

Appendix A

**HARLOW** | BUILDING  
HARLOW'S  
FUTURE.

# General Fund and Medium Term Financial Plan

2026/27 to 2028/29

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# 1 Introduction and Context

## 1.1 Executive Summary

The Building Harlow's Future plan outlines six key corporate missions that shape the council's strategic direction. Supporting these ambitions, the Medium-Term Financial Plan (MTFP) provides a comprehensive financial framework to ensure their successful delivery. The MTFP details the resources available to the council over the coming years, identifies the financial challenges ahead, and describes the approach the council will take to overcome these obstacles and achieve its goals.

### Key Headlines of the 2026/27 General Fund Budget and Medium-Term Financial Plan (MTFP):

- The council's total budget for 2026/27 stands at £350 million, marking a substantial increase from £244 million in 2025/26 and £173 million in 2024/25. This means Harlow District Council's (HDC's) budget has doubled in just two years, reflecting significant growth and investment.
- HDC's portion of Council Tax remains frozen for the fifth consecutive year and will continue to be frozen throughout the MTFP period, meaning the average Harlow household continues to pay just £4.93 per week for all HDC services - the same as they did in 2021.
- The whole MTFP is fully funded, with no shortfalls or unidentified savings required, ensuring financial security and transparency.
- All financial rules and prudential indicators are fully complied with across the lifetime of the MTFP, demonstrating robust governance and responsible financial management.
- All six corporate missions are fully funded, including their associated outcomes and projects, supporting the council's long-term strategic vision.
- The budget remains balanced over the entire MTFP period, with no gaps or reliance on unidentified savings, ensuring ongoing financial stability.
- There are no cuts to or closures of services, but rather increased investment in valued services such as Pets' Corner, Harlow Playhouse, Harlow Museum, supported housing, Leah Manning Centre, Town Park, paddling pools, and splash parks.
- Investment is also rising for all essential day-to-day services, including bin collections, street cleansing, landscaping and parks maintenance, and housing repairs.

- Most fees and charges remain frozen, including free car parking and free access to popular services like Pets' Corner, Harlow Museum, paddling pools, and splash parks.
- The budget makes full provision for increased cost pressures, notably those arising from higher National Insurance contributions.
- Significant internal transformation is underway, focused on reducing waste, increasing efficiency, and ensuring that every pound is directed towards delivering council priorities.
- All discretionary services will be incorporated into the base budget by 2027, safeguarding them from reliance on reserves to fund their revenue costs.
- Prudent and adequate reserves are maintained throughout the MTFP period, underpinning financial resilience and future sustainability particularly in respect of Local Government Reorganisation (LGR), the council's own transformation and delivery of its major regeneration programme.
- The notable increase in spending is made possible by:
  - Strong and growing income from commercial assets, providing a reliable revenue stream year after year.
  - A clear focus on prioritising resources to deliver corporate missions.
  - Decisive action regarding asset management, ensuring assets are aligned with the council's strategic objectives.

#### Key Headlines of the Housing Revenue Account (HRA):

- Overall, the council's investment in council homes and housing services is set to be £179.046 million in 2026/27. This represents a 31% increase in overall investment compared with the 2025/26 budget as set in February 2025 and is 137% higher than in 2021/22.
- Investment per property rises from c.£9k per council house in 2021/22 to c.£20k per council house in 2026/27.
- The total HRA for 2026/27 is £67.7 million which is up from the £61.4 million in 2025/26 (last year), £58.7 million in 2024/25 (two years ago) and £56.9 million in 2021/22 (five years ago).
- All revenue and capital investment requests from the housing services and from the corporate budget setting process have been met in full.
- All outcomes and projects associated with the 'invest in our housing' mission are fully funded.
- The HRA Business Plan is sustainable for 30-years, with no gaps or reliance on unidentified savings, ensuring ongoing financial stability.
- The Government's Rent Settlement has been implemented.

- All financial rules and prudential indicators are fully complied with across the lifetime of the Business Plan, demonstrating robust governance and responsible financial management.
- There are no cuts to or closures of housing services, but rather increased investment across the board.

### Key Headlines of the Capital Programme

- The Non-Housing Capital Programme has seen substantial growth, rising to £92.7 million in 2026/27. This compares to £39.7 million in 2025/26 (last year) and £22 million in 2024/25 (two years ago), with a notable increase from just £7.6 million in 2021/22 (five years ago).
- The Housing Capital Programme for 2026/27 stands at £111.3 million, up from £75.2 million in 2025/26 (last year), £52.8 million in 2024/25 (two years ago), and £18.5 million in 2021/22 (five years ago). This demonstrates a consistent and significant investment in housing year-on-year.
- The entire Capital Programme is fully and sustainably funded through the General Fund and Housing Revenue Account (HRA), ensuring robust financial health both now, and as projected for future years.
- All financial rules and prudential indicators are fully complied with across the lifetime of the MTFP, demonstrating robust governance and responsible financial management.

## **1.2 Aims and Purpose**

The Medium-Term Financial Plan (MTFP) provides a strategic and forward-looking framework to help achieve financial resilience and long-term sustainability for the council. It is central to delivering the six missions outlined in the Building Harlow's Future Plan in a way that is both affordable and sustainable. By forecasting the council's financial position, the MTFP enables robust planning and addresses known pressures, significant financial challenges, and factors impacting finances - whether international, national, regional, or local.

The MTFP supports the council in responding effectively to both internal and external pressures and changes. Financial resources are recognised as essential for delivering outcomes and enabling effective planning, management, and provision of services

aligned with the council's priorities. The MTFP is built on principles designed to guide the council's financial direction over the medium term.

Having an overarching MTFP is not just good practice - it is necessary. It provides the strategic financial framework the council needs during times of significant pressure and change, such as delivering key priorities, achieving ongoing efficiencies, ensuring thorough budget scrutiny, managing financial pressures, and navigating political change.

The main aim of the MTFP is:

*To provide a financial framework that secures financial stability in the medium term, enabling the council to deliver key strategic outcomes, priorities, and sustainable services.*

The key objectives of the MTFP are to:

- Set clear financial parameters for budget and service planning;
- Ensure the council adopts a balanced and sustainable budget without continued reliance on reserves;
- Direct resources towards priority areas, making sure services are funded based on a clear alignment between priorities and affordability;
- Manage and monitor financial resources effectively, ensuring spending in each service area stays within available resources;
- Plan fees, charges, and taxation at levels that are necessary, acceptable, and affordable, supporting the council's aims and priorities while reducing reliance on central government funding; and,
- Maintain the council's long-term financial stability and viability.

The MTFP sets out the council's strategic approach to using and managing financial resources, providing a robust framework for decision-making. It supports other council strategies, linking service plans, asset management plans, and capital plans to ensure they are properly resourced and deliverable.

A key objective of the MTFP is to plan for service delivery in an unpredictable environment, ensuring value for money. Establishing a stable and sustainable financial plan over the medium term allows the council to respond to economic challenges and continue providing high-quality services.

By agreeing a three-year MTFP, the council can identify financial pressures and opportunities early on, making informed decisions with time to explore options, consult stakeholders, carry out risk assessments, and develop contingency plans for future uncertainties.

## 1.3 Strategic Context

### 1.3.1 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 39,500 homes in the town and whilst the council's 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, with 2024 seeing Harlow named as the number one tech-hub in the UK. Improved infrastructure continues to be needed to secure future investment in the town.

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 2023 Essex resident survey.

A vibrant town centre is fundamental to Harlow's future prosperity. Hundreds of millions of pounds of public and private sector has been secured to make this a reality and construction work is well underway across the town.

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.

### 1.3.2 Corporate Plan

The council's [Corporate Plan, Building Harlow's Future](#) (BHF), articulates a comprehensive vision for the town, rooted in six corporate missions that direct the council's priorities and actions. Launched in 2025, the Building Harlow's Future plan was

developed through extensive engagement with elected representatives, residents, and council staff, drawing on a wide body of data to ensure an evidence-based, community-focused approach. The Building Harlow's Future plan is underpinned and made financially deliverable through alignment with the Medium-Term Financial Plan (MTFP).

Each mission is made up of several outcomes, as detailed in the Building Harlow's Future plan, which in turn are made up of multiple projects. In 2025/26, hundreds of projects made up the outcomes for each mission.

Over 2025/26, the council made significant progress against the aims set out within these six missions. Nearly all of the targeted outcomes were delivered, reflecting not only the ambition but also the effectiveness of the council's strategic approach. This high level of achievement was made possible by the strong governance and performance oversight provided by the Programme Management Office (PMO), which ensured that delivery was closely monitored, risks were proactively managed, and resources were allocated effectively.

The six missions which have guided the town's transformation are:

- **Mission 1:** Transform the council
- **Mission 2:** Rebuild the town
- **Mission 3:** Invest in housing
- **Mission 4:** Renew neighbourhoods
- **Mission 5:** Secure the future
- **Mission 6:** Protect communities

In light of the marked success of the Building Harlow's Future plan's first phase, the council is set to adopt the second phase of the Building Harlow's Future plan in March 2026. The 2026/27 budget, as approved, will fully fund the next stage of the Building Harlow's Future plan, enabling continued progress on priorities and strengthening the council's capacity to deliver real benefits for all residents.

The council remains committed to working collaboratively with partners, stakeholders and the community, ensuring that momentum is maintained, and that Harlow's future is shaped by ambition, resilience and shared success.

### 1.3.3 Strategic Risks

There is a significant degree of uncertainty, arising from both internal and external factors, which could have substantial impact on the key assumptions made within the MTFP. The

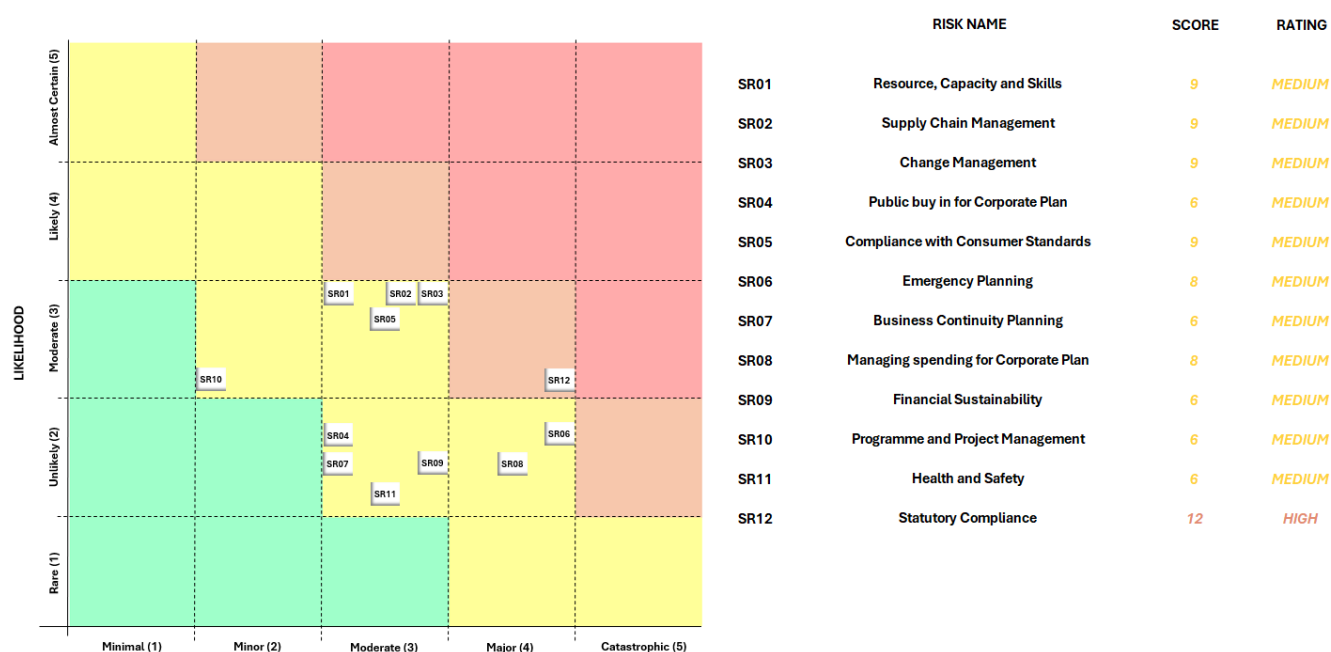
financial systems within which the council operates are complex and highly sensitive to a range of variables and therefore it is important that risks, that could have a material effect on the financial position of the council, are identified and understood in terms of the potential impact (positive or 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.

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. The PLGFS was announced in December 2025, and the local government finance settlement is now for 3 years, which gives the council more certainty of future years funding. The Budget Stabilisation Reserve continues to mitigate ongoing future base budget pressures.
- **Political:** The impact of any positive or negative change to our future funding as a result of any political changes (nationally or locally) and sufficiency of funding will need to be considered at the proper time.
- **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. A treasury management reserve is set aside to mitigate this.
- **Internal Change:** The council is continues undergoing service transformation across the organisation to address future years funding from reserves over the medium term. Inevitably, such changes have associated risks. A Transformation Reserve has ben set aside to mitigate these changes.
- **Local Government Reform:** Following announcements from Government, until formal agreement has been reached on the proposed unitary structure, the outcome for Harlow remains uncertain. The MTFP assumes that Harlow will continue to operate within its current structure for the foreseeable future. A local government reserve continues to be set aside to fund preparatory work required for the Council.

## Strategic Risk Register

The Strategic Risk register is reported quarterly to Audit and Standards Committee and is also reported to every Cabinet meeting as part of the Building Harlow’s Future Plan Update Report. A review of the council’s Strategic Risk register was undertaken during 2025/26 and was aligned to the council’s Building Harlow’s Future Plan. The council has 12 Strategic risks, and the current residual risk scores are plotted out on the Risk Matrix. Risks are monitored based on level of priority rating, 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.



## 1.4 National and External Context

The MTFP is set within the context of national economic and public expenditure plans and takes 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.

## 1.4.1 Government Funding

### Fair Funding Review

The Fair Funding Review represents a major reform of how central government funding is allocated to local authorities in England, taking effect from 2026/27. Its aim is to create a simpler, fairer, and more transparent system that reflects the relative needs and resources of each local authority, using up-to-date data. Previous funding formulas were over a decade old, with relative needs assessments last comprehensively updated in 2013/14.

Key features of the review included:

- New needs-based formulas for services such as temporary accommodation and home to school transport.
- Multi-year settlements to improve financial planning and reduce reliance on competitive bidding for individual grant allocations.
- Grant simplification by consolidating multiple individual grants, each with different ways of accessing them, into a simpler straight forward overall grant allocation for each authority.
- Transitional protections (e.g. funding floors) to limit sudden losses for councils facing reduced allocations.
- Greater local autonomy, reducing central micromanagement and enabling councils to focus on local priorities.

