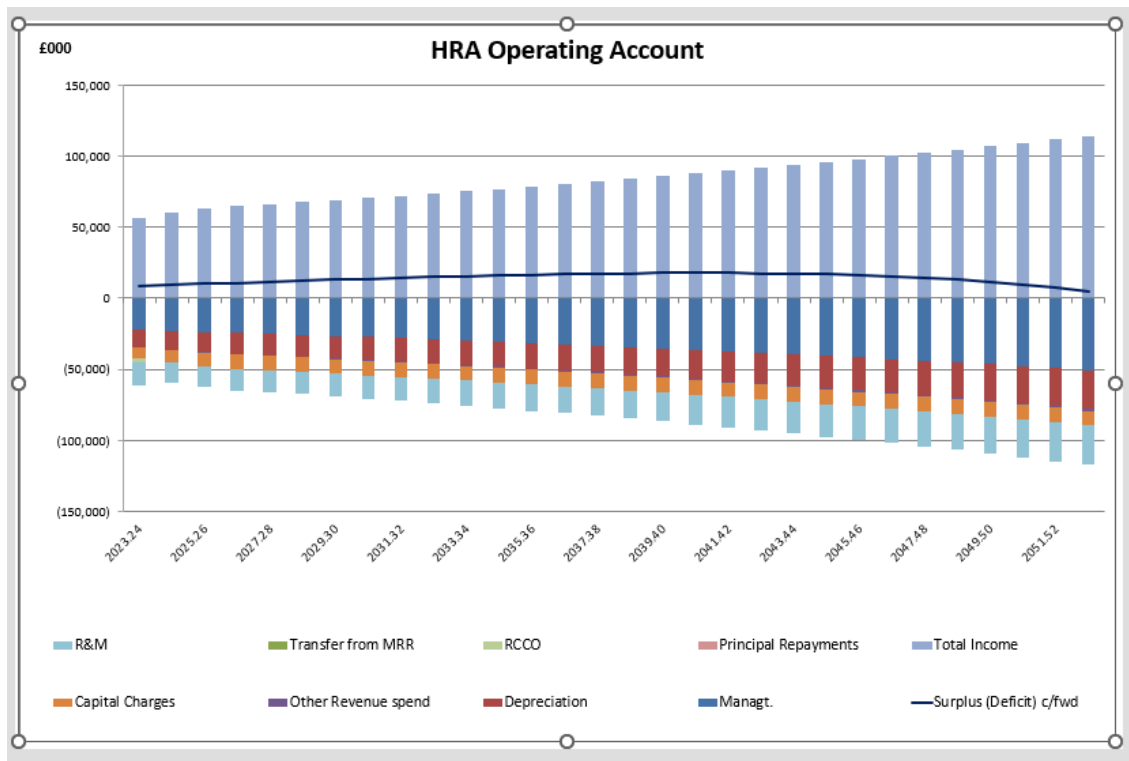
7. The council has appropriate level of reserves that could be used to smooth future funding gaps. Although, they can only be used once their use would allow transformational change to be built into the base budget. A reserve strategy will be introduced as part of the budget setting process. Proposals that require Member approval will be discussed with the relevant Cabinet Members before they are included in the draft budget proposals.
8. Uncommitted reserves (working balance) as at April 2023 is £3.233 million. This will be updated once the outturn of 2024/25 is finalised.
9. Earmarked Reserves are categorised into Capital reserves, Service reserves and Mitigation reserves. The balances as at March 2023 are shown in the chart below. These balances will be updated once the outturn of 2024/25 is finalised.



## Housing Revenue Account

10. The budget guidelines are applicable to the Housing Revenue Account (HRA). A 30 year forecast for the HRA is produced annually and will be reviewed as part of the budget setting process.
11. 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
<b>Net budget requirement</b>	59,935	62,281	64,898	66,257
<b>Total Funding</b>	(60,559)	(63,253)	(65,271)	(66,813)
<b>Deficit/(Surplus)</b>	<b>(664)</b>	<b>(972)</b>	<b>(373)</b>	<b>(557)</b>
<b>HRA Balance Brought forward (forecasted)</b>	8,638	9,302	10,275	10,648
<b>(Deficit)/Surplus</b>	<b>664</b>	<b>972</b>	<b>373</b>	<b>557</b>
<b>Funding Gap/(Surplus)</b>	<b>9,302</b>	<b>10,275</b>	<b>10,648</b>	<b>11,204</b>



## Capital Programme

12. The Non-Housing and Housing capital programmes will be developed alongside the revenue budgets. It is essential that the revenue implications of these programmes are fully reflected in the revenue budgets. Slippage from 2023/24 capital programmes will be included once the outturn report has been approved at a future cabinet meeting. Position tables of the Capital programme are included below and within Appendix A.

