

HARLOW COUNCIL

Medium Term Financial Plan

2024/25 to 2027/28



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1.1 Executive Summary

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.

1.2 Aims and Purpose of the Medium-Term Financial Plan

The purpose of the Medium-Term Financial Plan (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.

It helps the council to respond, in a considered manner, to pressures and changes as a result of many internal and external influences. The MTFP recognises the key role that financial resources play in the future delivery of outcomes and in enabling the effective planning, management and delivery of services that contribute to the priorities in the Corporate Plan. The MTFP concentrates on the principles that will provide a strong direction for the medium term.

An overarching MTFP is not only good practice but is required to provide the strategic financial framework for the authority at a time of considerable pressure and change, be this delivering key priorities and ongoing efficiency gains, closer budget scrutiny, the management of financial pressures or political change.

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.

The MTFP sets out the council's strategic approach for using and managing its financial resources and provides a robust framework within which decisions can be made. It also supports all other council strategies. In particular, it acts as the framework linking the council's more detailed service plans, asset management plans and capital plans for the longer term to help ensure that they can be resourced and are therefore deliverable.

One of the main objectives of the MTFP is to plan for the delivery of services within an uncertain external environment and to ensure the achievement of value for money. The MTFP needs to set out a stable and sustainable financial plan over the medium term to allow the council to shape the way the district responds to economic challenges whilst continuing to provide high-quality services.

By agreeing a 4-year MTFP the council is identifying the financial pressures and opportunities that lie ahead at an early stage and is therefore able to make informed decisions as there is time to fully consider different options, engage with stakeholders, carry out risk assessments and develop contingency plans to manage future uncertainties.

1.3 Strategic Context

Corporate Plan

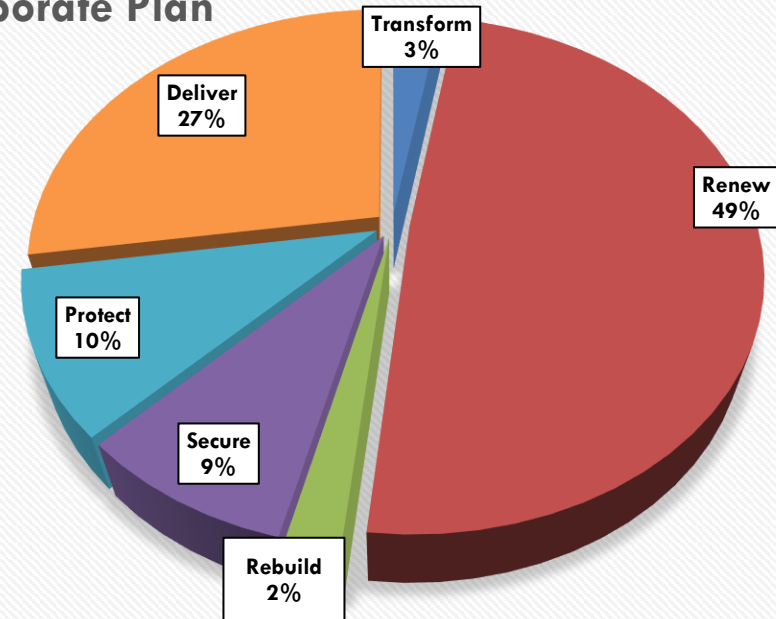
The new Corporate Plan has been under development and clearly sets out our priorities for Harlow and how we will achieve, measure and fund them from 2024 to 2028. The plan is based on a wide range of datasets and was created in collaboration with elected political leaders, residents and staff from across the council. This has been done to make sure our plan is clear, evidence-based and focused on what matters most.

The Corporate Plan missions are:

- Mission 1: Transform Harlow's Housing
- Mission 2: Renew our Neighbourhoods
- Mission 3: Rebuild our Town
- Mission 4: Secure Investment for Harlow's Future
- Mission 5: Protect our Communities
- Mission 6: Deliver High-Performing Council Services

Our new Corporate Plan has been produced alongside the Medium-Term Financial Plan to make sure our plan is financially achievable and deliverable.

Corporate Plan



TRANSFORM HARLOW'S HOUSING

We are responsible for a wide range of housing services for residents from homelessness to allocating council houses, but we also work with private housing providers to help make sure as many residents as possible can access the accommodation they need. As part of our Housing service, we are responsible for the repairs and maintenance of our housing stock.

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RENEW OUR NEIGHBOURHOODS

Our Communities and Environment services work together to restore pride in Harlow by tackling the issues in our streets and parks, homes and workplaces. Our environmental work includes providing waste and recycling service to the town, managing the town park and other green spaces, and overseeing our climate change strategy. Our communities work includes running Harlow Museum, Pets Corner and the Playhouse theatre.

REBUILD OUR TOWN

Our Regeneration team are responsible for our commitment to rebuild our town including council house building programme and town centre redevelopment. Our Planning team also manages the development of Harlow through policies like the Local Plan, which allocates land for housing and jobs and provides protection for our natural environment.

SECURE INVESTMENT FOR HARLOW'S FUTURE

Our Economic Development team works to secure investment in Harlow alongside local businesses and education providers to attract jobs and make sure residents have access to employment and learning opportunities.

PROTECT OUR COMMUNITIES

We provide community safety around the town, responding to cases of antisocial behaviour, and work alongside partners such as Essex Police as part of the Safer Harlow Partnership. The council is part of the Harlow Health and Wellbeing Partnership Board which provides leadership and funding for health and wellbeing in the town.

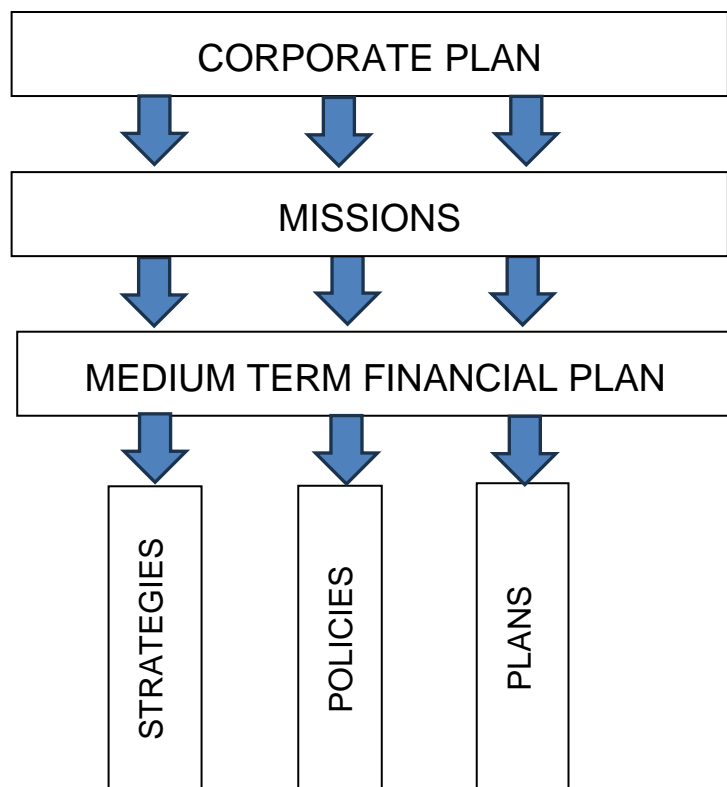
DELIVER HIGH-PERFORMING COUNCIL SERVICES

The council is committed to improving council services and we are responsible for an annual residents' survey, which is a key tool for identifying resident's priorities.

We provide customer services and communications and are responsible for dealing with residents' enquiries and making sure they are kept informed. Our Finance and Governance and Corporate Services, support the council in meeting our legal and financial responsibilities, including running elections and awarding contracts as well as setting our annual budget, paying those that do business with the council and collecting Council Tax. Our Business Insight team are responsible for making sure the council remains accountable for its priorities.

PART 1 - INTRODUCTION

Key Strategies



There are a number of strategies, policies and plans which impact on the direction of the council and therefore on the MTFP. They can be found on the [council's website](#) and some of the key documents are identified below, which are aligned to the missions of the Corporate Plan. As the new plan is adopted, these strategies and plans will be realigned.

[Carbon Reduction Plan](#)

[Community Engagement Strategy](#)

[Community Safety Strategy](#)

[Customer Service Strategy](#)

[Economic Development Strategy](#)

[Homelessness and Rough Sleeping Strategy](#)

[Housing Strategy](#)

[Health & Wellbeing Strategy](#)

[Local Plan](#)

[Procurement Strategy](#)

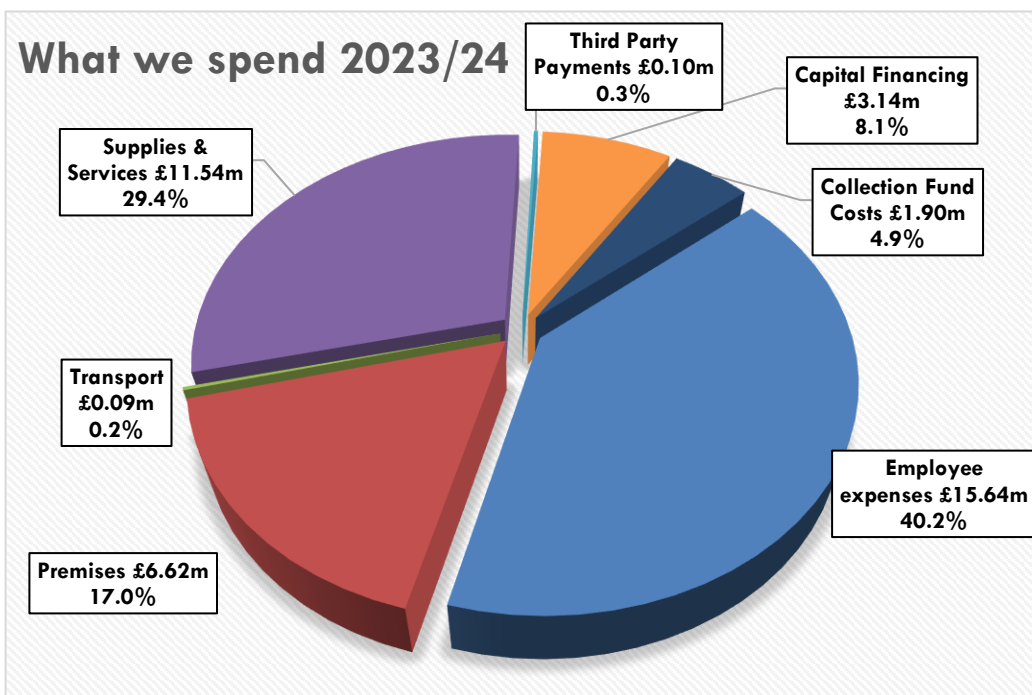
[Risk Management Strategy](#)