The government consulted extensively on these proposals, as the review replaces long-standing formulas based on outdated data, and the impact on individual councils varied significantly.

Key drivers of variation included:

- **Updated Needs Assessment:** Incorporated recent data and revised indicators, meaning councils with significant demographic or service demand changes have seen notable shifts in funding.
- **Revised Weightings:** Adjusted the importance of factors such as deprivation, rurality, age profiles, and service delivery costs.
- **Resource Adjustment:** Greater emphasis on councils' ability to raise revenue locally (e.g., Council Tax and business rates).
- **Service-Specific Changes:** Updated formulas and new formulas for areas such as temporary accommodation and home-to-school transport.
- **Transitional Arrangements:** Funding floors and protections to help manage the transition, though they may not fully offset reductions for all councils.

The scale of change means some councils have seen significant gains or losses depending on local circumstances. Importantly, the resulting settlement for 2026/27 is the first multi-year financial settlement in almost a decade, providing greater certainty for planning and reducing financial risk.

Further details on the Fair Funding Review and the resulting settlement are provided in the Local Government Finance Settlement section.

### Business Rates Reset

As part of the Fair Funding Review, the government implemented a Business Rates Reset, realigning how business rates are retained across councils.

Key changes included:

- **Recalculated Baselines:** Each authority received updated Business Rates Baselines and Baseline Funding Levels, reflecting updated current data on local need, resources, and business rate yield.
- **Redistribution of Growth:** Growth accumulated since the last reset was redistributed nationally to ensure funding aligns with current service demand and deprivation levels.
- **Future Growth Incentives Maintained:** Councils continue to retain a share of any business rate growth above their new baseline, preserving incentives for local economic development.

The reset was required because the previous funding baselines had become outdated and no longer reflected key changes in population, levels of deprivation, or the pressures facing local services. Updating the baselines ensured a fairer and more accurate distribution of funding, based on a current and robust assessment of need.

The impact of the reset has varied across the sector, with some councils seeing reduced levels of retained business rates while others have benefited from increases following the redistribution. To minimise financial shocks, the government introduced transitional protections, commonly referred to as '*funding floors*', to phase in any losses gradually and smooth the overall impact over time.

The reset was not a cut to overall resources, it was a rebalancing exercise to make the system fairer and more transparent, while continuing to reward future local growth.

Alongside the reset, several new multipliers and reliefs have been introduced, as well as revaluation (see the Business Rates section). The Council will receive Section 31 grants to fully compensate for all business rate reliefs.

## Local Government Finance Settlement

The Local Government Finance Settlement incorporates the outcomes of the Fair Funding Review, applying updated needs-based formulas and resource assessments to ensure funding is distributed more fairly and transparently across local authorities.

Several grants have been consolidated into the Revenue Support Grant (RSG), including the New Homes Bonus and additional funding for National Insurance. The council currently receives a number of separate grants for Homelessness Prevention, Rough Sleeping Prevention and Recovery, Rough Sleeping Accommodation, and Domestic Abuse Safe Accommodation. From 2026/27, some of these will be rolled into the RSG as part of the funding simplification process, while the Homelessness Reduction Grant will continue as a separate, ring-fenced allocation. In addition, the Recovery Grant will continue for a further three years and will remain outside the RSG.

The table below shows the outcome for the council. Core Spending Power (CSP) represents the government's assessment of the resources a council requires to deliver its services. This calculation assumes that the maximum permitted Council Tax increase of 2.99% is applied. However, as this is a local decision Harlow's Council Tax position is explained in the Council Tax section.

**Table 1: Core Spending Power**

Core Spending Power	2024-25		2025-26		Change		2026-27	Change		2027-28	Change		2028-29
	£ millions	£ millions	£ millions	%	£ millions	£ millions		%	£ millions		£ millions	%	
Legacy Funding Assessment	5,481	4,821	(4,821)	(100.0%)									
Fair Funding Allocation			6,769		6,769	1,348	19.9%	8,117	1,339	16.5%	9,456		
Council tax requirement	8,307	8,464	0.402	4.7%	8,866	0.421	4.7%	9,287	0.441	4.8%	9,728		
Homelessness, Rough Sleeping and Domestic Abuse	0.582	0.724	0.351	0.485	1,075	0.068	6.3%	1,143	0.036	0.031	1,179		
Families First Partnership													
Total Transitional Protections													
Grants rolled in to Revenue Support Grant	0.405	0.553	(0.553)	(100.0%)									
Recovery Grant		0.406			0.406			0.406			0.406		
Recovery Grant Guarantee													
Mayoral Capacity Fund													
<b>Core Spending Power total</b>	<b>14,774</b>	<b>14,968</b>	<b>2,148</b>	<b>14.4%</b>	<b>17,116</b>	<b>1,837</b>	<b>10.7%</b>	<b>18,953</b>	<b>1,816</b>	<b>9.6%</b>	<b>20,770</b>		

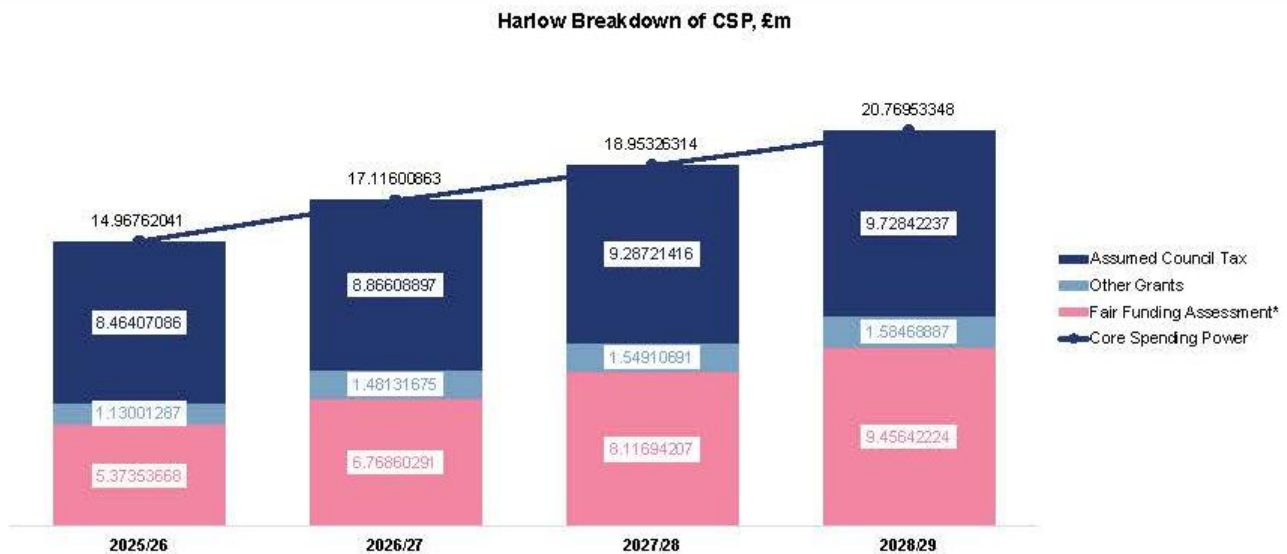
The council has performed well overall seeing above average increases in CSP each year. This stands in contrast to the overall trend for district councils, where funding levels have seen minimal growth. This demonstrates the significant influence of the individual relative needs formulas, demonstrating local characteristics can result in different outcomes, even between authorities of similar size or geographic proximity. The positive outcome stems from several unique factors, notably the inclusion of temporary accommodation needs in funding calculations and the relative level of deprivation compared to other parts of the country.

The fair funding allocation is made up of two parts:

Budget Forecasts	2025/26	2026/27	2027/28	2028/29
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	£'000	£'000	£'000	£'000
Baseline Funding Level (Business Rates Income)	(4,250)	(4,322)	(4,421)	(4,511)
Revenue Support Grant (RSG)	(174)	(2,446)	(3,696)	(4,946)
<b>Total</b>	<b>(4,424)</b>	<b>(6,769)</b>	<b>(8,117)</b>	<b>(9,457)</b>

The charts below shows the council's position relative to other authority types and provide a detailed breakdown of its Core Spending Power.



*\*in 2025/26, Legacy Funding Assessment and Grants Rolled in have been shown, as the predecessor amounts to Fair Funding Assessment*

### Consolidated Grants

On 18 December, the day following the provisional settlement, MHCLG published allocations of the four new consolidated grants, both inside and outside core spending power. Homelessness, Rough Sleeping and Domestic Abuse Grant will sit inside the core spending power as shown above and Crisis and Resilience Fund (CRF) (previously known as discretionary housing payment) will sit outside core spending power.

Consolidated Grant	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
Homelessness, Rough Sleeping and Domestic Abuse Grant	1.1	1.1	1.2	3.4
Public Health Grant	0.0	0.0	0.0	0.0
Crisis and Resilience Fund	0.2	0.2	0.0	0.4

Children, Families and Youth Grant	0.0	0.0	0.0	0.0
Mayoral Capacity Funding	0.0	0.0	0.0	0.0
<b>Total</b>	<b>1.3</b>	<b>1.3</b>	<b>1.2</b>	<b>3.8</b>

It was noted that 2027/28 and 2028/29 are indicative and maybe subject to change. The Homelessness, Rough Sleeping and Domestic Abuse Grant (HRSDA Grant) has been built into the MTFP within the council's government funding allocations.

### Extended Producer Responsibility Funding

The UK's Extended Producer Responsibility (EPR) for packaging, introduced in 2025, shifted the full cost of managing household packaging waste from councils and taxpayers to producers. This reform replaces previous Packaging Waste Regulations and aims to increase recycling rates and support efficient local authority waste management.

EPR funding is provided outside the local government finance settlement. Harlow received £1.215 million in 2025/26, with provisional estimates of £1.292 million for 2026/27, subject to confirmation. Allocations are intended to provide stability but are not guaranteed and remain under review and have been forecasted at 2026/27 levels for future years.

Grant payments are dependent on performance against agreed metrics such as recycling rates and waste sorting. While no significant new burdens are expected, this is a relatively new funding stream, and its long-term future remains uncertain.

### Pride in Place Funding

During 2025/26 the Council was awarded £20 million over 10 years through the Government's Pride in Place programme. These awards include both revenue and capital funding. Once allocations details, projects and timings are confirmed, the capital element will be added to the capital programme. As this expenditure will be financed from grant, any addition will not increase the debt position of the Council.

### Other Government grant funding

Other Government grant funding includes capital funding from the Levelling Up Fund and Towns Fund which continue to support major regeneration schemes.

## 1.4.2 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 23 July 2025, agreement was reached by the National Joint Council (NJC) on the 2025/26 pay award for local government services. Two of the three unions, Unison and GMB, agreed the pay deal after deciding not to pursue industrial action. For the fifth consecutive year, Unite, refused to have its details included on the NJC pay agreement circular.

- With effect from 1 April 2025, an increase of 3.2% consolidated pay rise backdated on all pay points and allowances but graded below deputy chief officer.
- With effect from 1 April 2026, spinal column point (SCP) 2 will be deleted.

The NJC trade union side have already submitted their pay claim for 2026/27 to the Local Government Association which details an increase of at least £3,000 or 10% (whichever is greater) on all spinal column points.

In addition, they ask for:

- A clear plan to reach a minimum pay rate of £15 an hour.
- One extra day of annual leave for all staff
- A reduction in the working week by two hours, with no loss of pay.

The full pay claim can be read here: [NJC Pay Claim 2026-27](#). Employers have been briefed on the joint union pay claim and to aim for a settlement by 1 April 2026.

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Pay Points 1	2%	2.75%	1.75%	£1,925	Deleted	Deleted	Deleted
Pay Points 2-43	2%	2.75%	1.75%	£1,925	£1,925	£1,990	3.2%
Pay points 44+	2%	2.75%	1.75%	£1,925	3.88%	2.50%	3.2%

The new Living Wage rate has been announced by the Living Wage Foundation. The rate increased to £13.45 an hour from 22 October 2025. The previous rate was £12.60. The council is accredited by the foundation, as a Living Wage Employer. 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.

### 1.4.3 Future Economic Outlook

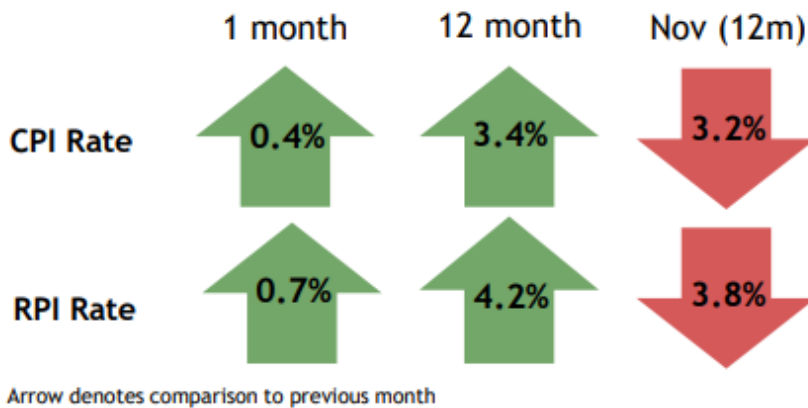
CPI rose by 3.4% in the 12 months to December 2025, up from 3.2% in November 2025. On a monthly basis, CPI rose by 0.4% in December 2025, after falling by 0.2% in November.

A large upward contribution to the monthly change for the CPI annual rate was driven by alcohol and tobacco, and transport. Conversely, recreation and culture, and furniture and household goods made significant offsetting downward contributions.

The annual Core CPI rate was 3.2% in December 2025, the same as November 2025. The annual rate for CPI goods increased from 2.1% to 2.2%, while the annual rate for CPI services rose slightly from 4.4% to 4.5%.

After falling in recent months, an increase in CPI inflation in December had been expected and was driven by a rise in tobacco duty, given the timing of November's Budget, and airfares rebounding in December, reflecting the timing of return flights over the festive period. Core CPI stayed the same and services CPI rose slightly but not by as much as anticipated.

Another cut to Bank Rate doesn't seem likely in February, given the rise in headline CPI. However, inflation is forecast to fall as we move through 2026, and we continue to expect further rate cuts as the disinflationary process continues.



## UK Inflation Rates



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## 2 Our Financial Context

### 2.1 Key Assumptions

The council is currently in a robust financial position, underpinned by prudent management and accurate forecasting. The assumptions made in previous years have proven to be largely correct, supporting effective budgetary planning and stability. This has enabled the council to confidently approach future financial strategy with a sound base.

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.

