

HARLOW COUNCIL

Medium Term Financial Plan

2024/25 to 2027/28



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1.1 Executive Summary

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

1.2 Aims and Purpose of the Medium-Term Financial Plan

The purpose of the Medium-Term Financial Plan (MTFP) is to provide the strategic framework and a forward-looking approach for financial resilience, to achieve long term sustainability. It is central to the delivery of priority outcomes in the Corporate Plan in an affordable and sustainable way. It aids robust and methodical planning as it forecasts the council's financial position, taking into account known pressures, major issues affecting the council's finances, including international, national, sub-regional and the district's economic influences as well as local priorities and factors.

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

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

The key overriding aim of the MTFP is therefore:

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

The 6 key objectives of the MTFP are to:

- Provide financial parameters within which budget and service planning should take place;
- Ensure the council sets a balanced and sustainable budget without ongoing reliance on reserves;
- Focus and re-focus the allocation of resources so that, over time, priority areas receive additional resources ensuring services are defined on the basis of a clear alignment between priority and affordability;
- Ensure the council manages and monitors its financial resources effectively so that spending commitments do not exceed resources available in each service area;
- Plan the level of fees, charges and taxation in line with levels that the council regard as being necessary, acceptable and affordable to meet the council's aims, objectives, policies and priorities whilst meeting the need to reduce the council's reliance on central government funding; and

- Ensure that the council's long term financial stability and viability remain sound.

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

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

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

1.3 Strategic Context

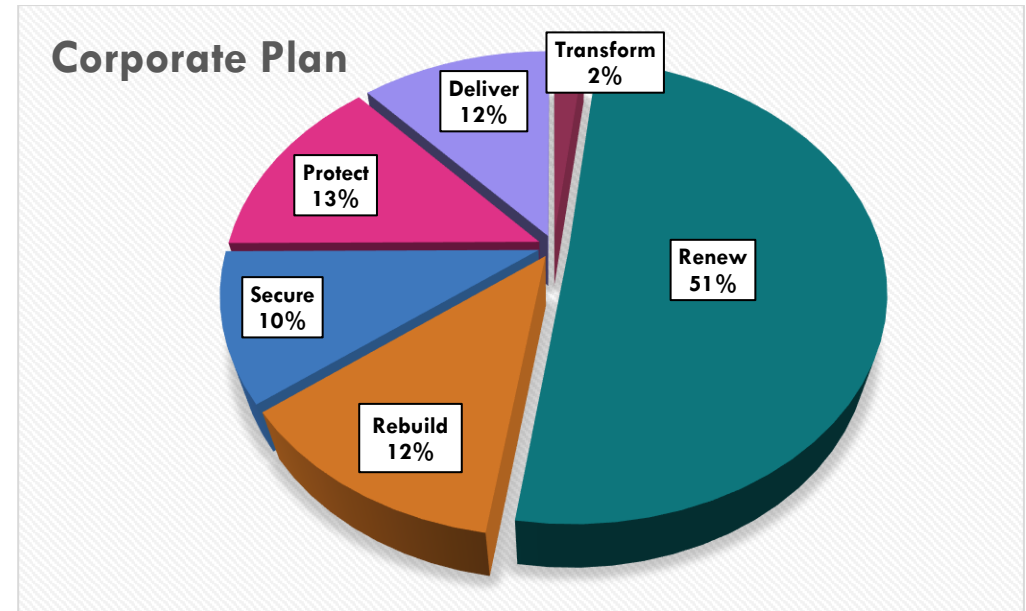
Corporate Plan

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

The Corporate Plan missions are:

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

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



TRANSFORM HARLOW’S HOUSING

We are responsible for a wide range of housing services for residents from homelessness to allocating council houses, but we also work with private housing providers to help make sure as many residents as possible can access the accommodation they need. The council’s commitments to reaching net zero by 2040 includes working with all residents on energy efficiency measures, and as such the council will promote improvements to all homes in Harlow. As part of our Housing service, we are responsible for the repairs and maintenance of our own housing stock.