[Town Centre Masterplan](#)

PART 1 - INTRODUCTION

1.4 Local Financial Context

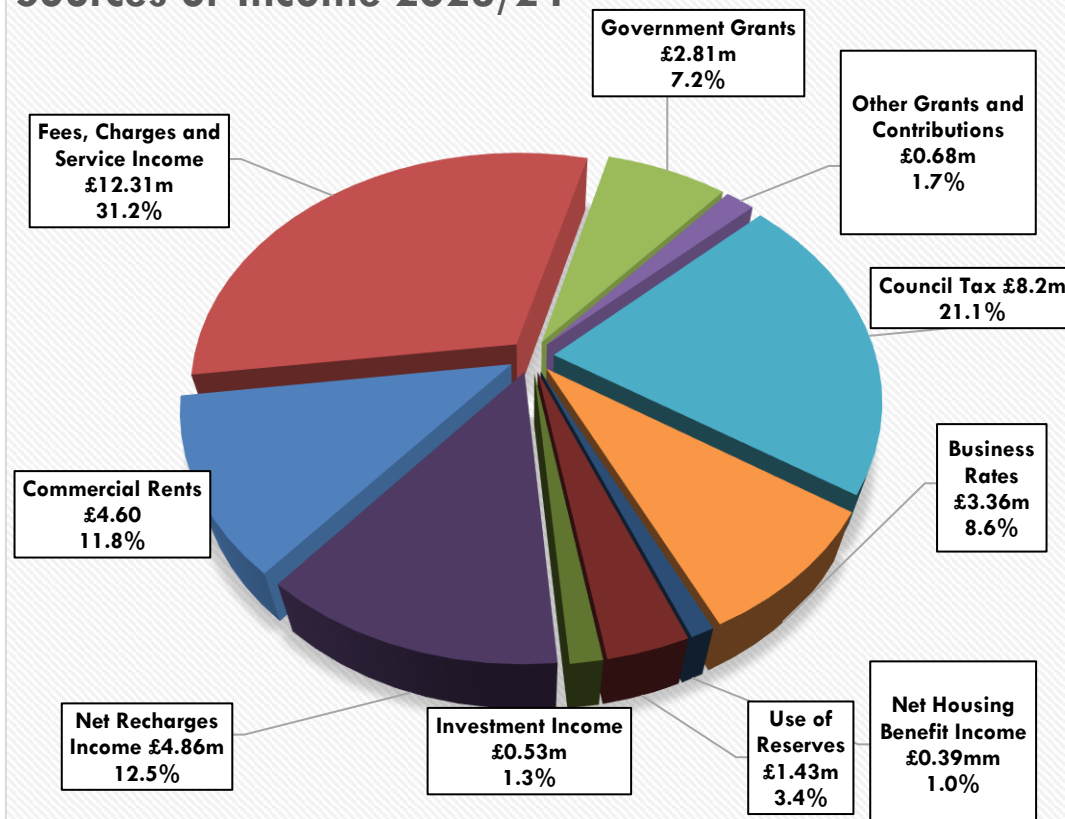
General Fund revenue expenditure is incurred on the day-to-day services the council provides other than those provided through the Housing Revenue Account (HRA). The analysis of how the council spends its money within the General Fund can be categorised below, which predominantly shows that employee expenses is the main cost of the council.



General fund expenditure incurred by the council falls into two main categories: **Statutory services** - which the council is legally obliged to provide or commission, such as refuse collection or **Discretionary services** - which the council is empowered but not legally obliged to provide or commission.

The council also has a wide range of income sources including commercial rent, fees and charges, grants, business rates and council tax for the General Fund. The current breakdown for 2023/24 is shown in the chart below.

Sources of Income 2023/24



1.5 National and External Context

The MTFP is set within the context of national economic and public expenditure plans and taking in to account the national legislation setting out the council's ability to borrow and to raise income from council tax and other sources along with central government funding allocations.

Local Government Finance Settlement

The MTFP assumes that 2024/25 central government funding will overall remain as currently notified. At this stage it will be important to understand the impact of the announcements made in any Autumn Statement 2023 (expected on 22nd November 2023) and associated policy statements that may be issued. Any funding shortfalls that may result will then be addressed across the MTFP period as part of the MTFP update and budget report to council in February 2024.

Further specific details are not expected until the release of the provisional local government funding settlement (PLGFS) currently expected in mid-December 2023.

National Pay Review

There have been ongoing discussions in relation to the National pay spine and national living wage which will continue to put added pressure on the Council's finances and contribute towards the increasing budget gaps for the General Fund.

On 1st November 2023, agreement was reached by the National Joint Council (NJC) on the 2023 pay award for local government services. Two of the three unions, Unison and GMB, have agreed

the pay deal after deciding not to pursue industrial action. For the third consecutive year Unite have refused to have its details included on the NJC pay agreement circular.

- With effect from 1 April 2023, an increase of £1,925 (pro rata for part-time employees) to be paid as a consolidated, permanent addition on all NJC pay points 2 to 43 inclusive.
- With effect from 1 April 2023, for pay points 44 and above an increase of 3.88 per cent on all pay points above the maximum of the pay spine but graded below deputy chief officer.
- With effect from 1 April 2023, an increase of 3.88 per cent on all allowances.

Historic increases shown below, play a significant financial risk for the MTFP and future year budget setting.

	2019/20	2020/21	2021/22	2022/23	2023/24
Pay Points 1	2%	2.75%	1.75%	£1,925	Deleted
Pay Points 2-43	2%	2.75%	1.75%	£1,925	£1,925
Pay points 44+	2%	2.75%	1.75%	£1,925	3.88%

[The new Living Wage rate has been announced](#) by the Living Wage Foundation. The rate increased to £12 an hour from 24 October 2023. The previous rate was £10.90.

The council is accredited by the foundation as a Living Wage employer and has a total of 37 employees who will benefit from this increase. The real Living Wage is based on the cost of living and is voluntarily paid by accredited Living Wage employers. The rate is higher than the government's national living wage and the minimum wage.

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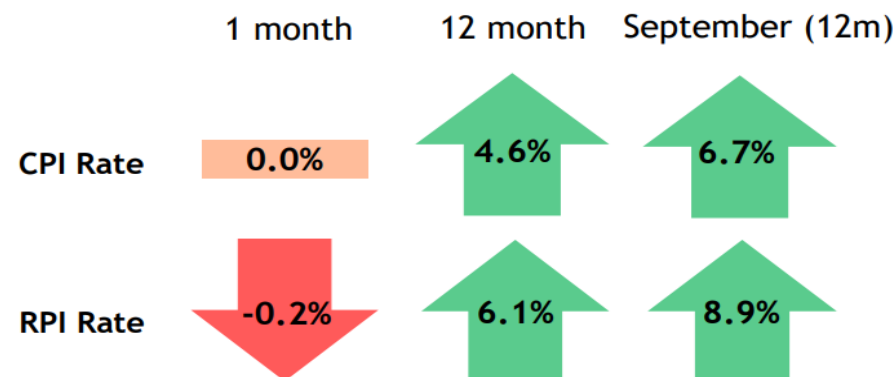
Future Economic Outlook

CPI inflation rose by 4.6% year-on-year in October, a larger reduction than expected from 6.7% in September. Month-on-month CPI remained unchanged in October 2023, compared to the rise of 2.0% reading in October 2022.

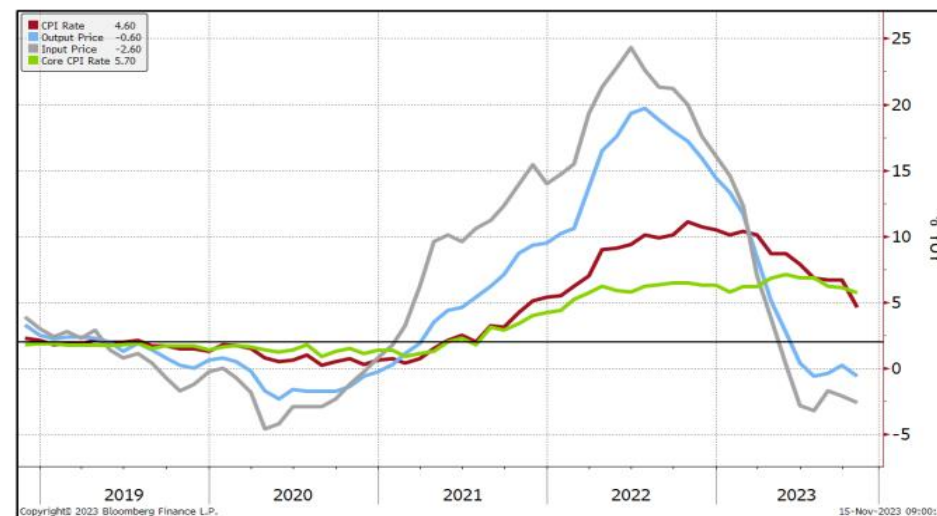
Core CPI (excluding energy, food, alcohol and tobacco) increased by 5.7% in October, also slightly below expectations and down from the previous month of 6.1% in September. There was a significant fall in the CPI goods rate from 6.2% in September to 2.9% in October, while services CPI eased from 6.9% to 6.6%.

The most significant downward driver of the monthly change for the CPI annual rate was due to housing and household services. The reduction in annual inflation rates was mainly driven by declines in three areas: housing and household services, food and non-alcoholic beverages, and restaurants and hotels. The only major positive impact came from the recreation and culture sector.