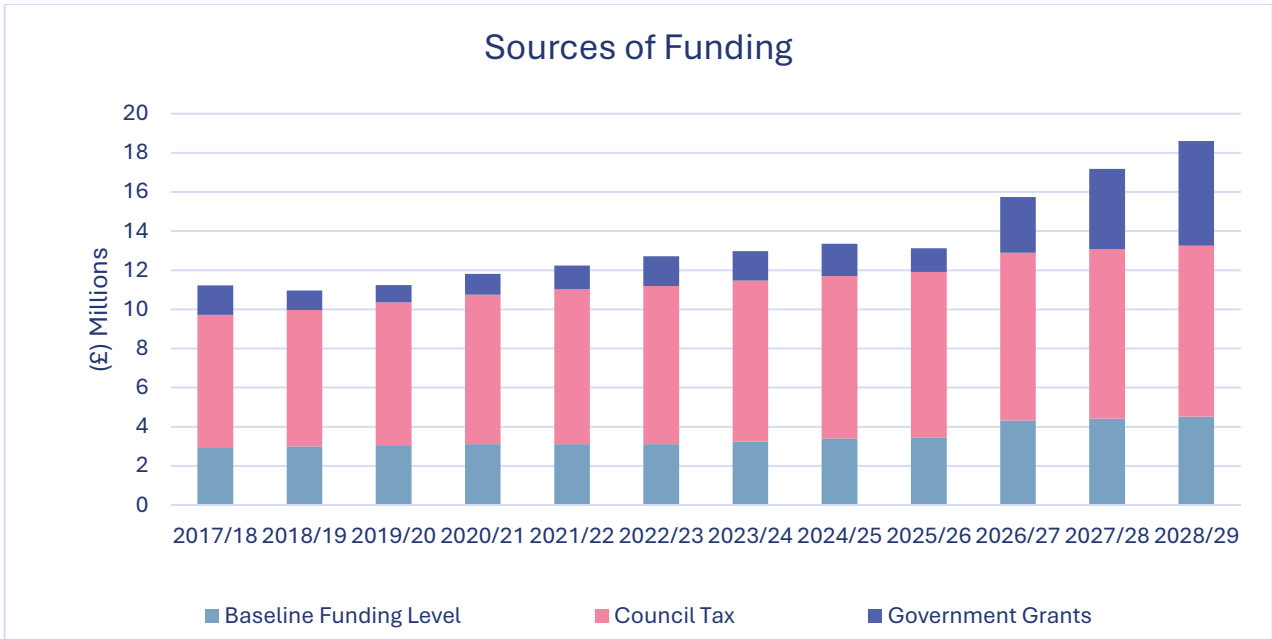
The previous years MTFP 2025/26 included various assumptions, these assumptions have been reviewed and updated with current known factors and extended to a 3-year period. These assumptions will be the standard assumptions used to drive all financial planning within the council, where applicable.

Key Area	2025/26 (Current)	2026/27 to 2028/29
<b>EXPENDITURE</b>		
Pay Inflation	3.34% pa	3.5% pa

<b>National Insurance</b>	15% pa	15% pa
<b>General Inflation</b>	Only where contractually committed	General 2% HTS 5%
<b>Energy Inflation</b>	Electricity 7% Gas 12.3%	Electricity 7.5% Gas -5%
<b>Staff Vacancy savings target</b>	2% pa.	4% pa
<b>Pension Fund triennial revaluation</b>	22.3%	Contributions decreased to 18.8%.
<b>INCOME</b>		
<b>Fees &amp; Charges</b>	Reviewed on a service by service basis to determine if increases should be proposed/justified.	Reviewed on a service by service basis to determine if increases should be proposed/justified.
<b>Council Tax</b>	Council Tax Freeze	Council Tax remains frozen throughout the MTFP period.
<b>Tax Base</b>	Alignment to Statutory Tax Base as at October 2024	Alignment to Statutory Tax Base as at October 2025 Futures years - 1% growth p.a
<b>Business Rates Income</b>	Reflects the LGFS 2025/26	Reflects the FLGFS 2026/27
<b>Government Funding</b>	Reflects the LGFS 2025/26	Reflects the FLGFS 2026/27

## 2.2 Sources of Funding

The tax related sources of funding that do not relate to services are shown below. It is evident that levels have been relatively consistent over several years and are not in line with the considerable inflationary cost increases that the council faces. The main sources of external funding are Council Tax, Government Grants and Non-Domestic Rates (NDR) otherwise known as Business Rates (which is incorporated into the baseline funding level).



## 2.2.1 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, the government has awarded council’s a series of one-off grants, which has made government funding sources stable at around £1.5 million. 2025/26 saw a 25% decrease in government funding due to the way the funding floor was calculated, which included assumed Council Tax increases.

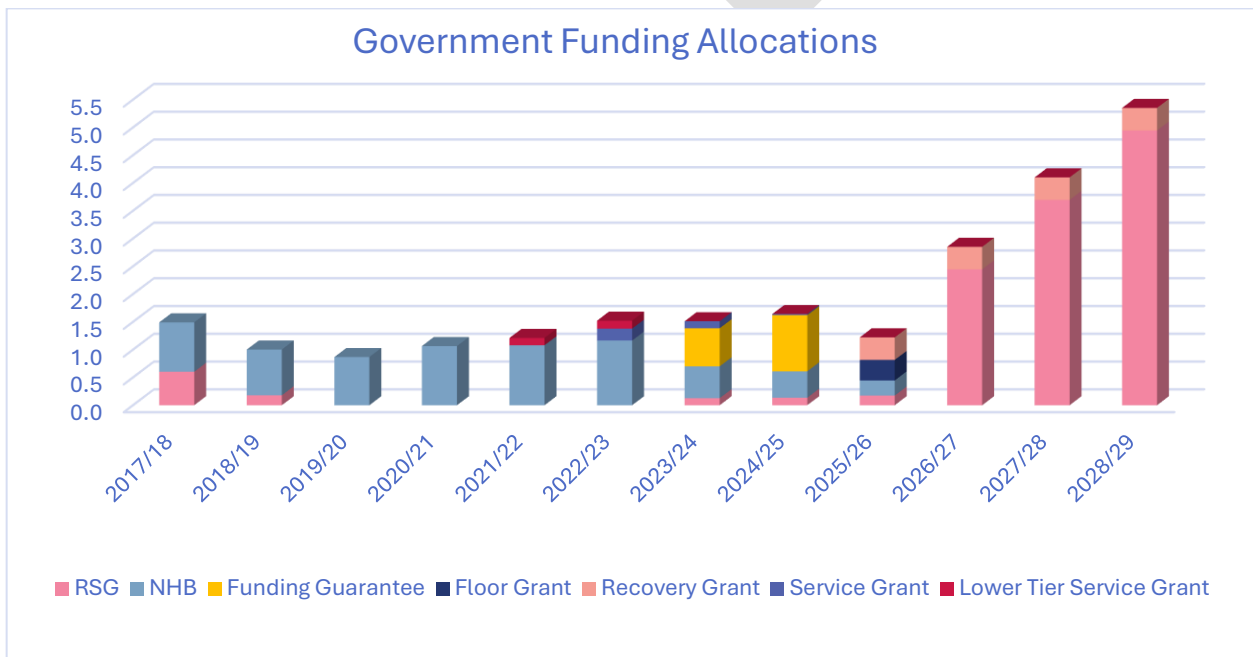
However, following the Local Government Settlement and Fair Funding Review, 2026/27 and future years shows a significant increase in Revenue Support Grant (RSG) with a 3-year fixed settlement and stability of the recovery grant.

The council’s government funding is made up of several individual grants, each of which is outlined below along with their purpose, 2025/26 value, and how they change from 2026/27 onwards:

- **Recovery Grant:** This was new, one-off grant in 2025/26 and targeted at places with greater need and demand for services. The council’s 2026/27 provisional allocation remains at £405,962 and for future years. (2025/26 £405,962).
- **Revenue Service Grant (RSG):** This grant is a central government grant given to local authorities which can be used to finance revenue expenditure on any service. Harlow has seen a significant increase following the fair funding review.

The council's 2026/27 provisional allocation is £2,446,326; 2027/28 £3,695,520; 2028/29 £4,945,805. (2025/26 £174,404).

- **Funding Guarantee/Floor:** This grant intended to provide a funding floor for all local authorities, so that local authorities are guaranteed no reduction to their core spending power in 2025/26 in cash terms. The grant has now been discontinued and rolled into the fair funding assessment (£369,221 2025/26).
- **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. This grant has now been discontinued and rolled into the fair funding assessment (£0.273 million 2025/26)
- **National Insurance Grant:** This was a new one-off grant in 2025/26 to support councils with the national decision to increase employers NI from 13.8% to 15%. It was not part of the core spending power. The grant has now been discontinued and rolled into the fair funding assessment (£0.198 million 2025/26)



## 2.2.2 Council Tax

### Council Tax Base Calculation

Under Section 33 of the Local Government Finance Act 1992 (as amended) and supporting regulations, the council must make an annual calculation of its tax base. The tax base is the total number of properties on which Council Tax will be charged expressed as a Band D equivalent, after allowing for discounts, exemptions, and losses on

collection. The method of calculation is prescribed in the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.

The tax base is used in the calculation of the Council Tax Requirement, to produce the standard amount of Council Tax for a Band D property, in relation to both the district and the major precepting authorities.

The tax base reflects the estimated impact of the Local Council Tax Support (LCTS) Scheme. Council Tax demands are sent out net of any support awarded. The estimated number of Band D properties must then be reduced by an assumed collection rate that takes into account the economic climate. On this basis, the tax base collection rate has been estimated at 97.0% for 2026/27. The tax base is 29,662.22 Band D properties (2025/26 - 29,297.58).

A modest growth rate of 1% has been applied, in the MTFP for future years (2025/26 - 0.5%).

### Council Tax Technical Changes

After an implementation of a Council Tax long term empty premium after 1 year rather than the current 2-year period, effective from 1 April 2024, we are introducing an additional Council Tax premium for long term empty properties of 200% for 5 years and 300% for 10 years after they become vacant with effect from 01 April 2026, to incentivise property owners to bring housing back into use (subject to full council approval).

### Council Tax Requirement

The council must set its budget and Council Tax Requirement by 11 March each year, in accordance with the statutory formula set out in the Local Government Finance Act 1992. This calculation is based on:

- The Council Tax Requirement, as defined under Section 31A of the Act - this represents the council's net spending on services, adjusted for planned movements in reserves and the Council's share of any Collection Fund surplus or deficit.

Divided by:

- The Council Tax Base, calculated in accordance with the Act and related regulations. For 2026/27, the tax base is 29,662.22 Band D equivalents, incorporating an assumed 97.0% collection rate (including prior-year arrears).

This calculation produces the Basic Amount of Council Tax precepts for a Band D property.

The council must then consider whether its relevant Basic Amount of Council Tax is “excessive.” For 2026/27, the Secretary of State has determined that for district councils, any increase of 3.0% or more, or £5 (whichever is higher) compared with 2025/26 is deemed excessive. If the proposed increase is excessive, the Council must also calculate a non-excessive alternative and submit both figures to a local referendum.

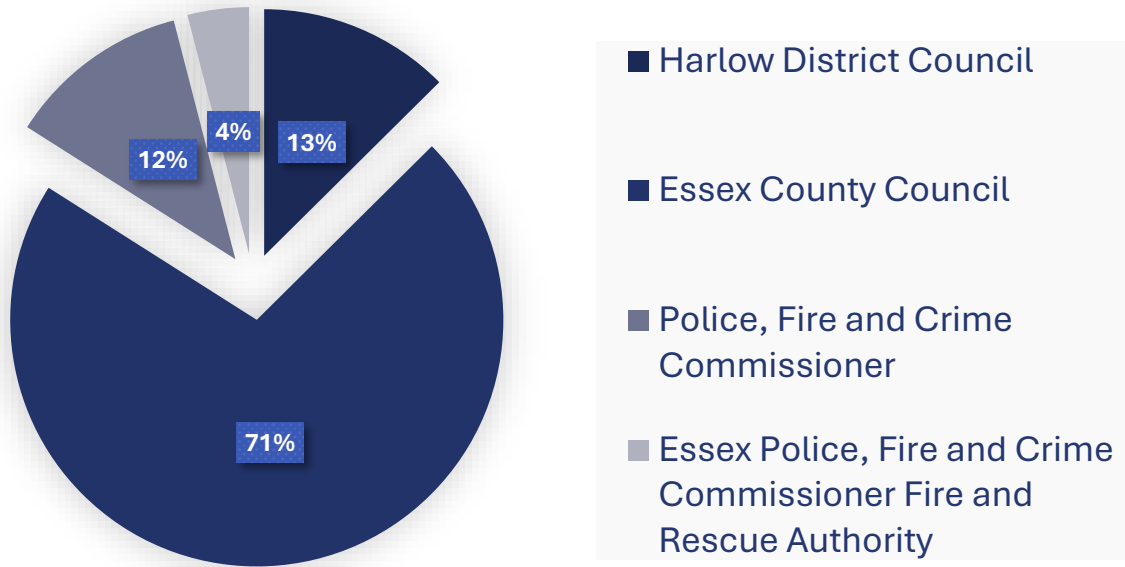
The final Council Tax level reflects the precepts of the major preceptors as well as that of Harlow District Council. Each precept represents the funding required by the respective authority to deliver its budgeted services after accounting for government grant, use of reserves, and its share of any Collection Fund surplus or deficit.

The estimated Collection Fund balance at 31 March 2026 must also be taken into account when setting the 2026/27 Council Tax. This balance must be formally notified to the major precepting authorities by 31 January, as each is responsible for its proportionate share. Further details are provided in the Collection Fund section of this report.

### Council Tax Levels and Precepts

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. The council is required by law to approve a Council Tax requirement for the council's services and to set the Council Tax to be levied in the District, after taking account of the following preceptors:

## Council Tax 2026/27



Essex County Council issues the largest precept on the council's collection fund which means they receive around 71% of Council Tax (before local precepts). The County Council will meet on 12 February 2026 to agree its precept.