RENEW OUR NEIGHBOURHOODS

Our Communities and Environment services work together to restore pride in Harlow by tackling the issues in our streets and parks, homes and workplaces. Our environmental work includes providing waste and recycling service to the town, managing the

town park and other green spaces, and overseeing our climate change strategy. Our communities work includes running Harlow Museum, Pets Corner and the Playhouse theatre.

REBUILD OUR TOWN

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

SECURE INVESTMENT FOR HARLOW'S FUTURE

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

PROTECT OUR COMMUNITIES

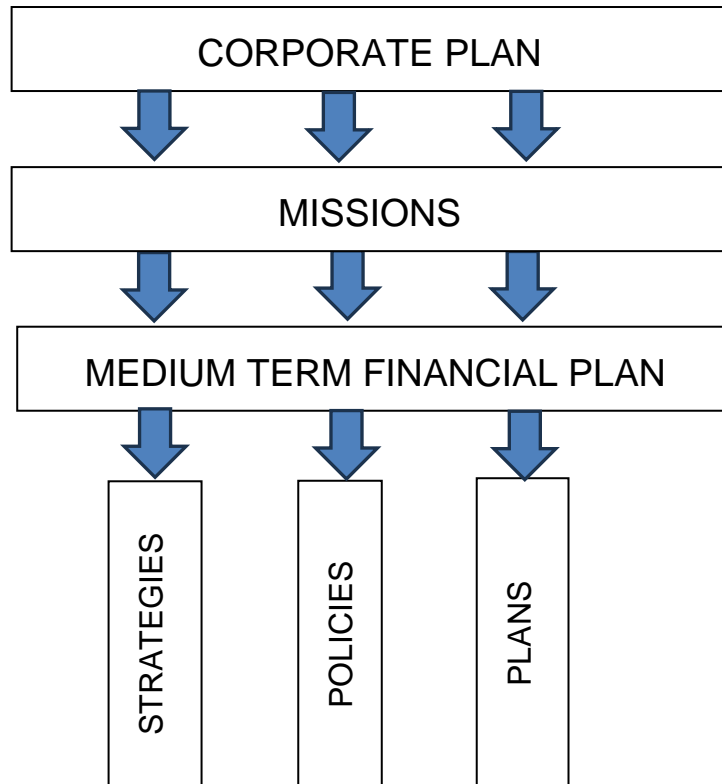
We provide community safety around the town, responding to cases of antisocial behaviour, and work alongside partners such as Essex Police as part of the Safer Harlow Partnership. The council is part of the Harlow Health and Wellbeing Partnership Board which provides leadership and funding for health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

DELIVER HIGH-PERFORMING COUNCIL SERVICES

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

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

Key Strategies



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

[Carbon Reduction Plan](#)

[Community Engagement Strategy](#)

[Community Safety Strategy](#)

[Customer Service Strategy](#)

[Economic Development Strategy](#)

[Homelessness and Rough Sleeping Strategy](#)

[Housing Strategy](#)

[Health & Wellbeing Strategy](#)

[Local Plan](#)

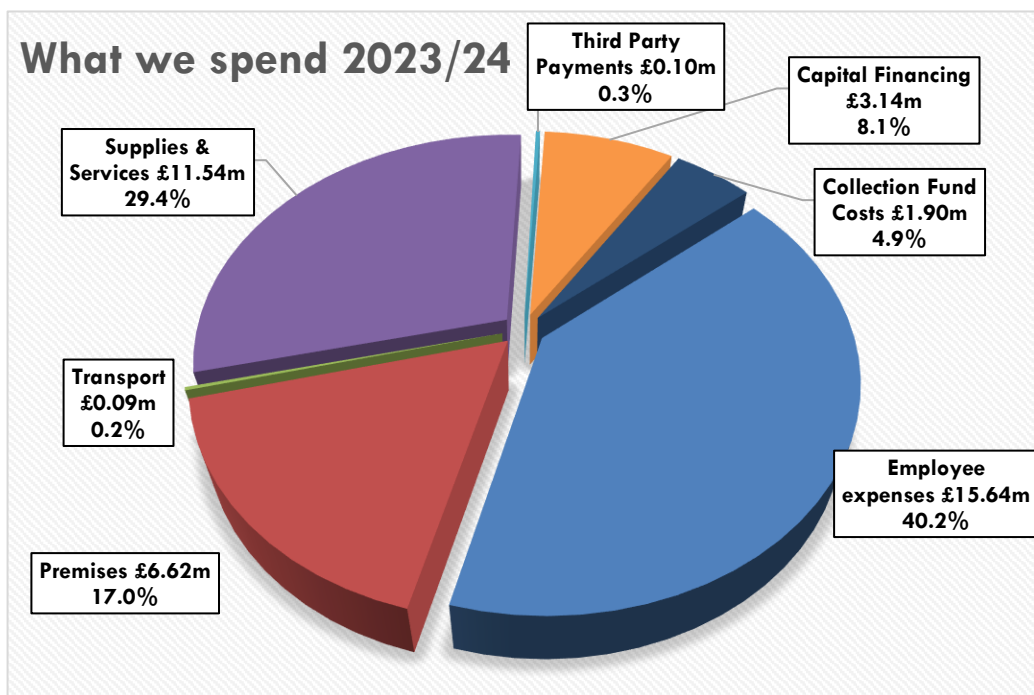
[Procurement Strategy](#)