### Non Housing Capital Programme 2024/25 to 2027/28

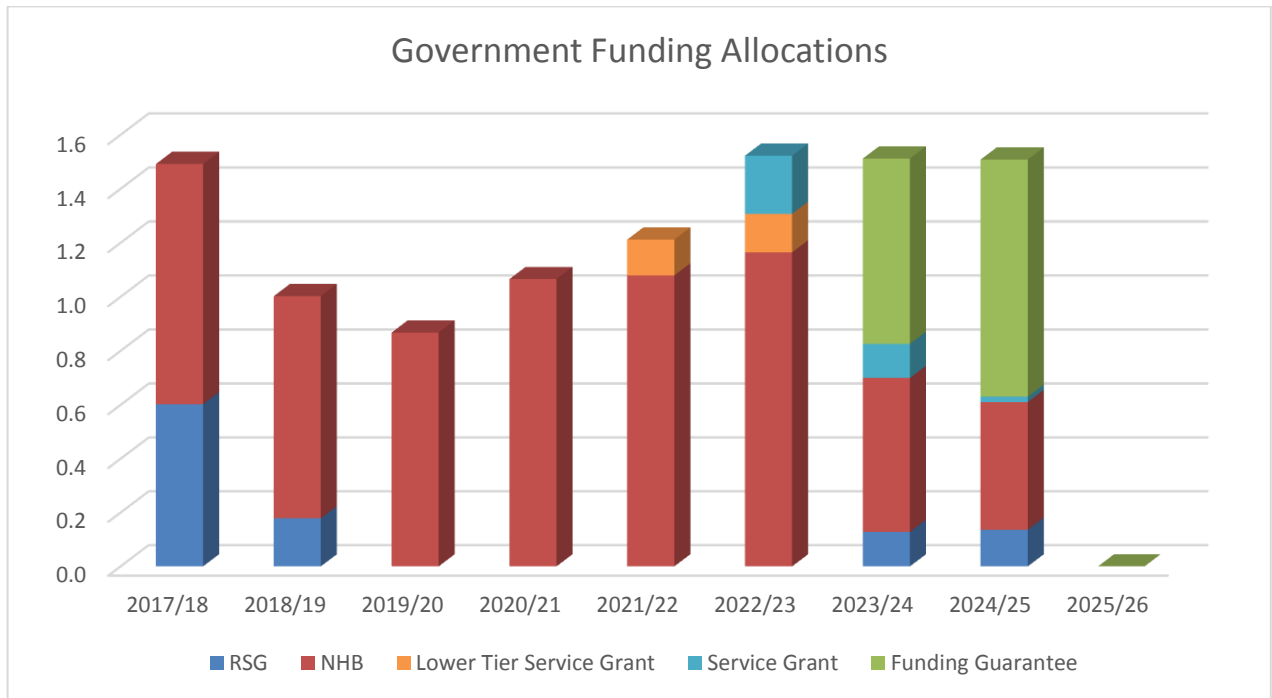
<b>SCHEMES</b>	<b>Budget 2024/25 £'000s</b>	<b>Budget 2025/26 £'000s</b>	<b>Budget 2026/27 £'000s</b>	<b>Budget 2027/28 £'000s</b>
Garages (Non Housing)	197	136	136	136
Council House Build Programme	3,708	-	-	-
<b>TRANSFORM TOTAL</b>	<b>3,905</b>	<b>136</b>	<b>136</b>	<b>136</b>
Highways and Car Parks	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	-
<b>RENEW TOTAL</b>	<b>2,032</b>	<b>1,661</b>	<b>1,022</b>	<b>660</b>
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	-	-
<b>REBUILD TOTAL</b>	<b>23,189</b>	<b>16,391</b>	<b>266</b>	<b>266</b>
Innovation Park	-	-	-	-
Enterprise Zone	-	-	-	-
<b>SECURE TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
CCTV	200	-	-	-
Community Safety	55	50	20	45
<b>PROTECT TOTAL</b>	<b>255</b>	<b>50</b>	<b>20</b>	<b>45</b>
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
<b>DELIVER TOTAL</b>	<b>3,401</b>	<b>2,449</b>	<b>1,467</b>	<b>339</b>
<b>TOTAL NON-HOUSING CAPITAL PROGRAMME</b>	<b>32,782</b>	<b>20,687</b>	<b>2,911</b>	<b>1,446</b>