A larger decline in the headline CPI rate than expected, in a set of consumer inflation figures all going in the right direction. The core CPI and services CPI rates also came in lower than forecast, although both remain uncomfortably high. The only disappointment was the producer input prices, which accelerated on a monthly basis. The sharp fall in the headline rate was flagged well in advance and CPI may ease more slowly from here, particularly with current levels of wage growth. The MPC is not likely to be in any hurry to cut Bank Rate, although we expect economic growth to slow more materially as time passes.



UK Inflation Rates



Locally the inflationary pressures have led to increase on contractual costs of the council which include revenue and capital impacts and are included within the MTFP assumptions. As we start to see inflationary pressures decline, this should help elevate future budget pressures.

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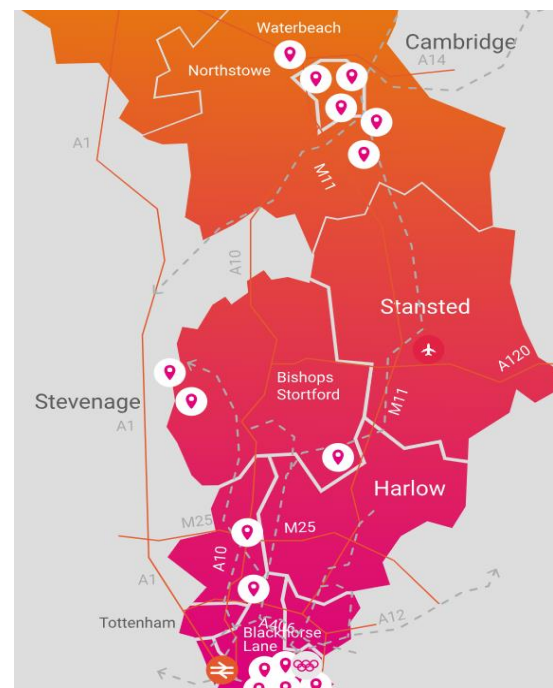
2.1 About Harlow

The Harlow District was formed on 1 April 1974 from the former Harlow Urban District and is now composed of 11 wards with 33 councillors. Harlow's population is 93,300 (ONS Census, 2021) - an increase of 13.9% from 2011. This is the fifth highest increase in the East of England and more than double England's average increase (6.6%). Harlow already has the second highest social housing stock in Essex. There are around 37,900 homes in the town and whilst the councils regeneration proposals are set to deliver hundreds of new homes over the plan period, our growing population will lead to greater demand for good quality housing.

Harlow occupies an area of 3,054 ha and is located at the centre of the UK Innovation Corridor. This strategic location makes Harlow a key location for ICT, aerospace and life science industries, but improved infrastructure is needed to secure future investment in the town. The UK Health Security Agency is moving to Harlow and the much-needed new Princess Alexandra Hospital is planned to construction in 2025.

Nearly a quarter of Harlow's land is designated as Green Wedge and the town is home to Harlow Town Park, one of the largest urban parks in the country, as well as a network of woods, ponds and marshes. Despite this, Harlow has one of lowest proportions of population accessing green spaces in Essex according to the Essex resident survey.

A vibrant town centre is fundamental to Harlow's future prosperity. Tens of millions of pounds of public and private sector has been secured to make this a reality as well as the creation of the Harlow Regeneration Partnership. We have secured over £40million in funding through the Towns Fund and Levelling Up Fund which will transform Playhouse Square and College Square into a vibrant arts and culture quarter, create a new transport hub in Terminus Street and a revived Broad Walk and Market Square. We have also set up the Harlow Regeneration Partnership with one of the UK's leading



developers and put in place our first Partnership Business Plan covering the plan period.

Harlow is in the East of England on a key axis 30 miles north of Central London and 35 miles south of Cambridge and is supported by high-capacity transport links giving it excellent connectivity to the rest of the UK and beyond. It is served by two motorway junctions on the M11, providing access to London and

Cambridge and the M25 leading to the UK's wider motorway network. Two railway stations serve Harlow, both of which travel to London Liverpool Street station (30 mins), Oxford Circus (45 mins) and Cambridge Station (40 mins) with six trains to London per hour.

London Stansted Airport, a central transport hub serving 28 million passengers each year and employing over 10,000 people, is located 10 miles north of Harlow and is just one stop (or 19 minutes) away via an express train. London Stansted has aggressive growth plans to grow passenger numbers to 35 million per annum by 2025 and 45 million per annum, along with an increase of 10,000 additional employees, by 2030 (London Stansted Airport). Owners MAG will also invest £130 million in a new arrivals building to improve passenger experience and better advertise the region. London City Airport is 24 miles south, and Luton Airport is 29 miles west of Harlow.

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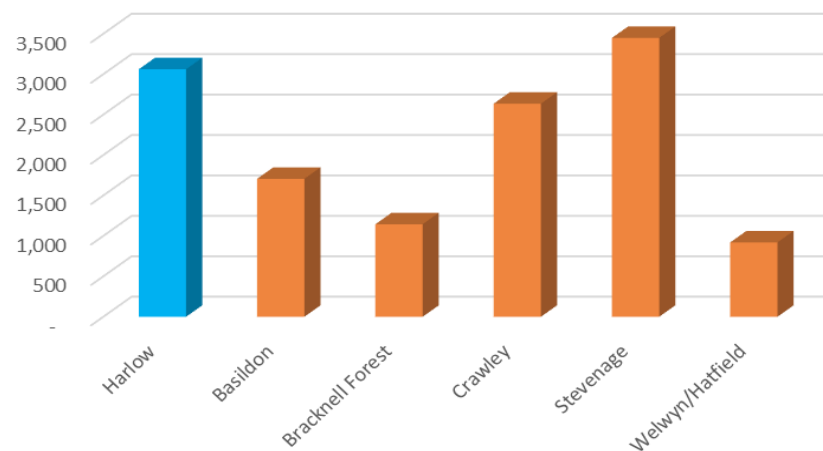
2.2 Peer Group Benchmarking

Harlow was one of the New Towns established around London, designated under the New Towns Act 1946. This group of towns constitutes our Peer Group and is used for comparative and performance benchmarking purposes. The comparative data highlights the appropriateness and relevance of the council's corporate priorities. Our density and confined area have implications for the scope to build new homes and attract businesses.

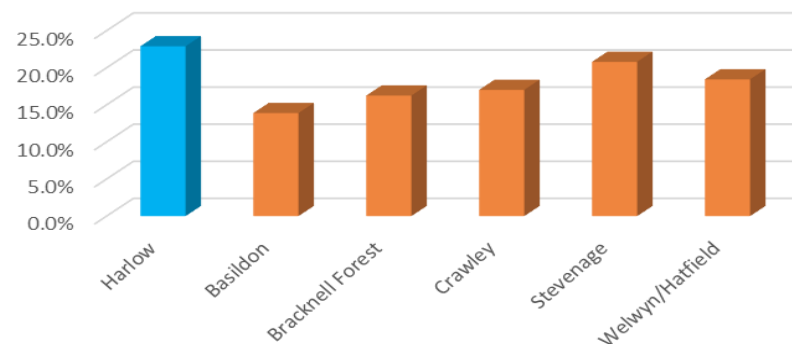
	HARLOW	BASILDON	BRACKNELL FOREST	CRAWLEY	STEVENAGE	WELWYN HATFIELD	AVERAGE (WHERE APPLICABLE)
POPULATION (CENSUS 2021)	93,374	187,659	125,174	118,580	89,320	119,538	122,274
AREA SQ. MILE	11.79	42.64	42.24	17.36	10.03	50.01	29.0
DENSITY (SQ MILE)	7,920	4,401	2,963	6,831	8,905	2,390	5,568
HOUSING (2021)							
Total Dwellings	39,708	79,782	53,187	47,067	37,844	48,855	51,074
Social Housing & Housing Asso. Dwellings	9,095	11,086	8,646	8,013	7,874	9,012	8,954
Social Housing & Housing Asso. %	22.9%	13.9%	16.3%	17.0%	20.8%	18.4%	18.2%
% Band D properties	12.2%	18.6%	19.0%	19.2%	8.7%	24.9%	17.1%
AVERAGE HOUSE PRICES £	345,674	408,083	449,785	352,387	347,788	541,156	407,479
MEDIAN HOUSE AFFORDABILITY RATIO	11.0	10.3	9.8	9.8	9.9	12.1	10.5
SOCIAL & HEALTH							
REPORTED CRIMES PER 100,000	12,327	10,809	5,073	10,113	9,282	7,153	9,126
HEALTH INDEX (100=Average)	90.5	100.9	109.1	98.5	91.7	101.2	98.7
DISABILITY ALLOWANCE CLAIMANTS	2.0%	2.5%	1.7%	1.8%	2.9%	1.7%	2.1%
EDUCATION, ECONOMIC & SOCIAL							
NO QUALIFICATIONS	21.0%	20.7%	13.2%	17.8%	15.8%	16.1%	17.4%
% UP TO LEVEL 4 QUALIFICATIONS	10.9%	31.1%	43.8%	23.3%	40.6%	28.7%	29.7%
MEDIAN GROSS EARNINGS FT EMPLOY.	30,210	30,647	43,544	34,643	38,643	39,047	36,122
UNEMPLOYMENT RATE (16-64)	14.2%	6.4%	3.8%	5.8%	7.2%	3.6%	6.8%
INCOME DEPRIVATION (IMD) %	13.4%	13.8%	6.8%	11.0%	12.2%	8.6%	11.0%