[Risk Management Strategy](#)

[Town Centre Masterplan](#)

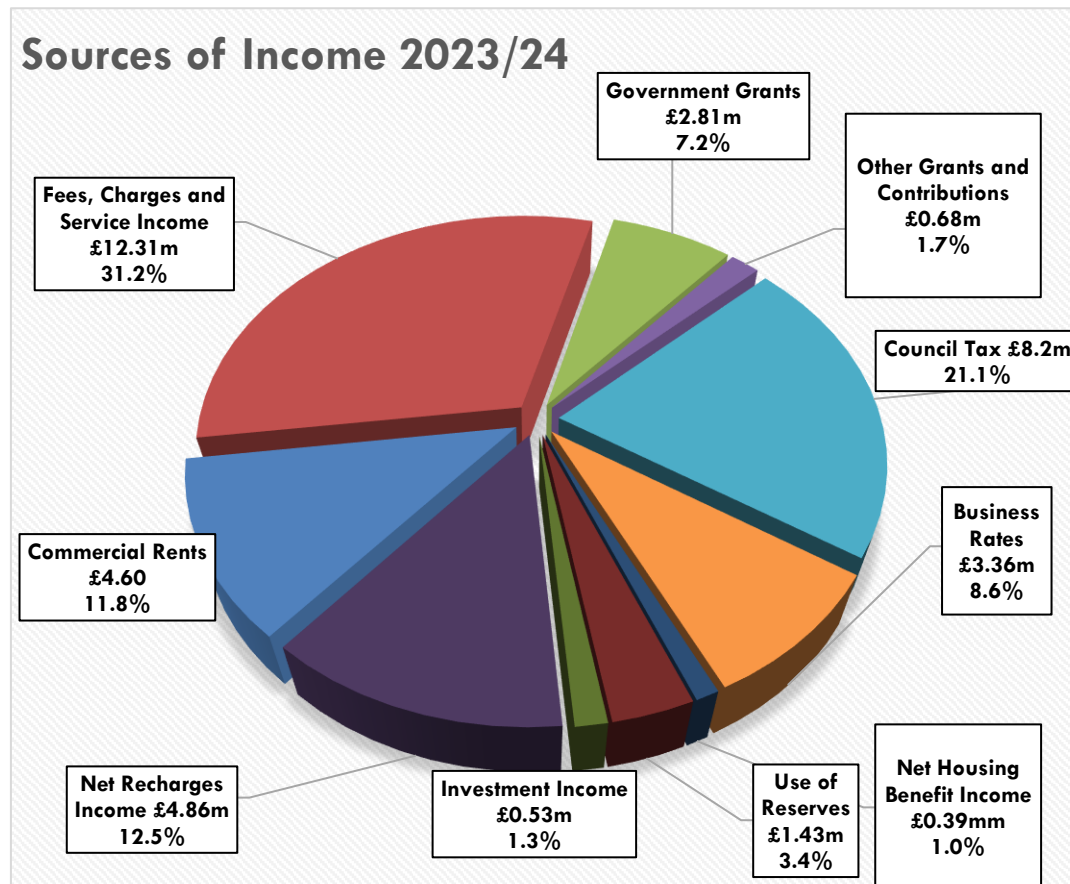
1.4 Local Financial Context

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



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

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



1.5 National and External Context

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

Local Government Finance Settlement

The 2023/24 Provisional Local Government Financial Settlement (PLGFS) was announced on 18 December 2023. A consultation on the 2024/25 PLGFS closed on 15 January 2024 and the outcome was used to inform the Final Local Government Financial Settlement (FLGFS). The 2024/25 local government finance settlement is for one year only.