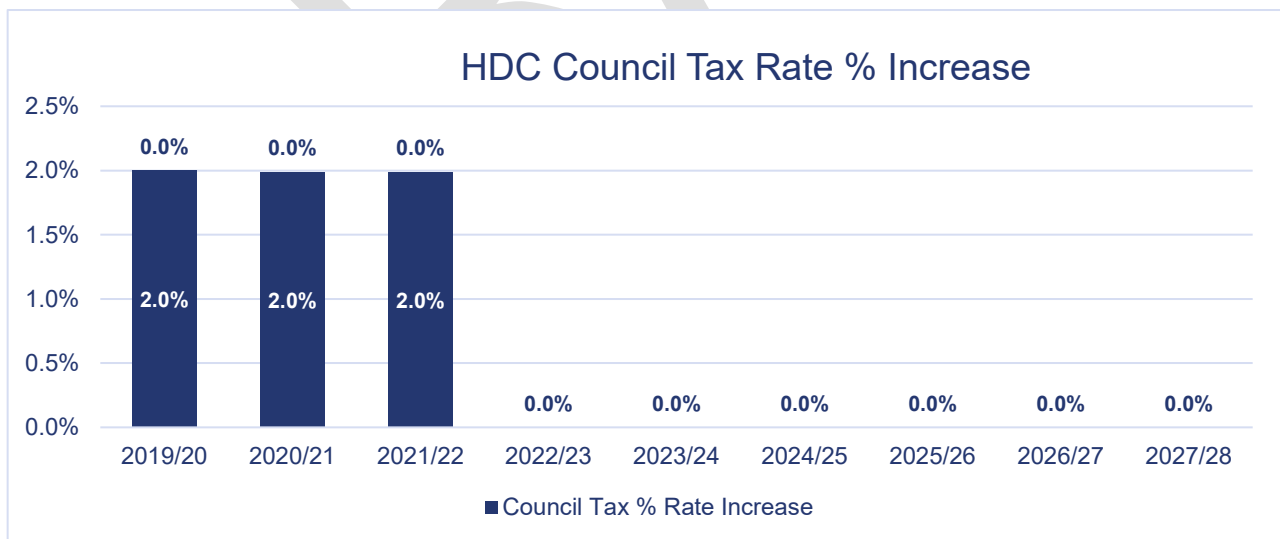
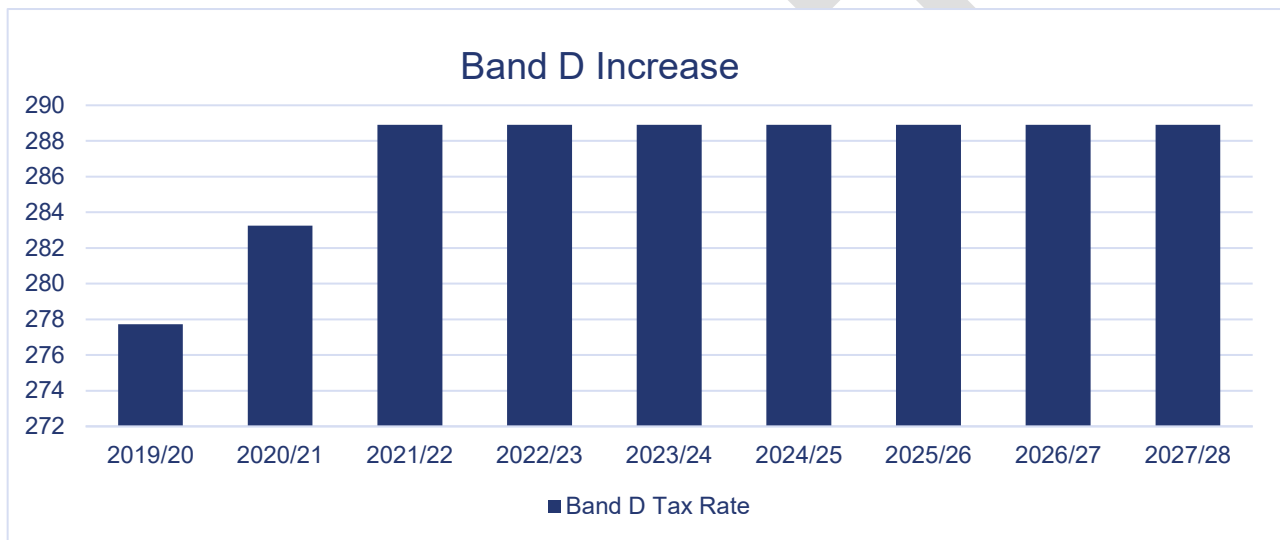
The Police, Fire and Crime Commissioner for Essex is an independent body and is responsible for setting its own budget. The Police, Fire and Crime Panel met on 4 February 2026 to agree the police and fire and rescue precepts.

The change total 2026/27 Band D Council Tax for Harlow is 0% and set out in the table.

	Band D			
	2025/26	2026/27	Change	Change
	£	£	£	%
Harlow District Council	288.90	288.90	0.00	0.00%
Essex County Council	1,579.59	1,641.96	62.37	3.95%
Police, Fire and Crime Commissioner	260.37	275.31	14.94	5.74%
Essex Police, Fire and Crime Commissioner Fire and Rescue Authority	87.57	92.52	4.95	5.65%
	2,216.43	2,298.69	82.26	3.71%

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 2026/27 PLGFS and it was stated that increases of less than 3% or £5 (whichever is the greater) will not require a referendum.

The current MTFP assumes that Harlow's element of the Council Tax level will remain frozen at £288.90 for 2026/27 and future years it has been at this level since 2021/22. This will be kept under review as future budgets are developed.



## 2.2.3 Business Rates Income

The Business Rates Retention Scheme, introduced in April 2013, allows councils to retain a share of any local growth in business rates. This provides a financial incentive for authorities to support economic development and reduce the number of empty commercial properties. All major authorities, with the exception of the police, participate in the scheme.

### Key Elements of the Scheme

Business rates are collected locally by the billing authority. Once collected, the income is distributed in accordance with the national Business Rates Retention Scheme. In shire areas, the billing authority keeps a 40% local share, 10% is passed to the upper-tier authority (Essex County Council), and the remaining 50%, the central share, is paid to the Government to support wider local government funding. These components together form the total retained business rates income for each authority, with the police service excluded from the scheme.

An important feature of the scheme is that any growth in the local share of business rates is subject to a levy, which must be paid to the government. These have changed for 2026/27 and the levy is applied to growth at the rate shown in the table below.

Stage	Business rates retention income as a % of a local authorities' Baseline Funding Level	Levy on business retention income over Baseline Funding Level
1. Initial growth	100% - 110%	10%
2. Future growth	110% - 200%	30%
3. High growth	200%+	45%

At the national level, total business rates funding must remain within the expenditure limits set by government, and every authority must receive a level of funding that aligns with its assessed need. To achieve this, a redistribution mechanism is applied in which, authorities whose expected business rates income falls below their assessed funding baseline receive a top-up, while those whose income exceeds their assessed need pay a tariff. In practice, billing authorities such as Harlow typically pay a tariff, while upper-tier authorities generally receive a top-up. After these adjustments, authorities retain funding equivalent to their assessed baseline plus their local share of any growth generated above their fixed business rates baseline.

### Concessions to Ratepayers

From April 2026, five different multipliers (pence per pound of Rateable Value (RV)) will apply based on property type and value:

- **Small Business RHL (Retail, Hospitality & Leisure):** RV < £51,000: 38.2p
- **Small Business Non-RHL:** RV < £51,000: 43.2p
- **Standard RHL:** RV between £51,000–£499,999: 43.0p
- **Standard Non-RHL:** RV between £51,000–£499,999: 48.0p
- **High-Value Hereditament:** RV ≥ £500,000: 50.8p These adjustments include a 5p reduction for RHL properties (below £500,000 RV) and a 2.8p premium for high-value hereditaments to offset costs.

To compensate authorities for the impact of such concessions, revenue grants are paid each year to the authority's General Fund through Section 31 Grants.

### Volatility and Growth

Various factors affect business rates income, including the following:

- Changes to the Valuation List as businesses start up and close, or improvements are made to premises.
- Appeals are agreed that change the rates due.
- Changes to businesses that are subject to concessions.
- Change to the provision of debts deemed to be uncollectable.

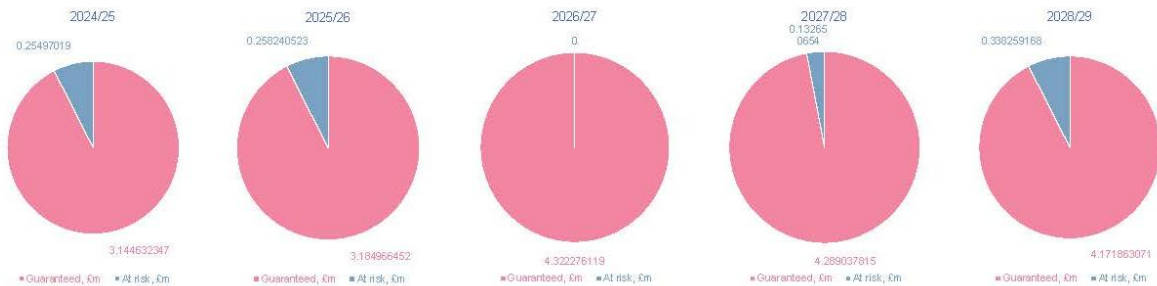
This can lead to actual income collected being quite different to what was assumed when the budget was set, therefore the Council budgets at the 'retained' amount and differences are dealt with in subsequent years, via the collection fund.

### Budgets and financial forecast

The council is required to produce an estimate of its income from business rates for the budget year and the amounts payable to the government and each precepting authority (i.e. the central and local shares), reflecting the council role as a collecting authority. A statutory pro forma is completed by 31 January each year and certified by the Chief Finance Officer as the best estimate that can be made based on the information available and this provides certainty of income for the budget year, with income differences being dealt with by all parties in subsequent years.

From April 2026, a full business rates reset will reset the “baseline funding Level”. The National Non-Domestic Rates (NNDR) safety net is set at 100% for 2026-27, protecting councils at the new baseline. From 2027/28 safety net will reduce to 97% and 2028/29 will reduce to normal levels of 92.5%.

Chart 6: Business Rates - Amounts guaranteed and at risk



Following the Local Government Settlement the baseline funding level has been assumed within the MTFP for business rates income for 2026/27 and future years. Although part of the income is at risk, the council has reserve mitigations in place, should the council fall below the safety net position.

Budget Forecasts	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Baseline Funding Level (Business Rates Income)	(4,250)	(4,322)	(4,421)	(4,511)

## 2.2.4 Collection Fund

The Collection Fund is the account into which all Council Tax and business rate income is paid, before being distributed to precepting authorities and Government. It is managed by this council as the billing authority. Within the Collection Fund, the accounts for Council Tax and business rates are separated.

### Distribution of Collection Fund Balances

Council Tax and Business Rate income for any particular year is distributed over a three-year cycle based on information known at the time of calculating the Council Tax Requirement.

A surplus arises when the Collection Fund collects more income than estimated, and a deficit when it collects less. The variance between the original and revised estimates is

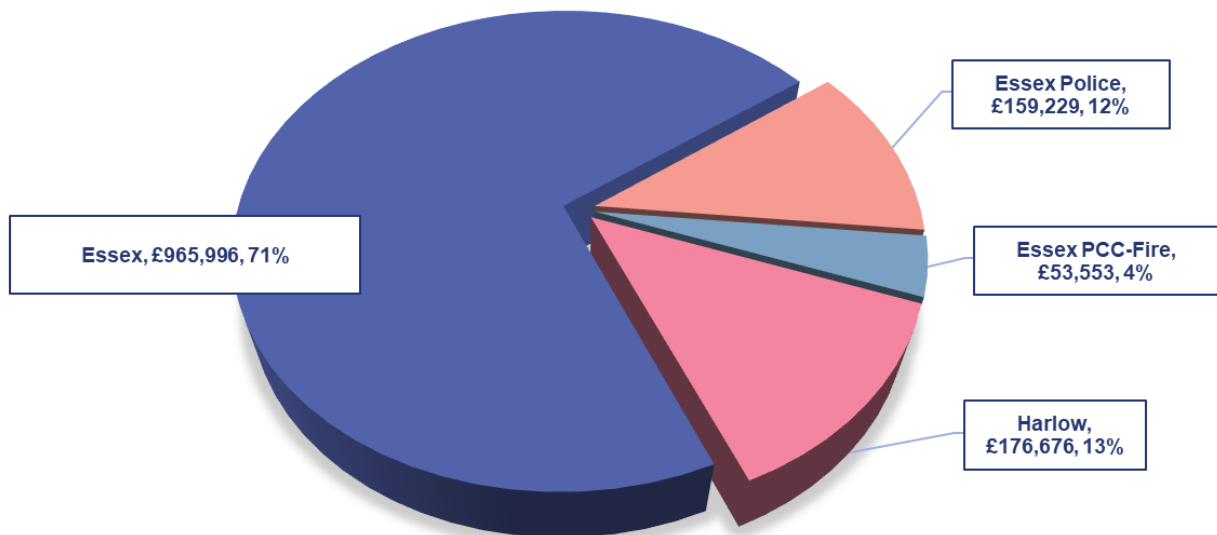
built into the following year's budget, with any remaining difference between the revised estimate and actual outturn reflected the year after.

### Council Tax

It is estimated that by 31 March 2026, the balance on the Collection Fund (including that attributable to preceptors) for Council Tax will be £1.355 million surplus. Of this, £0.614 million relates to the previous year's deficit (difference between 2024/25 and 2024/25 outturn) and £1.9 million in year estimate surplus for 2025/26; this will be distributed in 2026/27.

Harlow's share of this is expected to be £0.177 million surplus and has been included in the MTFP in Collection fund (surplus)/deficit.

### **Council Tax Surplus distribution 2025/26**



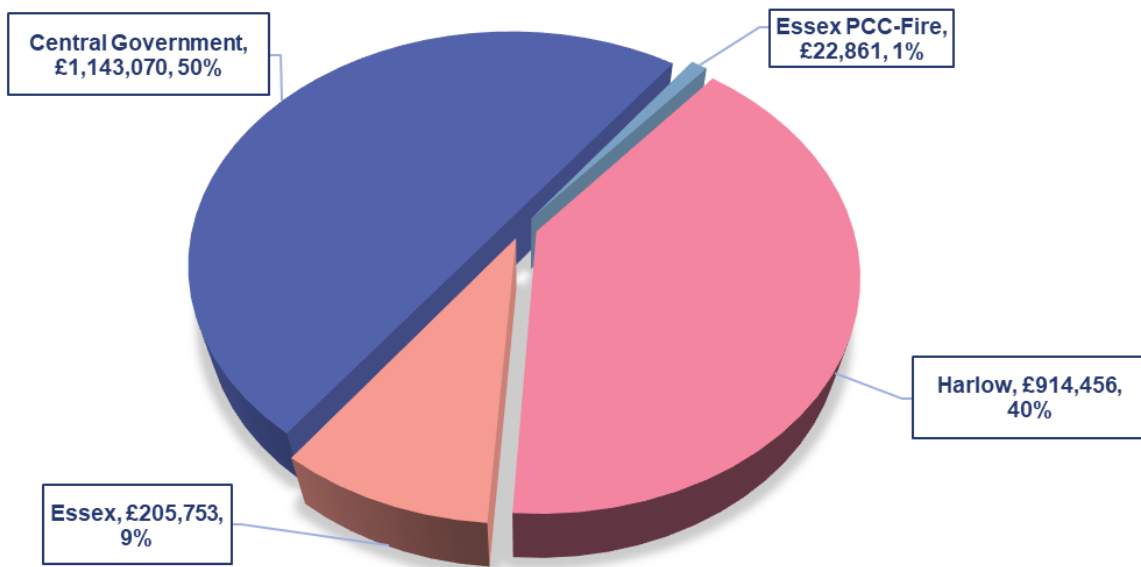
### Business Rates

The Collection Fund allocates 50% of business rates to government and retains 50% locally, meaning financial risks, such as changes in collection performance, rateable values, appeals, and reliefs, are shared between Harlow District Council (40%), Essex County Council (9%), the Fire Authority (1%), and the Government (50%). The Police Service is excluded from the scheme. Year-end surpluses or deficits are adjusted in the next financial year according to these shares.