Source: LG Inform

POPULATION DENSITY (Sq Mile)
HARLOW HAS THE 2nd HIGHEST DENSITY



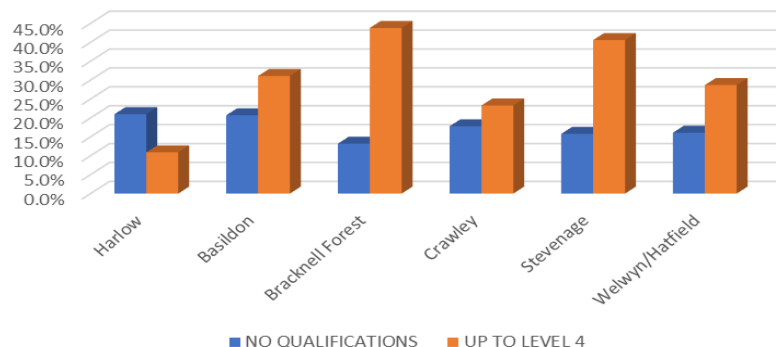
SOCIAL HOUSING AS % TOTAL STOCK
HARLOW HAS THE HIGHEST PERCENTAGE



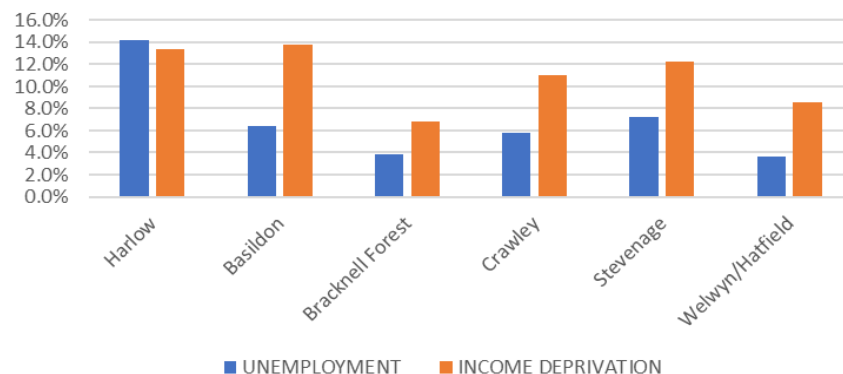
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The towns lower levels of educational attainment has an impact on its economic growth. Local skills in the workforce are a major consideration for companies seeking to relocate. Harlow has lost several such companies and has seen these replaced by low-skill, low salary warehouses, occupying scarce sites.

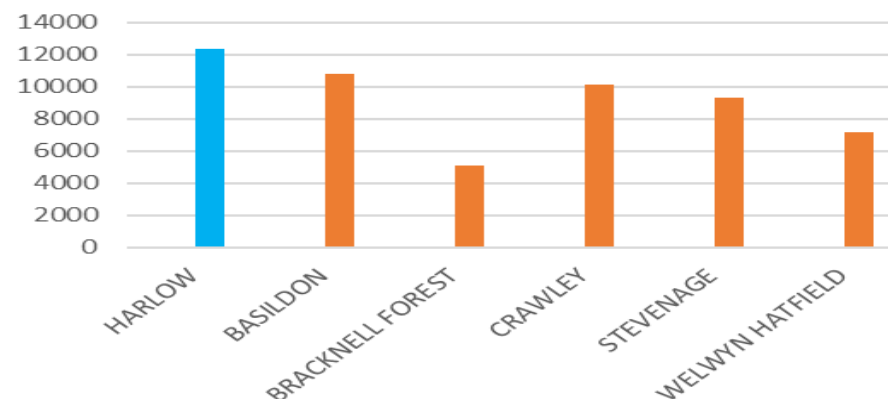
EDUCATIONAL ATTAINMENT
HARLOW IS LOWEST & FAR BEHIND



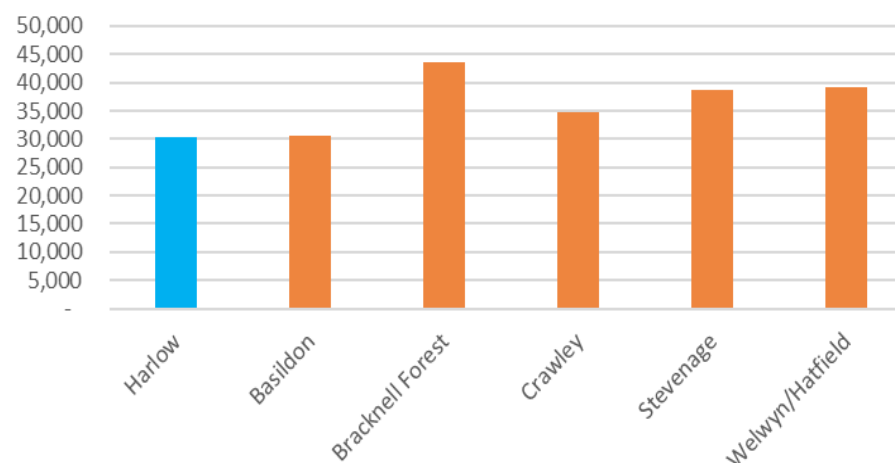
UNEMPLOYMENT & DEPRIVATION
HARLOW SCORES POORLY ON BOTH



RECORDED CRIMES PER 100,000 -
Harlow has the highest crime levels



MEDIAN GROSS ANNUAL EARNINGS £
HARLOW HAS THE LOWEST EARNINGS



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2.3 Harlow's Plan's

The council is pressing ahead with its ambition projects, working alongside strategic partnerships such as the Harlow Investment Fund (HIF), the Harlow Regeneration Partnership (HRP) and the Harlow and Gilston Garden Town (HGGT) to attract additional investment for Harlow. The council is also in the process of developing a robust commercialisation plan to generate additional income through sponsorship opportunities and help fund our cherished discretionary services. The new HRP joint venture partnership with Hill Group will be the bedrock for Town Centre and wider estate regeneration programmes. Planning for the future, the council is working closely with partners to ensure the appropriate infrastructure is in place while ensuring this helps us to achieve our challenging targets of becoming a zero-carbon town by 2040. As an organisation, we are driving forward an ambitious transformation programme to speed up processes and improve customer access through better use of technology. We will actively pursue shared services opportunities with other local authorities.

Residents Survey 2023

The council carried out a resident survey in July 2023. It is the first time that the council has carried out this type of survey, which was conducted via telephone interviews. It will now run every year so we can regularly track what residents think about our work and what is most important to them.

The findings provide us with statistically reliable data which will be used to improve how we work. The findings from this first survey tell us about the things we do well when compared with other councils, but also what we can improve and most importantly what the priorities are for our residents.

The findings have informed the development of the new Corporate Plan for 2024 to 2028, and the data on residents' communication needs will form the basis of a new communications strategy for the council. Some of the key findings are stated below and the full survey can be found [here](#).

Results – Satisfaction and Communication

77%	Residents are very or fairly satisfied with their local area as place to live
58%	Say they are satisfied with the way the council runs things
72%	Feel they belong to their local area
61%	Get their information about the council through leaflets and Harlow Times
60%	Get information from the website
47%	Would prefer their information through emails and e-newsletters
26%	Would like to hear information from councillors

Results – How we compare with other councils

77% of residents are satisfied with their local area.
73% is the national average.

58% of residents are satisfied with the council.
60% is the national average.

44% agree the council provides value for money.
42% is the national average.

49% of residents feel safe at night.

71% is the national average.

84% of residents feel safe during the day.

90% is the national average.

57% of residents trust the council.

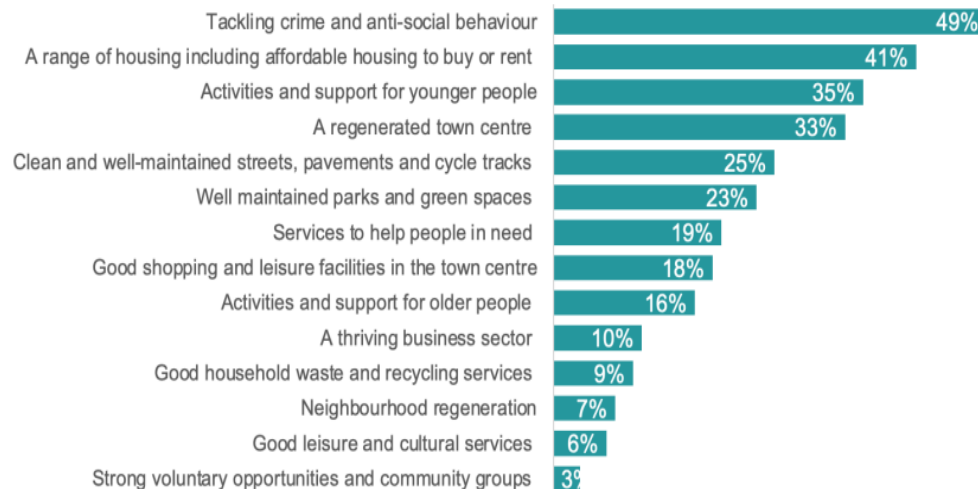
56% is the national average.

PART 2 – DISTRICT PROFILE AND PLANS

Results – Local Issues

96%	Feel it's important to improve local services
94%	Would like the council to secure investment into Harlow
91%	Think it is important that pride is restored in the town

Residents were able to choose their top 3 main priorities for Harlow and the results are shown below. This has been instrumental in developing the council's new Corporate Plan. Town Centre activities are reported at 33% for regeneration and 18% for good shopping and leisure facilities, which is a high priority of the council's to help shape the plans of the organisation.



Harlow Regeneration Partnership (HRP)

The Harlow Regeneration Partnership (LLP) (HRP) was established in June 2023 between Harlow Council (HC) and Hill Investment Partnerships (HIP), to support the delivery of the council's ambitious plans to regenerate the town centre into an increasingly mixed residential & retail/leisure district, as well as delivering new social rent, affordable tenure and market housing as part of the wider Harlow Council House Building Programme.



Towns Fund

The Towns Fund is a £3.6 billion fund created by government to help develop towns and cities. Harlow was successful in its bid for funding from the Towns Fund and was awarded £23.7 million.

We plan to improve the transport links and connectivity in the town centre. This includes improving public spaces to make the town centre feel safer and more attractive and a new transport and commercial hub in Terminus Street replacing the existing bus station. Projects include:

- Bus terminus and Terminus Street
- Broad Walk and Market Square
- New Cambridge road and River Way Junction
- Institute of Technology

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Levelling Up

The Levelling Up Fund is a £4.8 billion fund that will support town centre and high street regeneration, local transport projects, and cultural and heritage assets.