**Housing Capital Programme 2024/25 to 2027/28**

<b>SCHEMES</b>	<b>Budget 2024/25 £'000s</b>	<b>Budget 2025/26 £'000s</b>	<b>Budget 2026/27 £'000s</b>	<b>Budget 2027/28 £'000s</b>
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
<b>Decent Homes Standard</b>	<b>8,939</b>	<b>7,461</b>	<b>8,685</b>	<b>7,107</b>
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
Summers Farm Close	300	-	-	-
Property Conversions	350	-	-	-
Garage Demolition Programme	500	-	-	-
<b>TOTAL CORE HOUSING CAPITAL PROGRAMME</b>	<b>32,759</b>	<b>19,186</b>	<b>19,009</b>	<b>15,999</b>
Acquisitions	-	-	-	-
Council House Building Programme	27,650	9,400	-	-
<b>TOTAL NON CORE PROGRAMME</b>	<b>27,650</b>	<b>9,400</b>	<b>-</b>	<b>-</b>
<b>TOTAL HOUSING CAPITAL PROGRAMME</b>	<b>60,409</b>	<b>28,586</b>	<b>19,009</b>	<b>15,999</b>

## Government Funding

13. Government funding arising since 2017/18 is reported below. However, currently government funding is being announced on a year basis with no certainty as to future year allocations. It is not currently known what is expected to be received in 2025/26 and so no funding has been modelled within the MTFP. The provisional local government finance settlement is expected to be announced in mid-December 2024.



## Budget guidelines

14. Attached in Appendix A are operational budget guidelines for 2025/26 and the forecast to 2027/28. These guidelines will be used to draft budgets that will be presented to Cabinet on 13 February 2025 for approval to go to Council on 27 February 2025. Guidelines and assumptions used will be reviewed throughout the budget setting process.
15. National pay negotiations for 2024/25 are ongoing. The National Joint Council (NJC) for local government services who negotiates the pay, terms, and conditions of staff in local authorities including Harlow Council unanimously agreed on 16 May 2024 to make a one year pay offer for 2024/25. The MTFP currently includes a 3% uplift for 2024/25 and will create an in-year budget pressure of approximately £41k, should the current offer be accepted. This in year pressure will also impact future year funding gaps.
16. A provision for a 2% pay award per annum, from 2025/26 has currently been included. This assumption will be reviewed before the budget is set for 2025/26 and will create a budget pressure for future year funding gaps due to the continue ongoing pay negotiations for 2024/25 and future years.

17. Where contractual obligations mean that costs are reviewed in line with, for example, inflation, this will be reflected in the budgets. Given the current rate of inflation this may lead to significant pressures in some service areas.
18. Fees and charges principles have been set out within the guidelines. 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.
19. Officers are looking at commissioning an external fees and charges review, and subjective timescales have been factored into the budget timetable.

### **Budget timetable**

20. Included within the guidelines is a proposed timetable and provisional dates for setting the budget which is set out below.

<b>Date</b>	<b>Meeting</b>	<b>Action</b>
<b>JUNE</b>		
13 <sup>th</sup>	Cabinet	MTFP & Budget Planning Guidelines
<b>JULY</b>		
11 <sup>th</sup>	Cabinet	2023/24 Provisional Outturn
<b>DECEMBER</b>		
5 <sup>th</sup>	Cabinet	MTFP 2025/26 Refresh
TBC		Resident & Business Budget Consultation 2025/26
TBC		Provisional Local Government Settlement
<b>FEBRUARY</b>		
TBC	All Member Briefing	Provisional Local Government Settlement 2025/26 Budget position
4 <sup>th</sup>	Scrutiny Committee	2025/26 Budget
13 <sup>th</sup>	Cabinet	2025/26 Budget Proposals
27 <sup>th</sup>	Full Council	Full General Fund Budget and Council Tax Setting 2025/26; Housing Revenue Account (HRA) Budget 2025/26



## **Implications**

### **Equalities and Diversity**

Officers do not believe this report will have an impact on the council's equality duty, however a full equality impact assessment will be carried out as part of the budget setting process.

### **Climate Change**

This report has no direct impact on climate change.

### **Finance**

Financial Implications are included within the main body of reports and associated appendix.

Author: Jacqueline Van Mellaerts, Assistant Director – Finance; Deputy Section 151 Officer

### **Governance**

The MTFP is part of the policy framework that is provided for as part of the constitution. The guidelines proposed gives a framework for robust review and management of the budget.

Author: Julie Galvin, Monitoring Officer and Legal Services Manager

## **Appendices**

Appendix A – Budget Planning Guidelines 2025/26

## **Background Papers**

Medium Term Financial Plan 2024/25 to 2027/28

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

MTFP – Medium Term Financial Plan

HRA – Housing Revenue Account