It is estimated that by 31 March 2026, the balance on the Collection Fund (including that attributable to preceptors and Government) for Business Rates will be £2.2 million deficit. The £1.9 million deficit for 2024/25, and the estimated £0.381 million for 2025/26 both are largely due to a historic decline in the town centre and an increase in empty properties. However, this is expected to increase following the council's huge increase in regeneration activity, which is part of Building Harlow's Future plan.

The council's share of this is expected to be £0.914 million deficit and has been included in the MTFP in Collection Fund (surplus) deficit.

### NNDR deficit distribution 2025/26



### 2.2.5 Fees and 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 and charges are discussed annually with service managers, EMT, and the Portfolio Holders. In carrying out the annual review, existing charges are

- Compared against the legally permissible maximum as well as local and national market rates.
- compared against the cost of providing the service.
- compared against the objective for this charge (i.e. charge to make a surplus/ breakeven/ subsidise).

- Assessed to ensure fee payers see value for money with a reasonable fee or charge set.

For 2026/27 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 2026/27 fees and charges has been included within Appendix D of the cabinet report, they have been split out into statutory and discretionary fees and charges to make it easier to understand the council obligations.

Key proposals in respect of fees and charges include:

- Freezing of all council-owned parking charges and protection of the one-hour free parking provision.
- No introduction of charges for use of the council's discretionary services such as Pets' Corner, the Harlow Museum or the padding pools and splash parks ensuring they remain completely free-to-use.
- Freezing of charges which would otherwise impact local businesses such as taxi licensing costs.
- Small but proportionate increases to reflect the increased cost of service provision such as land charges, recovering abandoned vehicles and abandoned shopping trollies.

## 3 Our Financial Position

### 3.1 Medium Term Financial Plan (MTFP)

	2025/26	2026/27	2027/28	2028/29
	£	£	£	£
<b>Previous Years Net Expenditure</b>	<b>14,851,880</b>	<b>17,843,026</b>	<b>26,350,104</b>	<b>20,674,346</b>
Inflation	84,000	140,860	153,870	170,900
Salary Alignments	784,617	(63,190)	735,994	628,540
Pressures	1,040,917	488,147	250,000	200,000
Growths/Investment	0	500,000	0	0
Recharge adjustments	256,412	257,688	0	0
Capital Financing	795,004	3,182,468	1,707,348	149,140
Income Movement	(157,132)	(953,735)	(631,050)	(211,442)
Expenditure Savings	(855,672)	(689,018)	0	(174,000)
Grant Changes	0	(1,310,593)	0	0
Service Specific Reserves	1,043,000	6,954,451	(7,891,920)	(60,000)
<b>Net Expenditure</b>	<b>17,843,026</b>	<b>26,350,104</b>	<b>20,674,346</b>	<b>21,377,485</b>
Movement through Earmarked Reserves	(1,217,331)	(10,268,550)	(2,353,142)	(1,594,548)
Movement through General Reserve	0	0	0	0
<b>Budget Requirement</b>	<b>16,625,695</b>	<b>16,081,554</b>	<b>18,321,204</b>	<b>19,782,936</b>
<b>Funded by:</b>				
Collection Fund Deficit / (Surplus)	(250,611)	737,780	0	0
Baseline Funding Level	(4,250,000)	(4,322,276)	(4,421,421)	(4,510,617)
Revenue Service Grant	(174,404)	(2,446,326)	(3,695,520)	(4,945,805)
New Homes Bonus	(272,603)	0	0	0
Recovery Grant	(405,962)	(405,962)	(405,962)	(405,962)
Floor Grant	(369,221)	0	0	0
NI Grant	(198,496)	0	0	0
Other Non-Ringed Fenced Grants	(2,240,327)	(1,075,355)	(1,143,145)	(1,178,727)
<b>Government Funding</b>	<b>(8,161,624)</b>	<b>(7,512,139)</b>	<b>(9,666,048)</b>	<b>(11,041,111)</b>
Previous Years Council Tax Demand	(8,306,742)	(8,464,071)	(8,569,415)	(8,655,155)
Changes in Tax Base	(157,329)	(105,344)	(85,740)	(86,670)
Changes in Council Tax Charge	0	0	0	0
<b>Council Tax Requirement</b>	<b>(8,464,071)</b>	<b>(8,569,415)</b>	<b>(8,655,155)</b>	<b>(8,741,825)</b>
<b>Total Funding</b>	<b>(16,625,695)</b>	<b>(16,081,554)</b>	<b>(18,321,204)</b>	<b>(19,782,936)</b>

<b>Budget Cumulative Shortfall/(Surplus)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Budget Gap</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Divide Council Tax Requirement by:				
Taxbase	29,298	29,662	29,959	30,259
Band D Council Tax	288.90	288.90	288.90	288.90
<b>Proposed Council Tax Increase</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>

The complete MTFP is shown above. This shows the cumulative movement on service net expenditure, from one year to another, with the breakdown of movements as shown.

A complete list of saving efficiencies and additional income along with expected pressures and investments are shown further down in this report.

The final government settlement for 2026/27 has been included within the plan, and potential forecast estimates of funding for future years, based on information known to date.

The plan shows that the council will not increase Council Tax and bands will remain at 2025/26 levels for HDC's element for 2026/27 and future years.

Future years are shown from a cumulative perspective to show the impact from the previous year's base position.

- **Salary Alignments:** A comprehensive review of salaries was undertaken and resources realigned across teams. Increased pay awards have been captured as well as pension decreases. Additionally, salary realignments of the 2025/26 base budget to actual salary requirements have been monitored and captured above. These include increments and revaluations of posts.
- **Inflationary Adjustments:** Inflationary elements within the service areas have been reviewed and considered. This includes energy adjustments and alignment of HTS contract of 5% for 2026/27 and future years.
- **Pressures:** Non salary expenditure lines within the MTFP which have been identified as uncontrolled pressures and budgets lines have been realigned.
- **Investment:** Specific budget lines where additional investment has been built within the MTFP.
- **Recharge Adjustments:** Recharges between General Fund and HRA have been reviewed following the overall movements to the budget.
- **Net Capital Financing:** Following completion of the capital programme, Minimum Revenue Provision and interest charges have been adjusted accordingly and aligned to the programme. This includes interest receivable income which has been realigned with current forecasts on invested balances.

- **Income Movement:** Income lines have been reviewed and updated alongside demand and assessed alongside a Fees and charges review across all services. The proposed changes are included within Appendix D of the budget report. The projected impact of these changes has been included within the General Fund Budget as well projected additional income for commercial rents.
- **Expenditure Savings:** Non salary expenditure lines within the MTFP that have been identified as saving efficiencies.
- **Grants Changes:** A number of grant changes have been recognised within the budget requirement. The majority relates to the extended producer responsibility grant that has moved from government funding to the environment service within net expenditure.
- **Service specific reserves:** Specific expenditure items have been identified which have been planned to utilise from reserves, the funding for these expenditure items have been adjusted within the reserve movement.
- **Earmarked Reserve Review:** The balances show the movement from the value of earmarked reserves that were expected in the 2025/26 base budget to the revised 2026/27 base budget. The forecasted 2025/26 earmarked balances and future years are shown in section 3.5.
- **Government Funding:** The government settlement announcements have been captured in detail within the MTFP (section 2.3).

### Saving Efficiencies, Pressures and Investment

As part of the budget setting process, budget challenge meetings were established across all services led by the Section 151 Officer, with the Executive Management Team and budget managers to understand service requirements and financial impacts.

This exercise resulted in several service efficiency savings and income adjustments being identified as well as current known pressures and investment opportunities, all of which have been factored into the 2026/27 budget and future years if required.

<b>EXPENDITURE SAVINGS</b>		<b>2026/27</b>
Corporate Services	Software licensing savings	(73,330)
Culture and Community	Service realignment	(47,621)
Environment	Refuse and Recycling	(24,402)
Facilities & Assets	Capitalisation of salaries	(50,000)
Facilities & Assets	Business rates	(28,665)
Planning	HGGT contribution alignment	(15,000)
Regeneration	Capitalisation of salaries	(450,000)
		<b>(689,018)</b>

<b>INCOME MOVEMENT</b>		<b>2026/27</b>
Culture and Community	Playhouse panto income	(80,000)
Environment	Car Parks pay and display income	150,000
Environment	Alignment of recycling credit income	(21,339)
Environment	Abandon vehicles income	(5,000)
Environment	sponsorship contract	30,000
Facilities & Assets	Commercial Property Rent Income	(755,340)
Facilities & Assets	Harvery Centre Income	(100,000)
Facilities & Assets	Garages Rental Income	66,188
Housing	Leah Manning Centre (ECC Income)	(102,744)
Planning	Pre application Income	(70,000)
Public Protection	HMO Income	(72,000)
Public Protection	Pressure of DVLA Income	6,500
		<b>(953,735)</b>

<b>INVESTMENT</b>		<b>2026/27</b>
Culture and Community	Paddling Pool service	25,000
Environment	Street Name Signs	10,000
Exec Office	Service transformation	54,000
Legal	Procurement Services	151,000
Regeneration	Town Centre Management	260,000
		<b>500,000</b>

<b>PRESSURES</b>		<b>2026/27</b>
Culture and Community	Pets Corner vet fees	5,000
Culture and Community	Pets Corner animal feed	5,000
Culture and Community	Educational Attainment school readiness project	2,000
Environment	Open Spaces tree surveys	125,000
Environment	Abandon Vehicle System	5,000
Facilities & Assets	Property costs	24,562

Finance	Insurance Costs	78,821
Housing	Temporary Accommodation	200,000
HR	Apprenticeship levy realignment	12,764
HR & Organisational Development	E-Learning system	21,000
Public Protection	Licensing digital systems	9,000
		<b>488,147</b>

### 3.2 The General Fund Revenue Budget

Taking the financial context and key assumptions into account, the council has set a balanced budget for 2026/27 and future years. The below summary takes all of the MTFP assumptions into account and presents the complete budget summary by service directorate over the next 3 years.

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## GENERAL FUND BUDGET SUMMARY

	2026/27 Budget	2027/28 Budget	2028/29 Budget
	£	£	£
<b>SERVICES</b>			
Corporate Services and Improvement	1,929,617	2,064,127	2,152,657
Culture & Community	3,161,197	2,595,231	2,633,245
Environment	5,039,421	5,367,101	5,654,548
Executive Office	2,449,468	2,536,568	2,452,648
Facilities & Assets	(6,316,809)	(6,845,129)	(7,021,471)
Finance	1,299,803	1,295,313	1,290,523
Housing Operations - People	2,679,980	2,919,430	3,160,240
Human Resources & Organisational Development	465,335	475,405	485,785
Legal & Governance	949,793	975,063	1,001,153
Planning & Garden Town	693,875	727,165	761,585
Public Protection	1,223,315	1,265,355	1,341,895
Regeneration	7,438,496	254,756	271,576
<b>Total</b>	<b>21,013,491</b>	<b>13,630,385</b>	<b>14,184,384</b>
Interest Receivable	(558,342)	(558,342)	(558,342)
Interest Payable	3,553,971	3,783,672	3,783,672
Minimum Revenue Provision	2,340,984	3,818,631	3,967,771
<b>Expenditure Before Use Of Reserves</b>	<b>26,350,104</b>	<b>20,674,346</b>	<b>21,377,485</b>
<b>Contribution to / (from) Earmarked Reserves:</b>	<b>(10,268,550)</b>	<b>(2,353,142)</b>	<b>(1,594,548)</b>
<b>BUDGET REQUIREMENT</b>	<b>16,081,554</b>	<b>18,321,203</b>	<b>19,782,936</b>
<b>GOVERNMENT FUNDING</b>			
Collection Fund Deficit / (Surplus)	737,780	0	0
Business Rates Income	(4,322,276)	(4,421,421)	(4,510,617)
Revenue Support Grant	(2,446,326)	(3,695,520)	(4,945,805)
Recovery Grant	(405,962)	(405,962)	(405,962)
Homelessness, Rough Sleeping and Domestic Abuse Grant	(1,075,355)	(1,143,145)	(1,178,727)
<b>Total</b>	<b>(7,512,139)</b>	<b>(9,666,048)</b>	<b>(11,041,111)</b>
<b>COUNCIL TAX REQUIREMENT</b>	<b>(8,569,415)</b>	<b>(8,655,155)</b>	<b>(8,741,825)</b>
<b>Divided by:</b>			
<b>Taxbase</b>	<b>29,662.22</b>	<b>29,959.00</b>	<b>30,259.00</b>
<b>Band D Council Tax</b>	<b>288.90</b>	<b>288.90</b>	<b>288.90</b>

### 3.3 The Housing Revenue Account

Revenue expenditure within the Housing Revenue Account (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 Building Harlow's Future 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:

- The HRA is a user of support services from the rest of the council for which appropriate charges are levied.
- The allocation of investment and borrowing interest from the General Fund to the HRA based on the net indebtedness position of the HRA.
- HTS (Property & Environment) Ltd undertakes a wide range of work that impacts on these activities.
- 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 summary of The HRA budget 2026/27 is shown below, with further detail and the 30-year Business Plan set out in Appendix B of the Budget Report.