In January 2023, the government announced that Harlow Council's £20m bid to regenerate Playhouse Square and College Square into a vibrant arts and culture quarter was successful.

The vision for the two squares is to create an arts and cultural quarter with a diverse range of artistic, entertainment, cultural and heritage disciplines to establish a regional hub of innovative events.

Iconic buildings - the Playhouse Theatre and St Paul's Church - will remain at the heart of the new quarter.

The quarter will see brand new:

- live music and performance venue (including music school and recording studio)
- contemporary bar and café
- artist and maker studio spaces
- flexible studios for creative and performing arts, rehearsal space, events, smaller and outdoor performances, and community uses
- art gallery and associated spaces for literary arts, spoken word, education events and visiting exhibitions and installations

Harlow Investment Fund (HIF)

The council has also been working with Homes England, Essex County Council and Places for People Capital to set up the £50m Harlow Investment Fund to support redevelopment of the town centre.

Harlow and Gilston Garden Town (HGGT)

As part of the Harlow and Gilston Garden Town project, 16,000 new homes will be built by 2033 and a further 7,000 will be built in the Gilston area beyond 2033. Increasing the number of homes currently in Harlow from approximately 37,000 to approximately 60,000.

The new development will add lots of additional choice of excellent places to live, including town centre apartments, beautiful new urban communities, and a series of brand new villages, with vast areas of open space and the River Stort Valley on the door step.



As part of the proposed growth, there will be major investment in transport, jobs and community infrastructure, including schools and health facilities, to support new and existing residents in the Harlow area.

More than £1.3 billion of infrastructure improvements are detailed in the recently endorsed HGGT Infrastructure deliver plan (IDP), with

PART 2 – DISTRICT PROFILE AND PLANS

£794m of that coming from HGGT developers. The benefits for Harlow and the Garden Town area, which could be included in agreements (known as Section 106 agreements) from planning applications are recently detailed on the HGGT [website](#).

Climate Change

Development of the Climate Change Strategy has been on-going in 2023 following the agreement of a strategy Position Statement at Cabinet in March 2022. The agreed Position Statement set out seven objectives which have been brought forward into the strategy as seven themes, which are;

- To achieve Net Zero emissions from the council's operational buildings, land, vehicles and services, including those provided by service delivery partners;
- To achieve Net Zero emissions from all homes and the built environment within Harlow;
- To reduce consumption of resources, reduce waste and increase reuse and recycling in Harlow;
- To adopt good stewardship of the natural environment across the town to support both climate change adaptation and mitigation;
- To achieve a significant modal shift towards more sustainable means of transport;
- To promote reduction of emissions by businesses to Net Zero, supported by a successful green economy; and
- To lead and encourage local communities, partners and stakeholders to reduce their emissions and contribute positively to meeting the challenges posed by climate change.

The draft climate change strategy sets out the proposed actions in the short, medium and long term for the council to aim to achieve Net Zero by 2040. A number of the short term actions in the draft strategy are to develop more specific proposals and costings, as further work is needed to quantify these. The council will also seek external funding as it becomes available, and it is envisaged that Government will continue to implement top down measures, which may be accompanied by funding, which the council continues to monitor.

Shared Service Opportunities

Following on from the successful formal shared service arrangement for Internal Audit between Broxbourne, Epping Forest, Harlow, and St Albans Councils, with Broxbourne being the host authority and employer of the shared Internal Audit staff. The council are actively pursuing a number of shared service opportunities and engaging with our neighbouring partners, including the North Essex Council's Partnership and other routes to help achieve economies for scale and value for money.

Sponsorship Opportunities

The achievement of the sponsorship agreement for the maintenance and of the towns roundabouts has demonstrated that the town is attractive for such arrangements and further work is underway to identify other opportunities that could lead to further sponsorship of council facilities in the future. The MTFP does not currently incorporate further assumed income from this proposed expansion of the sponsorship activity but will in future iterations when the proposals are further developed, and sponsorships are in place.

PART 3 – THE FINANCIAL CHALLENGE

3.1 Key Assumptions

Local authority budgeting is by its very nature difficult to forecast with absolute certainty since there are so many variables that need to be assessed.

The MTFP 2023/24 included various assumptions, these assumptions have been reviewed and updated with current known factors, and extended to a 4-year period. These assumptions will be the standard assumptions used to drive all financial planning within the council, where applicable. Assumptions will be reviewed and updated for the Budget Report in February 2024.

Key Area	2023/24 (Current)	2024/25 to 2027/28
Costs		
Pay Inflation	4% pa	3% (24/25), 2% (25/26)
National Insurance	4% pa	3% pa
General Inflation	Only where contractually committed	No Change
Energy Inflation	Gas 150% Electricity 150%	Gas 8% Electricity -2%
Staff Vacancy savings target	2% pa.	No Change
Pension Fund triennial revaluation	2022 Valuation results incorporated in to the MTFP and budget.	No Change pending 2025 valuation.

Key Area	2023/24 (Current)	2024/25 to 2027/28
Income		
Fees & Charges	No Change other than an adjustments to those budgets with long term post Covid impacts.	To be reviewed on a service by service basis to determine if increases can be proposed/justified.
Council Tax	Council Tax Freeze	Assumes no Council Tax increases are included within the MTFP period.
Tax Base	Alignment to Statutory Tax Base as at October 2022	0.5% growth p.a
New Homes Bonus	One off allocation £572k	No NHB included – announcement expected in Autumn Statement
Business Rates Income	Reflects the LGFS 2022	No Change - Awaiting PLGFS in December 2023
Government Funding	Reflects the LGFS 2022	No Change – Awaiting PLGFS in December 2023

3.2 Key Risks

Key Risks

There is a significant degree of uncertainty, arising from both internal and external factors, which could have a significant impact on the key assumptions made within the MTFP. The financial systems within which the council operates are complex and highly sensitive to a range of variables and it is therefore important that risks, that could have a material effect on the financial position of the council, are identified and understood in terms of the potential impact (positive or negative) and the likelihood of occurrence. This foregoing recognises the importance of having adequate mechanisms in place to identify and manage risks in order to support the achievement of financial stability. The key financial risks to the council's financial position over the short to medium term are reflected in the assessment of the adequacy of estimates and reserves.

Factors that can have a material effect on the financial position of the council include:

- the lack of certainty in government funding for future years including grants and changes to funding formula
- legacy impact of Covid-19 on public sector finances
- changes in function
- changes in how services are funded
- changes in the economy
- changes in Corporate Plan priorities
- unmanaged service pressures and increases in demand
- council tax strategy
- changes in legislation and government policy

- levelling up and devolution agenda
- level of future pay awards and general inflation assumptions
- adequacy of contingencies in any one period
- business rate volatility, more frequent business rates revaluations with a revaluation in April 2023 and business rates retention
- treasury management and interest rate changes
- projected income levels from fees and charges
- non achievement of savings
- impact of the Redmond Review on External Audit Fees
- level of provision for insurances
- new burdens
- welfare reforms
- provider failure, and
- demographic changes.

It is important to note that the revised forecast within this MTFP represents the best estimate at a point in time. However, there are a number of risks associated with these revised forecasts, the main risks being as follows:

Financial – the majority of the future years' forecast and model is based on a series of assumptions, the further into the future you look the higher the risk that these assumptions are inaccurate.

Political – The 2023 Autumn Statement is due to be announced on 22nd November 2023 and the PLGFS in December, however it is assumed the local government finance settlement is still only for 1 year. The impact of any positive or negative change to our future funding as a result of any such changes and sufficiency of funding will need to be considered in due course.

PART 3 – THE FINANCIAL CHALLENGE

Treasury – the MTFP is based on a reasonably stable global financial position going forward. If the assumptions change it may have a major impact on the financial position of the council particularly around business rate income, and interest payments.

Internal Change – Service transformation will be required to address the budget shortfall over the medium term. Inevitably, such changes have associated risks.

Corporate Risk

The Strategic Risk register is reported quarterly to Audit & Standards Committee. The council currently has 14 key strategic risks, and were last reported on the 22nd November 2023. As the new Corporate Plan is developed these strategic risks will be reviewed and maybe adapted. The current residual risk scores are plotted out on the Risk Matrix below.

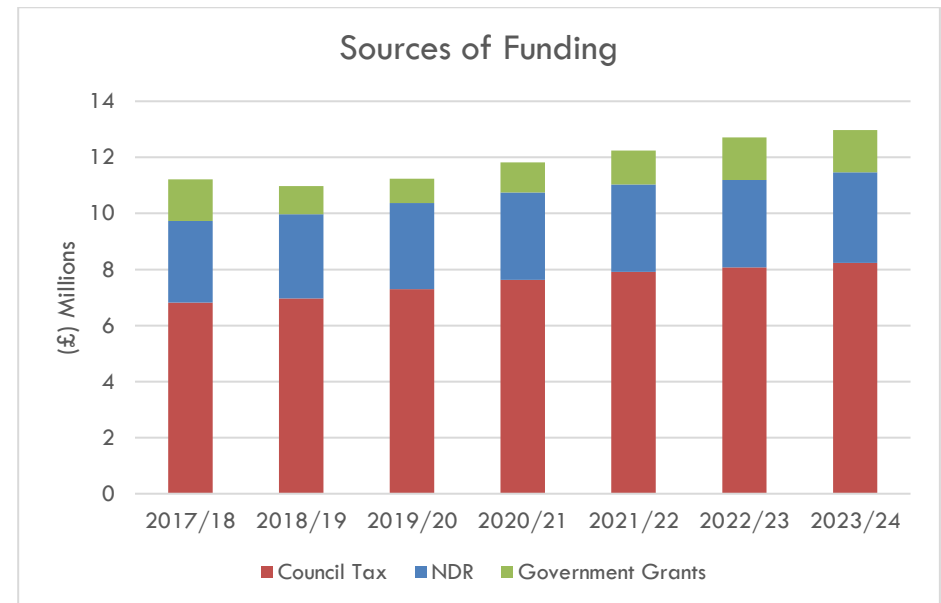
Likelihood	Almost Certain	5	10	15	20	25
	Likely	4	8	12	16 CR06	20
	Moderate	3	6 CR09b	9 CR02; CR03 CR04; CR09 CR09a	12 CR01; CR05 CR07; CR08	15
	Unlikely	2	4 CR09e	6 CR09c	8	10
	Rare	1	2	3 CR09d	4	5
		1	2	3	4	5
		Insignificant/ Minimal Impact	Minor	Moderate	Major	Catastrophic
Impact						

No.	Risk	Residual Risk Score
CR01	Financial Resilience	12
CR02	Infrastructure & Housing	9
CR03	Community & Business Resilience	9
CR04	Lack of Adequate Council Housing	9
CR05	Human Capital	12
CR06	Recession & Cost of Living	16
CR07	Climate Change	12
CR08	Supply Chain Disruption	12
CR09	Business Continuity	9
CR09a	Business Resilience - Meteorological Events	9
CR09b	Business Resilience - Biological Events	6
CR09c	Business Resilience - Accidental Cause	6
CR09d	Business Resilience - Intentional Cause	3
CR09e	Business Resilience - Technological Events	4

Risks are monitored based on level of priority, concentrating on **high risks (red)** and **medium risks (yellow/amber)** but also regularly review actions to ensure **low risks (green)** are being effectively managed and to identify any emerging risks.

3.3 Funding Challenges

The tax related sources of funding that do not relate to services are shown below. It's evident that levels have been relatively consistent over a number of years and are not in line with the considerable inflationary cost increases that the council faces, which is resulting in significant budget gaps within the general fund. The main sources of External Funding are Council Tax, Government Grants and Non-Domestic Rates (NDR) otherwise known as Business Rates.

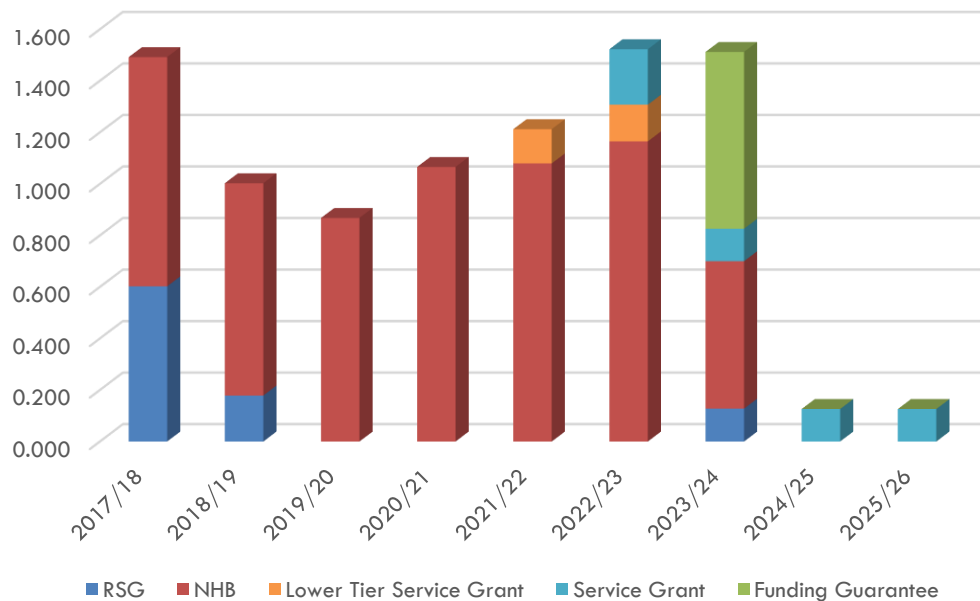


PART 3 – THE FINANCIAL CHALLENGE

Government Funding

The table below summarises the MTFP's Total Government funding arising from the Local Government Finance Settlement since 2017/18. In recent years, government have awarded council's a series of one-off Grants, which has made Government funding sources stable at around £1.4m. However, as these one-off grants have only been notified with the LGFS, it makes it considerably difficult for councils to plan for future certainty. Currently the council has forecasted that only Service Grant funding will be allocated in future years.

Government Funding Allocations



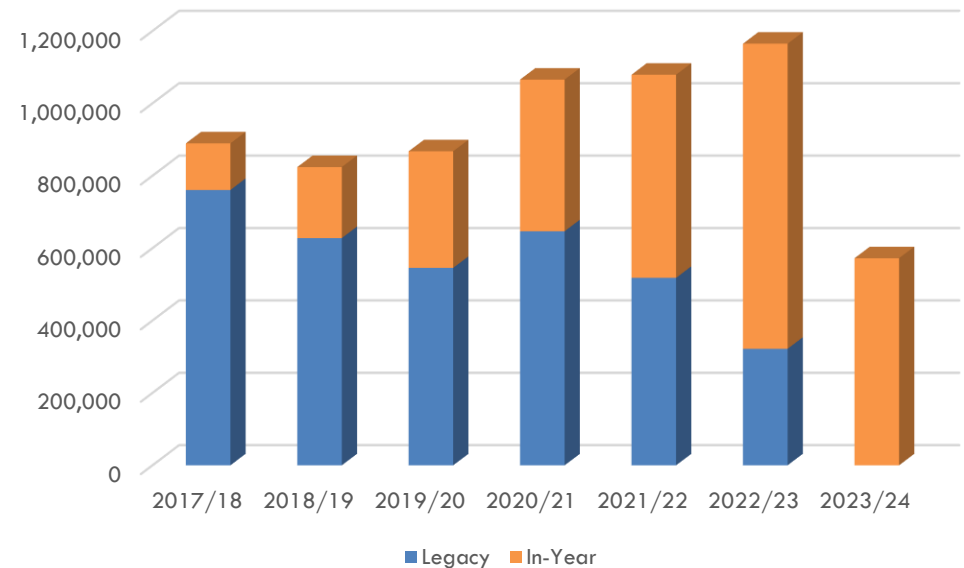
Lower Tier Services Grant - was introduced in the local government finance settlement 2021 to 2022 for local authorities with responsibility for lower tier services.

Service Grant – Is an unringfenced Grant from 2022-23, proposed to provide funding to all tiers of local government in recognition of the vital services delivered at every level of local government.

New Homes Bonus (NHB)

The New Homes Bonus is a grant paid by central government to local councils to reflect and incentivise housing growth in their areas. It is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use. There is also an extra payment for

NHB Scheme Payments



providing affordable homes. The Graph shows how the NHB payments and government allocations have changed since 2017/18. Previously the Grant was awarded based on allocations spread out over multiple years, these are called legacy payments. Legacy payments have now ended from 2022/23 and any future NHB payments are allocated for one year only if allocated at all.

The government consultation on a replacement NHB scheme ran from 10 February 2021 to 21 April 2021. However, to date here has been no feedback resulting from that exercise.

The finance settlement for 2023/24 included an allocation of NHB for that year only. There has been no indication as to whether a similar payment will be made in 2024/25 or future years.

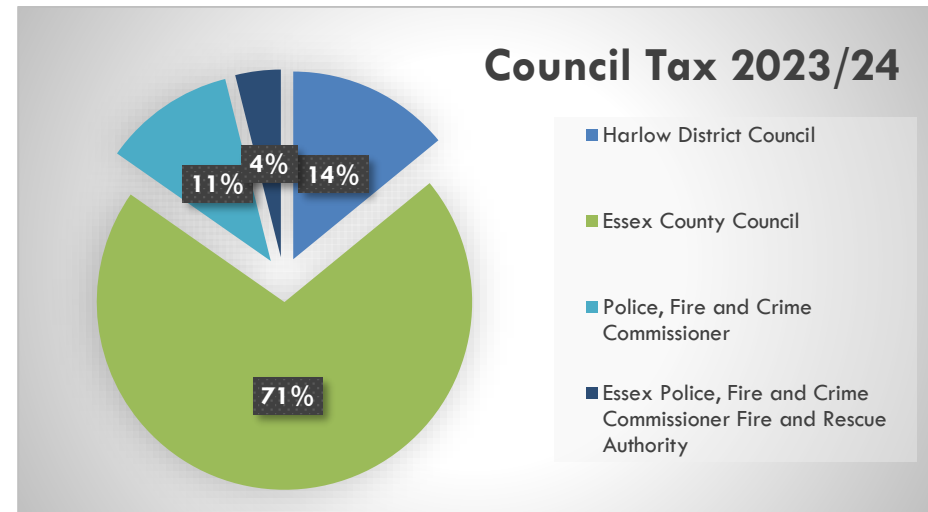
The MTFP currently includes £0.572m of assumed New Homes Bonus income in 2023/24 only and no income for future years.

In previous years, NHB has not been used to support the base budget. Instead, it has been earmarked into the Discretionary Service Fund (DSF) Reserve. In 2023/24, NHB was used to support the Budget Stabilisation Reserve.

If there is further NHB funding, the use of NHB will be reviewed as part of an overall review of financial plans that will form part of the update of the MTFP for approval by council in February 2024. This will include an update for any changes in methodology as a result of any further government consultation.

Council Tax Referendum Limits & Council Tax Base

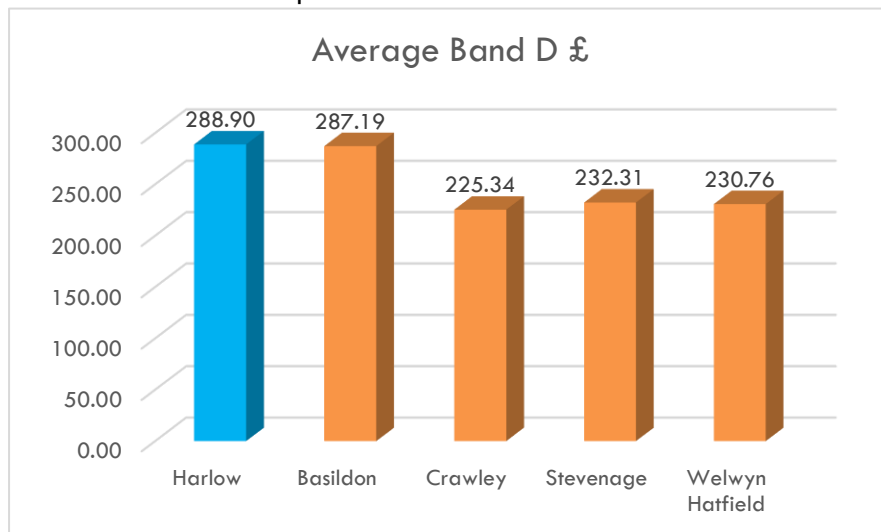
Harlow Council is the billing authority for the District of Harlow. This means that it is responsible for sending out the Council Tax bills to residents and for the collection of the Council Tax. Of the money billed and collected 86% is distributed to Essex County Council, Police Authority and the Fire Authority.