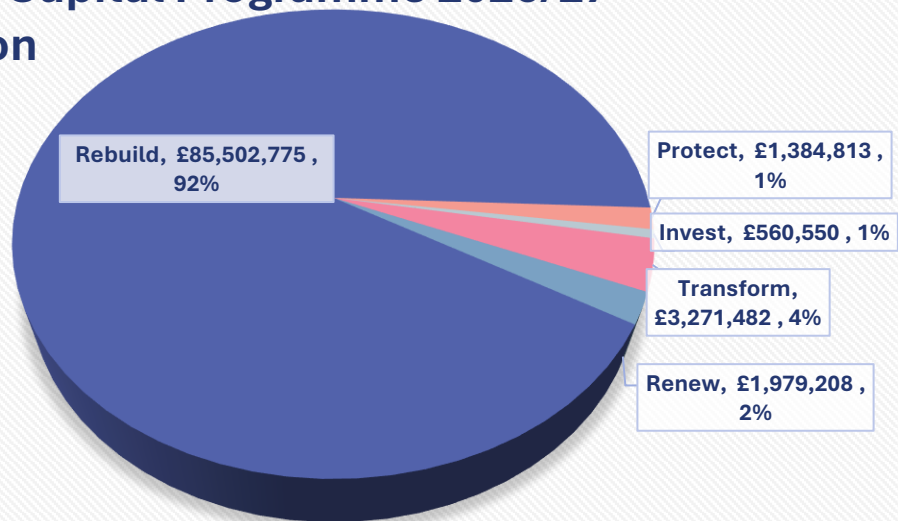
## Housing Revenue Account Estimates 2026/27 OE

	2024/25	2025/26	2025/26	2026/27
	Actual	Budget	P9 Forecast	Budget
		£	£	£
<b>EXPENDITURE</b>				
General Management	12,870,209	14,513,521	15,548,464	14,749,579
Special Management	9,971,002	9,656,268	10,075,531	10,574,057
Repairs	13,115,023	13,638,481	15,926,823	17,269,133
Rents Rates Taxes & Other Charges	227,997	108,106	200,000	203,500
Provision for Bad & Doubtful Debts	119,215	424,289	250,000	254,375
Supporting People Transitional Arrangements	531	1,000	600	611
Depreciation	12,719,591	13,826,568	12,578,700	12,878,875
Debt Management Expenses	9,450	14,190	10,648	10,000
Interest Charges	7,288,953	8,314,388	8,292,457	11,507,950
Revenue Contributions to Capital Outlay		-	-	7,000,000
Reserve Movements	-	858,222	271,250	(6,728,750)
	<b>56,124,049</b>	<b>61,355,033</b>	<b>63,154,473</b>	<b>67,719,330</b>
<b>INCOME</b>				
Dwelling Rents	(51,872,427)	(52,971,284)	(52,833,050)	(55,732,003)
Garage Rents	(1,090,255)	(1,260,753)	(1,112,726)	(833,719)
Other Rents	(135,588)	(80,150)	(80,150)	(76,140)
Charges for Services & Facilities	(5,977,024)	(6,348,393)	(6,093,392)	(6,868,386)
Interest Receivable	(1,184,316)	(446,007)	(1,149,145)	(892,296)
	<b>(60,259,610)</b>	<b>(61,106,587)</b>	<b>(61,268,463)</b>	<b>(64,402,544)</b>
<b>Balance in hand at 1 April</b>	<b>10,780,852</b>	<b>11,833,241</b>	<b>14,916,413</b>	<b>13,030,403</b>
<b>Surplus / (Deficit) for year</b>	<b>4,135,561</b>	<b>(248,447)</b>	<b>(1,886,010)</b>	<b>(3,316,786)</b>
<b>Balance in hand at 31 March</b>	<b>14,916,413</b>	<b>11,584,794</b>	<b>13,030,403</b>	<b>9,713,617</b>

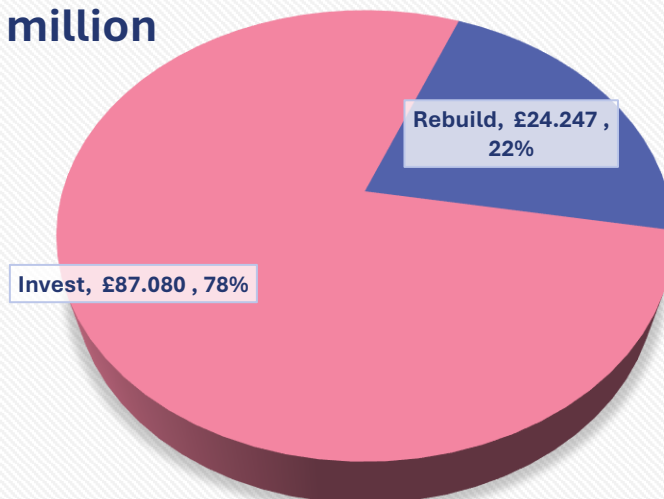
### 3.4 Capital and Treasury Management

The Capital Programme, along with the necessary Capital, Investment and Treasury Strategies will be reported to Cabinet and Full Council in February 2026, at the same meeting as the budget report. Capital investment requirements have been considered alongside the funding of new potential capital schemes. Revenue implications of the capital programme have been built into the MTFP including any assumed contributions from revenue to support the capital programme. The 2026/27 investment aligned to the council corporate missions are set out below.

#### Non-Housing Capital Programme 2026/27 £92.699 million



#### Housing Capital Programme 2026/27 £111.327 million



## 3.5 Reserve Plan

Reserves are an essential part of the council's financial strategy, providing a safeguard against unexpected costs, income shortfalls, and financial risks. They enable the council to manage uncertainty, respond to emergencies, and support planned investment without compromising service delivery.

Local authorities are required by law to consider the adequacy of reserves when setting their annual budget and Council Tax. The Section 151 Officer has a statutory duty to assess the robustness of the budget and confirm that reserves are sufficient to meet foreseeable risks and unforeseen events.

Reserves are not a substitute for sustainable funding; they can only be used once and do not resolve underlying structural deficits. Maintaining an appropriate level of reserves is therefore a key element of medium-term financial planning and is reviewed annually in light of current and emerging risks.

### 3.5.1 General Fund and HRA Balances

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

The General Fund Balance is forecast to be £3.571 million and the HRA balance £12.787 million at the end of 2025/26, following the Period 9 budget monitoring that will be reported to Cabinet on 19 February 2026.

Working Balances (General Reserves)	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Brought Forward	3,969	3,969	3,500	3,500	3,500
Surplus/(Deficit)	0	(398)	0	0	0
Transfer to Earmarked Reserves	0	(71)	0	0	0
<b>Closing Balance</b>	<b>3,969</b>	<b>3,500</b>	<b>3,500</b>	<b>3,500</b>	<b>3,500</b>

Working Balances (HRA Reserves)	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Brought Forward	10,781	14,916	13,030	9,714	5,962
Surplus/(Deficit)	4,135	(1,886)	(3,316)	(3,752)	(1,472)
Transfer to Earmarked Reserves	0	0	0	0	0
<b>Closing Balance 2024/25</b>	<b>14,916</b>	<b>13,030</b>	<b>9,714</b>	<b>5,962</b>	<b>4,490</b>

The required level of balance is determined by assessing the level of risk the council faces considering 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 Section 151 Officer, are to be £3.5 million and £3.5 million respectively, taking into consideration both risk and affordability.

### 3.5.2 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 government funding, political changes, treasury management, local government reorganisation and internal transformation changes. 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:

- **Capital:** Earmarked to contribute towards the Capital Programme.
- **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.
- **Grants:** Grants that have been received for a specific purpose, but with no accounting conditions.

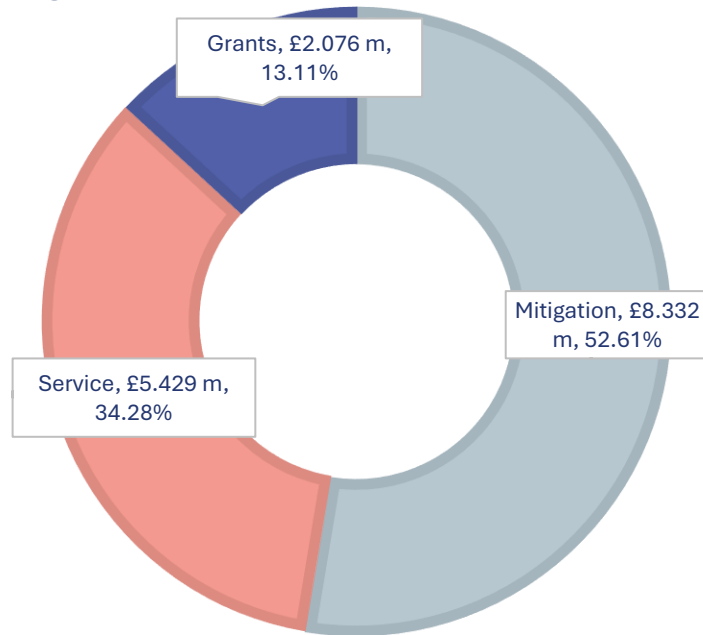
In light of the increasing level of risk and uncertainty identified within the MTFP and the increased probability of resources being required to support its delivery, a full review of useable reserves has been undertaken to ensure that the level of reserves is appropriate given the level of risks identified.

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 reserve balances forecasted to 31 March 2026 can be categorised as follows.

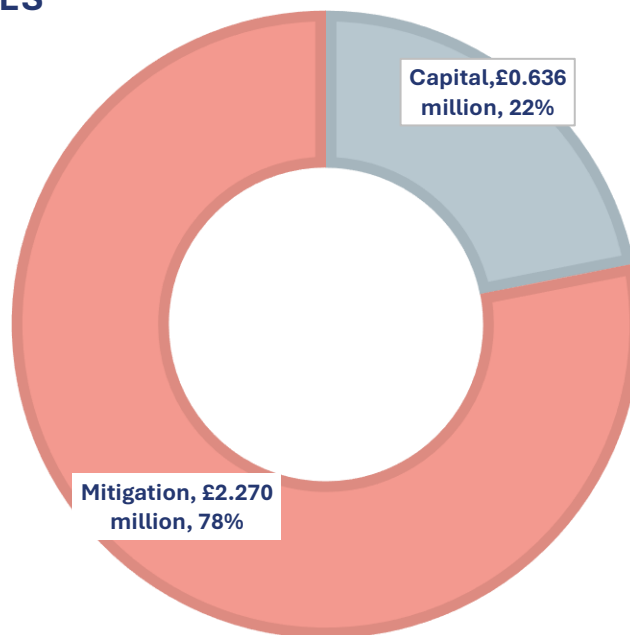
### EARMARKED RESERVES BALANCES GENERAL FUND

- Mitigation
- Service
- Capital
- Grants



### EARMARKED RESERVES BALANCES HRA

- Capital
- Mitigation
- Service
- Grants



Earmarked Reserve	Actual	2025/26	Forecast	2026/27	Forecast	Forecast	Forecast
	Balance as at 31 Mar 2025	Add/(Use) To Reserve Balance	Balance as at 31 Mar 2026	Add/(Use) To Reserve Balance	Balance as at 31 Mar 2027	Balance as at 31 Mar 2028	Balance as at 31 Mar 2029
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>GENERAL FUND RESERVES</b>							
Budget Stabilisation	2,529	699	3,228	(452)	2,776	1,826	1,148
Collection Fund	1,000	29	1,029	(738)	291	291	291
Treasury Management	3,000	131	3,131	(738)	2,393	1,617	841
Housing Benefit Subsidy	300	0	300	0	300	300	300
Insurance Fund	600	0	600	0	600	600	600
Pension Fund	1,000	(500)	500	0	500	500	500
Perpetuity	812	(7)	805	(7)	797	790	783
Risk Management	200	(125)	75	0	75	75	75
Severance	300	100	400	0	400	400	400
Temporary Accommodation	500	(300)	200	0	200	200	200
<b>Total Mitigation Reserves</b>	<b>10,241</b>	<b>26</b>	<b>10,267</b>	<b>(1,935)</b>	<b>8,332</b>	<b>6,599</b>	<b>5,138</b>
Climate Change	100	(100)	0	0	0	0	0
Discretionary Services Fund	1,165	14	1,179	(932)	247	0	0
Hardship Fund	50	(50)	0	0	0	0	0
Invest To Save & Improve	0	0	0	0	0	0	0
Local Government Reorganisation	500	0	500	0	500	500	500
Neighbourhood Renewal	2,019	(470)	1,549	(83)	1,466	1,411	1,411
Public Protection	80	(80)	0	0	0	0	0
Regeneration	10,271	(7,755)	2,516	200	2,716	2,716	2,716
Transformation	500	0	500	0	500	500	500
<b>Total Service Reserves</b>	<b>14,686</b>	<b>(8,441)</b>	<b>6,244</b>	<b>(815)</b>	<b>5,429</b>	<b>5,127</b>	<b>5,127</b>
Regeneration	0	7,200	7,200	(7,200)	0	0	0
<b>Total Capital Reserves</b>	<b>0</b>	<b>7,200</b>	<b>7,200</b>	<b>(7,200)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Corporate Services & Improvement	0	0	0	0	0	0	0
Culture & Community	200	(200)	0	0	0	0	0
Environment	39	(39)	0	0	0	0	0
Finance	1,318	0	1,318	0	1,318	1,318	1,318
Housing	1,088	(318)	770	(318)	452	133	0
Legal & Democratic Services	45	(45)	0	0	0	0	0
Planning & Garden Town	4	(4)	0	0	0	0	0
Regeneration	331	(25)	306	0	306	306	306
<b>Total Grant Reserves</b>	<b>3,024</b>	<b>(630)</b>	<b>2,394</b>	<b>(318)</b>	<b>2,076</b>	<b>1,757</b>	<b>1,624</b>
<b>Total General Fund Reserves</b>	<b>27,951</b>	<b>(1,845)</b>	<b>26,105</b>	<b>(10,269)</b>	<b>15,837</b>	<b>13,483</b>	<b>11,889</b>
<b>HRA RESERVES</b>							
Perpetuity	674	0	674	0	674	674	674
Council Housebuilding Programme	6,514	(6,514)	0	0	0	0	0
Council House Externals Programme	0	7,365	7,365	(6,729)	636	908	1,179
Housing Insurance Property	80	(80)	0	0	0	0	0
Insurance Fund	600	0	600	0	600	600	600
Pension Fund	1,000	(500)	500	0	500	500	500
Risk Management	496	0	496	0	496	496	496
<b>Total HRA Reserves</b>	<b>9,364</b>	<b>271</b>	<b>9,636</b>	<b>(6,729)</b>	<b>2,907</b>	<b>3,178</b>	<b>3,449</b>
Housing Revenue Account	0	0	0	0	0	0	0
<b>Total Grant Reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Housing Revenue Account Res</b>	<b>9,364</b>	<b>271</b>	<b>9,636</b>	<b>(6,729)</b>	<b>2,907</b>	<b>3,178</b>	<b>3,449</b>
<b>TOTAL RESERVES</b>	<b>37,315</b>	<b>(1,574)</b>	<b>35,741</b>	<b>(16,997)</b>	<b>18,744</b>	<b>16,662</b>	<b>15,338</b>

Earmarked Reserve expenditure has been consistent throughout 2025/26 to support the delivery of Building Harlow's Future Plan.

The council plans to continue to contribute to the Budget Stabilisation Reserve for 2025/26 of £0.699 million, however this may change depending on the 2025/26 final outturn. As budget pressures do increase over the next three years, prudent use of this reserve is budgeted across the MTFP.

The breakdown of the earmarked reserves balances for General Fund and HRA are shown in the table.