In announcing the 2023-24 LGFS, the government took steps towards providing some clarity about funding in 2024-25 although this stopped short of a two-year settlement. The charge on a Band D property which is retained by Harlow is currently £288.90. Any increases on this amount are restricted by a cap put in place by the Government. The Council Tax referendum principle applicable to shire districts were set out in the 2023-24 LGFS and it was stated that increases of less than 3% or £5 (whichever is the greater) would continue in 2024-25.

The current MTFP assumes that Harlow's element of the Council Tax level will remain frozen at £288.90 for 2024/25, it has been at this level since 2021-22. From 2025/26, current projections assume no Council Tax increases are included within the MTFP. This will be kept under review as future budgets are developed and increases maybe incorporated up to the referendum limits set by the Government, which is currently set at 3%, subject to PLGFS.

The graph below shows the comparative Band D data with our peer groups. It shows the Harlow's Band D is now more comparable with our peers. Bracknell Forest is not included as it is a unitary authority and therefore not comparable.



It should be noted that this update currently assumes no significant changes in the Council Tax base assumptions used in the MTFP approved by council in February 2023, and that a modest growth rate of 0.5% has been applied. The Council Tax base will be set by the council's S151 officer in January 2024, and it will include a review of the ongoing collection rates.

Business Rates Income

Since the 2013/14 financial year, local government has been able to retain 50% of the growth in the local business rates income to support services. The Government had pledged to allow councils more control locally over their finances, and as part of this began to plan for an eventual system of 100% local retention of business rates growth. In exchange for this, councils would have to forgo certain grants received from Central Government. This has since been rescinded.

Harlow is currently part of an Essex wide Pool which provides benefits to pool members by reducing the level of Tariff that is payable across the pool. The benefit of pooling can be factored in to the MTFP and the general fund budget, HC currently assume £180,000 will be received in pooling income. But this approach is being reviewed.

The income from the current system is shared on the basis of 50% being returned to Central Government, 40% being retained by Harlow with 9% going to Essex County Council and 1% to the Essex Fire Authority. The Business rates forecasts are currently being modelled and will be reported in February 2024.

It was confirmed in the LGFS 2023-24 that there will be no reset of business rates for the remainder of the current spending review period and the Review of Relative Needs and Resources of councils (formerly known as the Fair Funding Review) will be paused for the same period, from 2025-26 at the earliest.

Collection Fund

The assumptions made around Council Tax and NDR are reflected initially in the Collection Fund Account, which is a statutory account that records the collection and distribution of taxation, which is managed by the council as the billing authority. The forecast position for the council's share of the Collection Fund, utilising the Key Assumptions is currently being monitored and will be updated following the PLGFS.

Fees & Charges

The council has limited means to charge for some of the services it provides. Some of these charges are statutory and are set by central government, but the council has discretion over the levels of others.

Fees & Charges are discussed annually with service managers, Directors, and the portfolio holders. In carrying out the annual review, existing charges are

- a) compared against the legally permissible maximum as well as local and national market rates,
- b) compared against the cost of providing the service,
- c) compared against the objective for this charge (i.e. charge to make a surplus/ breakeven/ subsidise).
- d) Assessed to ensure fee payers see value for money with a reasonable fee or charge set.

The annual review of fees and charges will seek to identify areas where charges could be made where currently it is not the council's policy to do so. It will also consider the timing of the introduction of any changes.

For 2024/25 fees and charges proposals will consider the ongoing economic conditions and their impact upon income streams, existing income targets and the wider impact of increases in businesses and residents. A full list of the proposed 2024/25 Fees and Charges is expected to be finalised in December and will be reported to council in February 2024 for approval.

PART 4 – THE FINANCIAL POSITION

4.1 Revenue Financial Forecasts

Taking the financial challenges and key assumptions into account, the council's current forecast financial position is detailed below. The updated position continues to show a budget gap of £1.728 million for 2024/25 and increases for future years. Several work streams have been undertaken in line with the budget setting timetable for 2024/25. This includes an energy cost review, a review of various Income budgets as well as a number of inflationary budget lines. The impacts have been included within the table below to show the movement from the 2024/25 budget gap position when the 2023/24 Budget was set in February 2023.

There are also various areas that have yet to be factored into the current forecasts, and the majority are expected to be completed by December 2023. This includes finalising fees and charges for 2024/25, finalising the council's reserve position and assessing various saving and pressures which have been put forward by cost centre managers and assistant directors.

The PLGFS is also expected to be announced in mid December 2023, which will also impact on Collection Fund forecasting.

Once the Capital Programme is finalised in November, the capital financing entries can then be reassessed, and revenue impacts identified.

The 2024/25 budget and the final MTFP will be reported in February 2024.

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Budget Gap 2023/24 (Feb 2023)	1,782	1,924	2,100	2,310
Increase Pay Inflation from 2% to 3%	164	462	782	1,122
Pay Award (2023-24)	212	216	221	225
Energy Inflation	(359)	(359)	(359)	(359)
Energy Rebasing	(202)	(202)	(202)	(202)
Waste contract Inflation (2023/24)	262	262	262	262
IT Licences Inflation	111	111	111	111
ECC inter authority	(52)	(52)	(52)	(52)
Green waste collection Income	(100)	(100)	(100)	(100)
Cemetery & Crematorium Income	(50)	(50)	(50)	(50)
Car Parking Income	(250)	(250)	(250)	(250)
Water Gardens Car Park Income	200	200	200	200
Commercial Property Rent Income	49	49	49	49
GF to HRA recharges	(86)	(86)	(86)	(86)
HTS Pensions (net of HRA)	47	47	47	47
Budget Gap November Position	1,728	2,173	2,672	3,227

4.2 The Housing Revenue Account (HRA)

Revenue expenditure within the HRA is incurred on:

- The day-to-day services provided in maintaining and managing the council's housing stock.
- Contributions towards capital expenditure that is not funded from usable capital receipts, or other capital funding sources.

The expenditure is financed from:

- Rents charged for council dwellings and garages.
- Charges made to leaseholders.
- Investment income.

The Housing Revenue Account Business Plan sets out the council's priorities for its housing stock and reflects the changes which took place with effect from 1 April 2012 as the existing housing subsidy system was replaced by Self-Financing. The priorities for the council's housing in the town are driven by national, regional, sub-regional and local housing priorities. They are also informed by the views and perspectives of stakeholders, especially tenants and leaseholders with whom the council undertakes ongoing engagement and consultation. In addition, local housing priorities are driven by the Local Plan, and the Corporate Plan.

Although the council must account for its General Fund services and Housing-related services separately by law, there are major areas where Housing activity and finances interact with General Fund activity and finances:

1. The HRA is a user of support services from the rest of the council for which appropriate charges are levied.
2. The allocation of investment and borrowing interest from the General fund to the HRA based on the net indebtedness position of the HRA.
3. Harlow Trading Services (Property & Environment Ltd) undertakes a wide range of work that impacts on these activities.
4. The HRA services manage a proportion of the non HRA garage stock including the capital repairs programme associated with them.

Details of the medium-term financial planning and financial projections and outcomes are included in the HRA Business Plan. The HRA Business Plan also contains an action plan that sets out responsibilities and timescales for the delivery of the key housing priorities. The Business Plan is currently being reviewed and will be reported alongside the budget in February 2024.

4.3 Capital & Treasury Management

The Capital Programme, Capital Strategy, Investment Strategy and Treasury Strategy will be reported to cabinet and council in February 2024. New capital investment requirements are currently being considered alongside the funding of new potential capital schemes. Any further revenue implications of the capital programme will be built into the MTFP for approval in February 2024 including any assumed contributions from revenue to support the capital programme.

4.4 Our Reserves

General Fund & HRA Balances

In accordance with the best practice guidance issued by CIPFA, the minimum level of general fund balances is reviewed and risk assessed on an annual basis.

The General Fund Balance is forecast to be £3.968M at the end of 2023/24. The required level of balance is determined by assessing the level of risk the council faces taking into account consideration both risk and affordability.

The General Fund Balance should only be used to fund one-off revenue expenditure and is held to meet unforeseen expenditure. Use of the general fund balance should be prudent and is subject to the agreement of the S151 Officer.

The minimum level of general or uncommitted reserves for the General Fund and HRA, as currently assessed by the Deputy Chief Executive and Director of Finance, are to be £2.5 million and £4.6 million respectively. The assessed minimum balance will be reviewed again for the MTFP update in February 2024, taking into consideration both risk and affordability.

No use of reserves will be incorporated into the budget process to support ongoing revenue expenditure. Reserve usage can only be to fund one off specific items.

Earmarked Reserves

As well as maintaining a risk based General Fund balance the council can also set aside Earmarked Reserves for specific items.

Reserve balances are again derived by taking a risk-based approach to assessing the council's key financial risks including reviewing key areas and assumptions within the estimates, realism of income targets, interest rate exposure, third party provider risks, and any other potential issues which may need to be taken into consideration.

The financial risks facing the council in the medium term are assessed within the MTFP. This includes assessing the risk of continuing reductions in government funding and the overall downturn in the economy resulting from the cost of living crisis, increased energy and inflationary costs. The extent of recovery are still uncertain and may still change. The subsequent budget shortfalls that the council then faces, and overall local and national economic factors can affect the financial stability of the council.