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

<b>Reserves</b>	<b>Purpose</b>
<b><u>Mitigation Reserves</u></b>	
Budget stabilisation	The creation of the reserve will remove the need to make short term decisions related to potential budget reductions.
Collection Fund	To mitigate potential future year deficits.
Treasury Management	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 temporary accommodation	Set aside to mitigate against potential increasing cost of temporary accommodation.
Insurance Fund	To meet any costs of future claims resulting from the insolvency of the council's previous insurer Municipal Mutual Insurance Ltd, or excess charges on policies.
Pension Fund	To mitigate future risk in pension fluctuations.
Perpetuity	Amounts set aside to meet long-term contractual obligations under a range of covenants.
Risk management	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	Used to finance redundancy costs in excess of the amount included in the revenue budget.
<b><u>Service Reserves</u></b>	
Climate Change Reserve	To support expenditure on climate change activity.
Discretionary Services Fund	To fund services to the community that are not required by statute and to provide financial support to organisations providing such services.
Environment	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 cost of living challenges and least able to meet their Council Tax payments.
Local Government Reorganisation	To protect the council from the costs of delivering local government reorganisation
Neighbourhood renewal	Established for projects to renew our neighbourhoods.
Public Protection	Set aside to contribute to public protection initiatives.
Regeneration	A reserve to support Harlow town regeneration.
Transformation	Set aside to fund transformation activity for the council.
<b><u>Capital Reserves</u></b>	
Regeneration	To support the council's regeneration activity.
Council House Externals Programme	To support an externals programme for council housing.
Grants	
Grants by Service Area	Grants that have been received for specific purposes that have no accounting conditions.

# 4 Chief Financial Officer Report

## 4.1 Introduction

Section 151 of the Local Government Act 1972 requires the council to make arrangements for the proper administration of its financial affairs. In addition, under Section 25 of the Local Government Act 2003, the Section 151 Officer is required to provide Councillors with a formal statement on the adequacy of reserves and the robustness of the budget estimates.

The council's budget is based on a range of assumptions. In considering the overall budget position, it is necessary for Councillors to be aware of the range and scale of risk and uncertainty surrounding the budget projections, particularly with regard to external factors.

While the Act itself does not provide any specific detail on how to evaluate the robustness of the estimates, accompanying guidance notes state that it should be based on an assessment of all circumstances considered likely to affect the authority.

The following factors have been taken into account when considering the overall levels of reserves:

- Assumptions regarding inflation.
- Treatment of demand-led pressures.
- Credibility and deliverability of savings and efficiencies.
- The financial standing of the authority, including levels of borrowing and debt.
- The authority's track record in budget management, including medium-term financial planning.
- Capacity to manage in-year financial pressures.
- Adequacy of insurance arrangements.
- Availability of reserves, government grants, and other resources to manage major contingencies, and the adequacy of existing provisions.
- Risks arising from partnership arrangements.
- Estimates relating to the level and timing of capital receipts.
- The wider financial climate and economic environment.
- Local Government Reorganisation.

This report considers the robustness of the council's budget calculations including a summary of the key risks inherent in the budget forecast, and it reviews the adequacy of reserves considering these risks.

## 4.2 Areas of Budget Risk and Financial Uncertainties

This section updates Councillors on a number of key activities and responsibilities that have a significant financial impact for the council but also by their nature carry inherent risk and uncertainty as to the full extent of that impact. Specific budget allocation or provision has been set aside for such associated costs but the scale of some of the risk means that reserve levels must take these into account.

### Local Government Reorganisation

Local government Reorganisation (LGR) will have a significant impact on the council's Medium Term Financial Plan (MTFP). The current MTFP assumes business as usual operations, however, from 1 April 2028, Harlow District Council will cease to exist in its current form.

A decision on the number and configuration of new unitary authorities in Essex is expected shortly. LGR will require substantial preparatory work as new structures, budgets, staffing models, and service delivery arrangements are developed for the successor councils. To support this, £0.5 million has been set aside in reserves to fund initial preparatory costs, although it is not yet clear whether this will be sufficient, and the financial requirement is likely to evolve as plans progress. Until further clarity is available, the full financial implications remain uncertain. This position will continue to be monitored closely to ensure that future MTFP forecasts reflect the most up-to-date information.

### Government Grants

The Local Finance Settlement has provided a 3-year certainty in government funding through the Fair Funding allocation. Forecasts have been included within the MTFP and set out within the report. Political risks may arise which increases the uncertainty of these forecasts in future budget setting years.

### Delivery of savings

The current MTFP position shows that the budget for 2026/27 will be balanced. However, within the MTFP are several saving requirements that will have to be closely monitored within 2026/27 to ensure they are met.

### Council Tax and Business Rates

The tax base projections used in the MTFP are predicated with a moderate 1% growth. Delivery will need to be closely monitored to ensure the assumptions remain valid.

There is a great deal of volatility in the Business Rates system that has been exaggerated by the pandemic and challenging economic circumstances throughout previous years. However, with the business rates reset, this does provide some certainty for the council over the next 3 years and the MTFP assumes that the baseline funding level from the Local Government settlement is incorporated. The risk arises where the council may fall below the safety net level, where not all the income will be realised in future years (as explained within the Business Rates section). A collection fund reserve is in place to mitigate this risk, and close monitoring is required to ensure that assumed income is realised.

The MTFP assumes a zero percent increase in Council Tax in 2026/27 and future years. Although this local decision is currently sustainable, the loss of the cumulative impact does present a financial risk for future unrealised income.

### Wider Economy and Inflation

The wider economic environment will always present a risk to the council's budget and MTFP. Although informed assumptions are built into the forecasts, factors such as inflation and interest rates can change during the year and create unanticipated financial pressures. Higher-than-expected inflation can increase the cost of delivering services, contractual commitments, utilities and supplies, while also placing upward pressure on pay and demand-led budgets.

Likewise, shifts in interest rates, whether rising further or falling more slowly than assumed, pose risks to both borrowing costs and investment income. These risks are monitored closely throughout the year, and reserves are in place to help ensure that the council remains financially resilient in a changing economic climate.

Budgets have been prepared in accordance with the assumptions as set out within the MTFP. Fees and charges have been increased by service specific reviews unless statutory or otherwise stated. A 3.5% provision has been made for 2026/27 pay award and future years as well as contractual and general inflation within the MTFP.

### Legal Risks

The council is routinely involved in a range of judicial processes and legal challenges at any given time. These may relate to planning and planning enforcement matters, contract and procurement disputes, property related issues, business rates appeals, housing

cases, and other areas of statutory responsibility. It is not possible to predict with certainty the financial impact or timing of these cases, and some may result in unforeseen or unavoidable expenditure. Where specific liabilities are identified, appropriate provisions are made in accordance with accounting requirements.

Legal risks remain among the most uncertain and potentially significant financial exposures faced by the council. This uncertainty is one of the key reasons why the council maintains adequate reserves, to ensure it can manage unplanned costs without undermining service delivery or overall financial stability. These risks are closely monitored to ensure the early identification of emerging issues and, where necessary, timely corrective action.

### Temporary Accommodation

The budget and medium-term financial strategy provide for additional growth of £200,000 each year to recognise the increased cost of responding to homelessness. Action taken to date includes:

- The service working closely with the NHS, ECC and other social landlords to ensure that hospital discharges are managed appropriately.
- A revision to the allocations scheme has been completed and is in place.
- The temporary accommodation team are working with landlords to increase the portfolio of nightly lets.

### Treatment of Demand-Led Pressures

The council has a range of mechanisms in place to respond to changes in expenditure and income patterns including the option to review service levels, virements from other budget heads and the use of contingency and/or reserves.

### Value Added Tax (VAT)

VAT is a complex issue for local authorities and active management of VAT is essential both to avoid significant unexpected costs and to ensure that the council can take advantage of opportunities to recover VAT previously paid when possible. The major VAT risk is that the council exceeds its partial exemption threshold. In general, it is large capital projects that would cause this to happen and VAT issues are, therefore, considered at an early stage in the development of all such projects.

## 4.3 Adequacy of Reserves

Reserves are a critical component of the council's financial strategy, providing a safeguard against the significant risks and uncertainties the organisation faces. Maintaining adequate reserves is essential for robust medium-term financial planning; without them, the council may be forced to take urgent in-year action to manage emerging pressures, which could have longer-term consequences for service delivery and financial sustainability.

As set out throughout this report, the council operates in a challenging and uncertain environment, with numerous external and internal factors influencing its financial position. At the same time, the organisation continues to deliver ambitious capital and revenue investment programmes and major regeneration activity. These pressures increase both the scale and complexity of the risks being managed, making strong financial resilience and well-maintained reserves more important than ever. While reserves cannot eliminate risk, they play a vital role in enabling the council to respond to unexpected events while remaining focused on its strategic priorities; Building Harlow's Future Plan.

Particular attention is drawn to the reserves section of this report that identifies the reserves currently retained by the council over the forecast period together with the rationale for each reserve.

### General Fund

Earmarked reserves are currently forecasted at March 2026 to total £26.1 million, and mitigation reserves are budgeted to total £10.2 million. It is important to note that while the council does have discretion to use its reserves in any manner it sees fit, it is anticipated that these earmarked reserves will be used over the forecast period to support the council's ongoing organisational changes, the delivery of budget efficiencies and realisation of the Building Harlow's Future Plan.

Although balances are expected to reduce to £13.4 million by March 2028, this is still a healthy position, compared to many other district authorities, before the council becomes part of a unitary authority.

There are a key number of mitigation reserves that should be carefully monitored and reviewed at the 2025/26 outturn:

- **The Treasury Management Reserve** enables the council to manage fluctuations in costs arising from the council's Capital, Investment and Treasury strategies. This ensures effective budget management of the costs arising and their impact on the General Fund.

- **The Collection Fund Reserve** manages the uncertainties of the future year surpluses and deficits within the collection fund; it is expected that any growth resulting business rate income can be used to manage this reserve for future years.
- **The Budget Stabilisation** is set aside for the council to manage future year pressures. Contributions continue to be made into the reserve for 2025/26, however it is expected to utilise the reserve for future years to manage expected budget pressures. These are £0.452 million for 2026/27, £0.949 million for 2027/28 and £0.678 million for 2028/29. Further savings could be identified to reduce the requirement to drawdown from this reserve within the next year's budget cycle.

Given the overall levels of risk considered in this report, the Section 151 Officer has increased the minimum level of reserves on the general fund working balances and should not be budgeted below £3.5 million when setting the budget for 2026/27. The £3.5 million level represents approximately a healthy 19.4% of the average budget requirement over the next three years.

The current General Fund working balance is forecasted to be £3.571 million at March 2026. It is proposed that any surplus above the minimum level is transferred to earmarked reserves to be used for mitigation or service requirements depending on the 2025/26 outturn.

As significant risks have specific financial mitigations in place, the General Fund balance will be used to manage unusual or unanticipated events, for example a District-wide emergency, failure to deliver savings targets or unprecedented increases in demand or costs.

## HRA

The HRA 30-year business plan is modelled from 2025/26 so that working balances do not fall below £3.5 million. Although there are a few early years where there are a number of planned deficits, the Business plan is forecasted to have a healthy closing balance of £12.957 million by 2054/55, which includes necessary capital investment within the programme.

Earmarked reserves are currently forecasted at March 2026 to total £9.7 million, which will reduce to £3.2 million to provide further needed investment into the capital programme. Substantial mitigation risks for insurance and risk management continue to

be earmarked for the foreseeable future, ready for when the council becomes a unitary authority.

## 4.4 CIPFA Financial Resilience Index

The CIPFA Financial Resilience Index provides a comparative, data-driven assessment of a council's financial robustness across a range of indicators associated with financial stress. Using consistent, publicly reported information, it highlights potential areas of vulnerability such as levels and movements in reserves, debt exposure, income and expenditure ratios, and business rates performance. The Index is intended to complement local professional judgement by offering a transparent, evidence-based view of resilience relative to similar authorities.

However, the Index is retrospective in nature and does not reflect future plans set out in the council's medium-term financial strategy (MTFS), for example, intentional use of reserves or planned changes to the budget. It is therefore not an absolute measure of financial resilience, but rather one tool among several that supports informed assessment.

A specific area highlighted is the relatively high level of debt held by the council when compared with equivalent authorities. This debt level continues to be managed appropriately and is covered above and in more detail in the Capital and Investment strategy.

## 4.5 External Audit

A statutory backstop date of 13 December 2024 was put in place for the publication of all historic local body audited accounts up to and including 2022/23. This was supported by changes made to the Code of Audit Practice by the NAO to require auditors to issue an audit opinion to meet this deadline. Auditing standards allow auditors to modify or disclaim their audit opinion where they cannot obtain reasonable assurance before the above backstop date.

All opened prior years accounts from 2018/19 - 2022/23 met the backstop date deadline and audit opinions were reported to Audit & Standards Committee on 11 December 2024.

Although the council approved its 2023/24 accounts on 26 February 2025, there was a delay in concluding the value for money opinion due to internal financial resources. This was subsequently concluded on 9 December 2025.

The council is currently expected to conclude the 2024/25 audit opinion by the backstop date 27 February 2026.

## Robustness of the Budget Calculations

The budgets and forward financial forecasts represent the current assessment of the costs of providing services in line with the council's existing policies and strategic priorities. The estimates are based on assumptions about levels of pay (including an allowance for pay awards, increments and vacancies), inflation and other external factors such as legislative changes, and changes in demand for services. These assumptions are considered to be appropriate. Any significant changes in external factors, compared to the assumptions made at this time, could result in a variance in the actual levels of expenditure and income against the budget provision and the council's financial targets not being met. Similarly, there will be a risk to the delivery of services at both operational and strategic levels.

The authority's good track record of in year budget management, including its ability to manage in year budget pressures and the robustness of the Medium-Term Financial Plan.

Financial reports are subject to review by Cabinet and by the Executive Management Team. The budget includes prudent contingencies that can and are used to manage in-year budget pressures. The council's in-year budget management is effective. Earmarked reserves are used for non-recurring expenditure to assist in producing a smooth profile of expenditure over the forecast period. The council also has a track record of delivering savings and efficiencies as required.

However, reserves can only be used once, and the ability to continue to deliver savings and efficiencies cannot be taken as a given, particularly considering the current funding circumstances. A significant shift in expenditure or income outside the parameters considered in the budget or a combination of several issues at once could constitute a serious shock to the council's level of resources and threaten its potential ongoing financial viability.

The assumptions underpinning the Medium-Term Financial Plan are set out above. These are as robust as is possible given the continuing uncertainty over the future of government funding.

### 4.6 Conclusion

Taking all the above factors into account, it is considered that the budget calculation is robust and that the level of reserves is currently adequate. Members are reminded of the need to consider all the factors discussed in this section and their potential impact on the ongoing sustainability of the council's medium term financial position when considering the budget and level of Council Tax to be set for 2026/27.

The maintained working balance and structured earmarked reserves, provide a prudent buffer that supports financial resilience and service stability.

In conclusion, while the budget for 2026/27 is balanced and robust, the forecasts for future years highlight a substantial and growing financial challenge. The council must continue to strengthen its financial resilience, deliver its planned savings, and actively pursue opportunities for reform, efficiency, income generation and transformation. With effective management and strong oversight, the council can navigate the uncertainties ahead and maintain stability while delivering its strategic priorities and essential services for residents.

If savings and key income streams materially underperform and reserves cannot sustainably offset the variance, the Section 151 Officer will escalate under the council's financial governance, including consideration of the Section 114 framework as set out in the Local Government Finance Act 1988. Taking all the above into account, the Section 151 Officer is satisfied that, overall, the budget proposals set out in this report are robust and sustainable and that the level of reserves is adequate to address the financial risk facing the council in the current year and years up to vesting day.

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## 5 Legalities of Setting a Balanced Budget

### Legislation

The Local Government Finance Act 1992 states that the council must set a (balanced) budget and its Council Tax, including precepts, before 11 March in each financial year. The responsibilities and consequences of not adhering to Legislation are listed below.

### Council

The consequences for the council itself would be:

- It would be subject to the 'prohibition period' under the 1988 Act.
- It could be faced with acute cash flow and potentially collection difficulties; and,
- It might be unable to meet its obligations to its precepting authorities.

### Officers

The processes should be managed so that the consequences are avoided.

If the council does not set its budget and Council Tax, the officer of the council having responsibility for the administration of the council's financial affairs under Section 151 of the Local Government Act 1972 ('the Section 151 Officer') would be obliged to make a Report pursuant to Section 114 (and 114A) of the Local Government Finance Act 1988 including subsection (3).

This would have the ultimate consequences set out in Sections 115 and 115B of the 1988 Act. They include that during a 'prohibition period' the council is very constrained with respect to what expenditure it can incur.

The Section 151 Officer should do whatever they can to protect the council's financial interests. Specifically, they should:

- Make a Section 114/114A Report as soon as it is apparent that the budget and Council Tax are not likely to be set by 11 March.
- In preparing a Report, consult the Head of the Paid Service and the Monitoring Officer ('MO') as soon as possible and discharge their Section 114 duties.
- Send copies of the report to the council's External Auditor and to all Councillors; and,
- Give the council their opinion as to what staff, accommodation, and other resources they need to allow their Section 114 duties to be performed.

In addition, the Monitoring Officer has responsibilities, pursuant to Sections 5 and 5A of the Local Government and Housing Act 1989.

The council Members' Code of Conduct, pursuant to Sections 27 and 28 of the Localism Act 2011 ('LA 2011'), imposes an obligation on Councillors to 'uphold the law'.

The MO should:

- Make a statutory report at or about the same time or in conjunction with the Section 151 Officer's Section 114 Report: and

Warn Councillors as to:

- The implications of the Code and of their legal obligation and of breaches thereof, and their potential liabilities.

The MO also has a duty to consult as is practicable with the person who is, for the time being, designated as the head of the authority's paid service and with their Section 151 Officer.

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## 6 Glossary

### **Actuary**

A business professional who measures and manages risk and uncertainty.

### **Asset management**

Process that identifies the resources required for the upkeep of properties.

### **Baseline**

The minimum level of business rates the council will receive (subject to the safety net).

### **Budget gap**

Also known as a budget deficit, this is when planned expenditure is forecast to exceed revenue in any given year. The gap must be closed by the delivery of savings, efficiencies, or growth in income. The opposite of this is a budget surplus.

### **Budget Requirement**

This represents net budgeted expenditure for the year adjusted for transfers to and from reserves but allowing for sums required by Parish and Town Councils. It is used to determine the amount of Council Tax to be precepted on the Collection Fund after allowing for income from government and any surplus or deficit on the Collection Fund

### **Business rates multiplier**

This is the number of pence per pound of rateable value that must be paid in business rates, before any relief or discounts are deducted.

### **Business Rates Retention Scheme**

The scheme under which the council is permitted to retain an agreed portion of business rates collected.

### **Cabinet**

The Cabinet makes most of the council's decisions, within the budgets and policy framework set by Full Council, except on matters such as planning and licensing, which are dealt with by committees established by Full Council for such purposes.

### **Capital Programme**

The council's budget for capital expenditure and resources for the current and future years.

### **Capital Expenditure**

This relates to expenditure on the acquisition or enhancement of non-current assets that will be of long-term use or benefit to the authority in providing its services. It also includes grants made by the council to other individuals, community organisations and other external bodies for similar long-term benefit.

### **Capital receipts**

Income from the sale of capital assets and the repayment to the council of grants and loans given for capital purposes. Regulations govern the way capital receipts may be used.

### **Cash terms/Real terms**

Cash terms compare sums in actual amounts regardless of when received/paid. Real terms adjust these amounts for inflation.

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

CIPFA is the professional accountancy body for public services. It publishes the Code of Practice which defines how local authority accounts are prepared.

### **Code of Practice**

The Code of Practice on Local Authority Accounting in the United Kingdom, also referred to as the Code. This document is based on International Financial Reporting Standards, and states how these must be applied to the preparation of the Statement of Accounts by local authorities.

### **Collection Fund**

The fund into which Council Tax and Non-Domestic Rates are paid and from which the Council Tax precepts and shares of business rates of Harlow District Council, Essex County Council, Essex Police Authority, Essex Fire Authority, the Government and Parish and Town Councils are met as appropriate. Any surplus or deficit is shared between the various authorities, other than the Parish and Town Councils, in proportion to precepted amounts.

### **Collection Rate**

The percentage of total taxation collected by the authority.

### **Contingency**

Money set aside in the budget to meet the cost of unforeseen items of expenditure or shortfalls in income occurring during the year ahead. This would include changes to the inflation and interest rate assumptions made when the budget was set.

### **Core Spending Power**

Core spending power measures the core revenue funding available for local authority services, including Council Tax and locally retained business rates.

### **Corporate Plan**

Presents the council's goals, objectives, and plans.

### **Council Tax Base**

The equated number of dwellings over which the Council Tax is collected. All dwellings are valued and classified into eight bands (A to H), plus a special band A (disabled). Each band is expressed as a proportion of Band D. The Council Tax base is the number of

dwellings expressed in terms of a Band D equivalent after adjusting for the Local Council Tax Support (LCTS) scheme.

### **Local Council Tax Support (LCTS)**

Council tax support replaced Council Tax benefit from 1 April 2013. Each billing authority is required to have a published scheme in place setting out the entitlement to support for residents.

### **Council Tax requirement**

The portion of the annual budget that is required to be funded through Council Tax.

### **Depreciation**

The measure of the wearing out, consumption or other reduction in the useful economic life of a non-current asset, whether arising from use, passing of time or obsolescence through technical or other changes.

### **Devolution**

The government granting powers to regional authorities to make decisions at a local level, rather than through central government.

### **Discretionary rate relief**

A relief on business rates available to some businesses and charities.

### **Fair Funding Review**

The Fair Funding Review will deliver an assessment of relative needs of local authorities within a fixed amount of business rates income. For the services currently supported by the local government finance system, the outcomes of the Fair Funding Review will establish the funding baselines for the introduction of 100% business rates retention. The distribution of funding for new responsibilities will be considered on a case-by-case basis once these responsibilities are confirmed; they are likely to have bespoke distributions.

### **Fees and Charges**

Charges made to the public to the use of council services and facilities. A full schedule of current fees and charges is published on the council's website.

### **Financial Regulations**

A written framework for the proper financial management of the authority. The Financial Regulations are approved by the council as part of its formal constitution.

### **Formula Rents**

The formula rent calculation is set out in the Rent Policy Statement published by the government. The formula rent calculation is based on relative property values, relative local earnings, and bedroom numbers.

### **General Fund (GF)**

The main revenue fund of the council. Day to day spending and income from services are accounted for here.

### **Gross domestic product (GDP)**

The total market value of all final goods and services produced in a country in a given year, equal to total consumer, investment, and government spending, plus the value of exports, minus the value of imports.

### **Housing benefit administration subsidy grant**

A grant provided by central government to assist with the costs of administering housing benefit.

### **Housing Revenue Account (HRA)**

This statutory account records the revenue expenditure and income relating to the provision of council housing. While technically part of the General Fund, the balance is 'ring-fenced' and may not be included in the budget requirement to be met by Council Tax.

### **Insurance Pool**

The council acts as internal insurer for all the council activities. Some risks are self-insured and others are reinsured through external insurance companies. Premiums and excesses are charged to the revenue accounts of services and credited to the pool. An earmarked reserve supports the operation of the pool.

### **Judicial Review**

A court reviews an administrative action by a public body.

### **Leasing**

A method of acquiring the use of assets in which the investment is made by a lessor and a rental is charged to a lessee. The council operates both as lessor and lessee in respect of land, property, vehicles, plant, and equipment. Finance leases transfer substantially all the risks and rewards of ownership to the lessee and are regarded as a debt extended to purchase the leased asset (even when ownership of the asset does not legally pass to the lessee). Any lease which does not meet the definition of a finance lease is classified as an Operating Lease and is treated as an arrangement to hire an asset for a specified term.

### **Levy rate**

The rate at which the government shares in the benefits of business rate growth above the baseline.

### **Local Government Finance Settlement**

The annual determination of funding to local government.

### **Localism Agenda**

The movement of responsibilities from central government to local government and local communities.

### **Major Precepting Authority**

Authorities that do not collect Council Tax directly but instead they instruct a billing authority to collect it on their behalf. Major preceptors are larger than the billing authorities. i.e. usually county councils.

### **Minimum revenue provision (MRP)**

Each year local authorities are required to set aside a prudent amount of revenue as provision for financing capital expenditure.

### **MMI**

Municipal Mutual Insurance

### **Monitoring Officer**

Section 5 of the Local Government and Housing Act 1989, as amended by Schedule 5 paragraph 24 of the Local Government Act 2000 requires a local authority to appoint a monitoring officer. The Monitoring Officer has three main duties:

1. To report on matters they believe are, or are likely to be, illegal or amount to maladministration.
2. To be responsible for matters relating to the conduct of Councillors and Officers.
3. To be responsible for the correct operation of the council's Constitution.

### **New Burdens Grant**

Grants designed to cover the costs associated with providing new local authority services, which, if not funded by central government, could lead to an increase in Council Tax.

### **National Non-Domestic Rates (NNDR)**

Non-Domestic Rates (NDR), or Business Rates, are how occupiers of non-residential property contribute to the cost of providing local authority services. They are levied on the rateable value of each business property multiplied by a uniform amount set annually by the government. Business rates are collected by all Billing Authorities on behalf of other preceptors and the government.

### **Office for Budget Responsibility (OBR)**

A public body that provides independent economic forecasts and analysis of the public finances.

### **Partial Exemption Threshold**

The limit to which the council can recover VAT on certain activities undertaken; however, if the 5% limit is exceeded all such VAT becomes irrecoverable.

### **Planning Inspectorate**

An organisation that deals with planning appeals, applications, and examinations of local plans.

### **Precept**

The amount that local authorities providing services within the Harlow District require to be paid from the Collection Fund to meet the net cost of their services. The Council Tax requirement is made up of the sum of all precepts levied on the Billing Authority.

### **Preceptor**

A body that levies a precept.

### **Prudential code for capital finance in Local Authorities.**

A CIPFA publication, providing guidance to ensure capital programmes are affordable, prudent, and sustainable.

### **Prudential Indicators**

Indicators within the treasury management strategy that ensures that borrowing and debt is within agreed limits.

### **Public Works Loans Board (PWLB)**

A government agency that offers longer-term loans to local authorities at interest rates marginally above the government's own cost of borrowing.

### **Referendum Limit (For Council Tax setting purposes)**

Each year the Secretary of State sets a limit for the rise in Council Tax. If council taxes are set to rise by this percentage or higher than the decision must be ratified through a local referendum.

### **Reserves**

Reserves are set aside at the discretion of the council to meet items of expenditure in future years.

#### **Reserves – earmarked**

Reserves set aside for specific purposes.

#### **Reserves – usable**

Reserves that can be used to meet future expenditure e.g., the General Fund and the Housing Revenue Account.

#### **Reserves – unusable**

Reserves that exist for technical accounting purposes and that cannot be used for any other purpose e.g. Revaluation Reserve and Pension Reserve.

### **Revenue budget**

The money allocated to the day to day running of the council.

### **Revenue support grant (RSG)**

This is part of the main sources of finance given to local authorities from central government.

## **Right to Buy (RTB) Scheme**

Allows eligible council tenants to purchase their property at a discount.

## **S106**

Agreements which make a development proposal acceptable in planning terms that would not otherwise be acceptable. i.e. restrictions on the use of land, sums of money to be paid to the authority.

## **Safety net**

Should the council's business rates income fall below 92.5% of the baseline the Government will provide a grant to ensure that the council receives at least 92.5% of the baseline amount. If the council is in a pool for business rates purposes the shortfall is funded by the pool.

## **Section 151 (S151) Officer**

Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and to appoint an Officer to have responsibility for those arrangements. The Officer appointed under this requirement is called the Section 151 Officer.

## **Section 31 Compensation**

Grant provided by central government. Section 31 of the Local Government Act 2003 allows ministers to grant monies to local authorities for any purpose;

## **Settlement Funding Assessment (SFA)**

The government's assessment of the level of government funding required by a local authority.

## **Shire Districts**

(Non-metropolitan districts), A type of local government district in England. As created, they are subdivisions of non-metropolitan counties in a two-tier arrangement.

## **Social Housing**

Housing that is affordable to people on low incomes.

## **Small business rates relief**

Small business rates relief is generally available if a business only uses one property and that property's rateable value is less than £12,000.

## **Spending Review**

A Spending Review or occasionally Comprehensive Spending Review is a governmental process in the United Kingdom carried out by HM Treasury to set firm expenditure limits and, through public service agreements, define the key improvements that the public can expect from these resources.

## **Ultra Vires**

Beyond the legal powers or authority.

### **Universal Credit**

A single monthly credit, combining several other benefits or tax credits.

### **Valuation Office Agency**

Provides the Government with the valuations and property advice it needs to support tax and benefits.

### **Vesting Day**

The date when a new local authority officially comes into existence and assumes its legal powers and responsibilities. This is a key milestone in the process of local government reorganisation, marking the transition from the old structure to the new one.

### **Virements**

The transfer of a budget from one account to another.

### **Yield**

The interest earned on investments.

## **6.1 Useful Links**

- [Local Authorities \(Calculation of Council Tax Base\) \(England\) Regulations 2012](#)
- [Local Government Act 1972](#)
- [Local Government Act 1988](#)
- [Local Government Act 2003](#)
- [Local Government Finance Act 1992](#)
- [Local Government and Housing Act 1989](#)
- [Localism Act 2011 Local Government Finance Act 1992](#)
- [Local Government Act 2000](#)
- [Local Government Act 1999](#)
- [Local Audit and Accountability Act 2014](#)
- [Section 31 Compensation Grant provided by central government.](#)
- [Welfare Reform Act 2012](#)
- [Provisional Local Government Finance Settlement 2025/26](#)