The council has both General Fund and HRA earmarked reserves. The reserves are grouped as follows:

Mitigation – Earmarked specifically to mitigate financial risks to the council.

Service – Monies set aside for services from existing budgets to be used on specific investment Initiatives or projects.

Capital – Earmarked to contribute towards the Capital Programme.

The latest position

PART 4 – THE FINANCIAL POSITION

In light of the increasing level of risk and uncertainty identified within the MTFP and the increased probability of resources being required to support its delivery, a full review of useable reserves and provisions will be undertaken to ensure that the level of reserves is appropriate given the level of risks identified. This will form part of the updated MTFP to be reported to council in February 2024, following the announcement of the PLGFS in December.

Each year as part of closing the accounts a view is taken on maintaining and strengthening, where necessary, those reserves specifically earmarked to support the highest areas of risk resulting in the rationalisation of reserves and provisions where possible and in some cases additional funding being set aside.

The current General fund and HRA reserves as well as the purpose of the reserves are set out in the table below.

<u>Reserves</u>	<u>Purpose</u>
Mitigation	
Audit Fees	Set aside to meet expect External Audit Fees
Budget Stabilisation	The creation of the reserve will remove the need to make short term decisions related to potential budget reductions
Covid-19 Reserve	Set aside to Mitigate Covid-19 Pressures
Debt financing	Established to finance future costs in relation to borrowing.
Housing benefits subsidy	An equalisation reserve to meet any future reductions in subsidy from previous years' increases.

Housing TA	Set aside to mitigate against potential increasing cost of Temporary Accommodation
Insurance claims	To meet any costs of future claims resulting from the insolvency of the council's previous insurer Municipal Mutual Insurance Ltd.
Insurance fund	A self-insurance reserve to meet excess charges in respect of policies for theft, motor insurance, employer's liability, fire and dwellings and other minor items.
Pension	To Mitigate future risk in Pension fluctuations
Perpetuity	Amounts set aside to meet long-term contractual obligations under a range of covenants.
Risk management reserve	Established in order to finance future initiatives that mitigate insurable risks and potential insurance claims against the council and help limit increases in insurance premiums.
Severance reserve	Used to finance redundancy costs in excess of the amount included in the revenue budget.
Standards Committee Contingency	Established to finance possible future liabilities arising from the work of the Council's Standards Committee.
Service	
Discretionary services fund	To fund services to the community that are not required by statute & to provide financial support to organisations providing such services.
Enterprise Zone	Created to fund works at Enterprise Zone

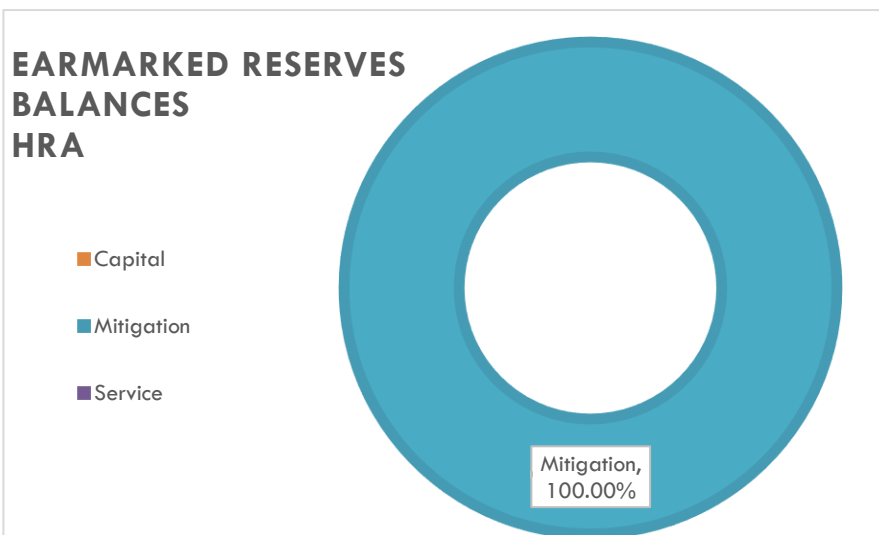
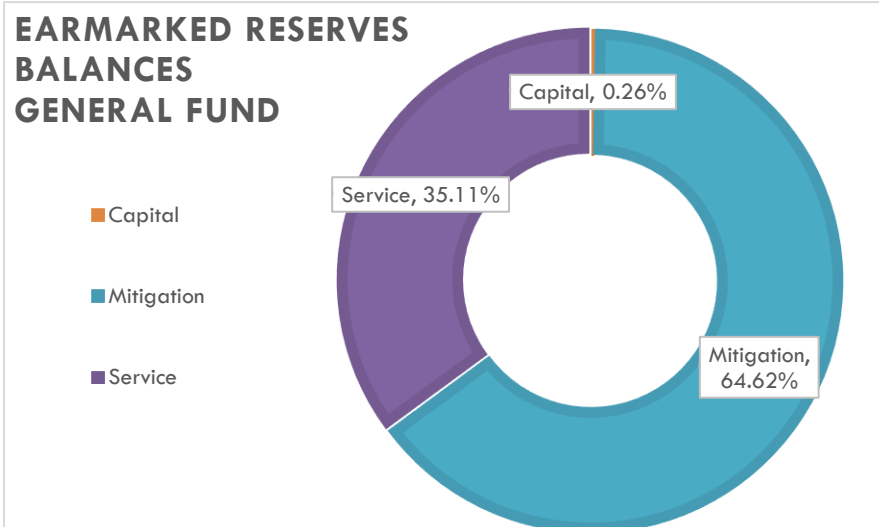
PART 4 – THE FINANCIAL POSITION

Environment	Past energy savings, available to finance energy-efficiency schemes & measures to reduce future energy usage & emissions.
Environmental urgent works and improvement	For works and improvements in the Harlow wider town area.
Hardship	To provide hardship funding to support those local residents most significantly impacted by the Covid 19 crisis and least able to meet their Council Tax payments
Invest to save	Established from previous years' windfall income, used to deliver service improvements or to fund efficiency initiatives.
Partnership fund	For implementation costs of potential partnership arrangements for the delivery of the Revenues and Benefits service.
Planning	Used to transfer resources between years should delivery of the Local Development Framework (LDF) be rescheduled.
Regeneration and enterprise	A reserve to support Harlow town regeneration.
Regeneration	A reserve to support the regeneration of the Town Centre.
Residual land transfer	Established to meet future re-instatement works to land acquired from the Homes and Communities agency.
The Harlow and Gilston Garden Town funding reserve	Established to contribute towards the Gilston Garden Town project and other developments in and around Harlow to ensure maximum benefits in respect of affordable housing and skills and employment initiatives.

Capital	
Bush Fair capital improvement works	To fund capital works in the area

PART 4 – THE FINANCIAL POSITION

The current reserve balances as at the end of the financial year 2022/23 can be categorised as follows.



4.5 Addressing the General Fund budget gap

There are a range of approaches to balancing the budget. Broadly speaking these fall into the following categories:

- Growth and development opportunities within the District;
- Service Efficiency Reviews;
- Improved asset management;
- Review of central activities such as treasury management;
- Reviewing our policies around things such as Council Tax and use of reserves; and
- Understanding our capital spend needs and how best to meet the cost of these.

The council is actively looking at how the budget gap can be addressed and full budget proposals will be reported in February 2024.

4.6 Managing budgets and forecasts

In setting the annual budget and the MTFP the council will ensure potential risks are assessed and managed so that their impact is minimised or accounted for either via Contingencies, Balances or Earmarked Reserves as is necessary.

In year, the council will monitor its revenue and capital budgets on a monthly basis and report to Cabinet on a quarterly basis.

Accountability and responsibility

Whilst the responsibility lies with the Section 151 Officer for reporting to Cabinet the financial position, the responsibility and accountability for the financial position of the services lies with the budget holder.

All budget holders are responsible for ensuring external income is maximised for their service and for seeking out new opportunities to generate income. If the budget holder cannot resolve issues within their own service area budgets these should be escalated to Assistant Directors and Directors.

Where pressures are identified action plans are required to be agreed and implemented in year which look to address in year pressures and identify ongoing pressures that may need to be addressed as part of setting the budgets over the medium term.

Finance business partnering

Directors and managers in the financial management of their services, a finance business partnering approach is currently being adopted. The main focus of the finance business partner in supporting services is to:

- look at a specific business problem and propose solutions based on research and insight
- perform and analyse benchmarking against other areas and services to drive business decision making
- work with business intelligence to understand activity and cost drivers;

- support services to look at the totality of investment against objectives
- support services to focus on being sustainable
- support services in developing business cases
- work to better understand, manipulate and extract better outcomes from contracts - improving deliverables and forward planning procurement exercises
- perform sensitivity analysis across whole systems to understand links between variables and support to make optimal interventions, and
- support with project managing change through greater involvement in strategic decision making.

5.1 Conclusion

This MTFP provides a robust framework for setting the budget for 2024/25 and ensuring the council remains in a sustainable financial position over the medium term. The current forecast position is still very challenging, where significant budget gaps continue to be a concern.

The council has seen consistent rates in grant funding alongside increasing demand for services and increase in inflationary pressures at an unprecedented rate. This has, however, given the opportunity for the council to reshape how it currently operates and interact with its residents and to develop a new Corporate Plan and priorities in the provision of services to the Town. The budget report will continue to be aligned to the new adopted Corporate plan and the full budget report presented to Council in February 2024.

6.1 Glossary Terms

HC	Harlow Council
MTFP	Medium Term Financial Plan
RSG	Revenue Support Grant
NDR	Non Domestic Rates
NHB	New Homes Bonus
PLGFS	Provisional Local Government Finance Settlement
DLUHC	Department of Levelling Up, Housing and Communities
CSR	Comprehensive Spending Review
LGPS	Local Government Pension Scheme
HRP	Harlow Regeneration Partnership
HGGT	Harlow Gliston Garden Town
HIP	Harlow Investment Partnership
HIF	Harlow Investment Fund
HTS	Harlow Trading Services