The Final Local Government Settlement was announced on 24 January 2024 and confirmed key headlines. Final detailed allocations of the FLGFS were received on 5 February. The national implications of these announcements along with the PLGFS are detailed below and have been included within the updated MTFP and budget position set out in part 3. Additional funding guarantee received will be contributed to the budget stabilisation earmarked reserve.

The changes relevant to this council are as follows:

Council Tax – The council tax referendum limit will be up to 3% or £5, which is higher, for district local authorities, with social care authorities allowed an additional 2% social care precept without a referendum. Fire and Rescue Authorities will have a principle of up to 3 per cent & £13 for police authorities and police and crime commissioners.

Settlement Funding Assessment - The September CPI figure of 6.7% has been applied to increase the local government funding amount within the business rates retention scheme and Revenue Support Grant.

Business Rates Retention – As announced in the 2023 Autumn Statement, the small business rates multiplier will be frozen for 2024/25 at 49.9p. The standard business multiplier will rise by CPI to 54.6p. The Government will compensate local authorities for the loss of income for this decision up to the level of the September 2023 Consumer Prices Index (CPI), meaning that, taken together, the increase in the Baseline Funding Level (BFL) and the multiplier under-indexation grant for 2024/25 provide an increase of 6.7 per cent.

Revenue Support Grant – The Government is not proposing to change the distribution of Revenue Support Grant (RSG) from that used in 2023/24. The Government proposes to increase 2023/24 RSG levels in line with change between September 2022 and September 2023 [Consumer Price Index](#) (6.7 per cent). This is before accounting for rolled in grants. The Government will continue to eliminate 'negative RSG'.

Services Grant – This grant has been reduced from £483.3M to £87.4M. This will be distributed through the Settlement Funding Assessment, in the same way as in 2023/24.

Funding Guarantee – The Government has announced that as in 2023/24 it will pay a Funding Guarantee to ensure that all councils will see at least a 3 per cent increase in their Core Spending Power before any decisions about organisational efficiencies, use of reserves or council tax levels, this was subsequently increased to 4% in the FLGFS. The Funding Guarantee will be funded through

the Services Grant. The FLGFS Funding Guarantee total for 2024/25 is £286.6million, compared with £133.3 million in 2023/24.

New Homes Bonus - Core spending power includes a final amount of £290.8 million for the New Homes Bonus (NHB) in 2024/25, compared with £291.3 million in 2023/24. The method for calculating the NHB will not change from 2023/24 and new payments will not attract legacy payments. The threshold over which the bonus is paid remains at 0.4 per cent.

Local Government Funding Reform – In the [Local government finance policy statement 2024 to 2025](#) published on 5 December 2023 the Government stated that it remains committed to improving the local government finance landscape in the next Parliament and that at the 2023/24 Settlement, they heard calls from the sector for stability. They say that now is not the time for fundamental reform, for instance implementing the Review of Relative Needs and Resources or a reset of accumulated business rates growth.

- The Government will ask all local authorities to publish a productivity plan before summer recess setting out how they will 'improve service performance and reduce wasteful expenditure'.
- The Government will set up a new expert advisory panel to advise it on financial sustainability in the sector and to review the productivity plans

Other – announcements with limited direct impact on the council.

Social Care Grant – The Social Care Grant has increased from £3.852M to £5.044M. The council does not receive an allocation.

Improved Better Care Funding – There has no change in the funding which remains at £2.140M. The council does not receive an allocation.

Rural Services Delivery Grant – This was increased from £95M to £110M in the FLGFS. The council does not receive an allocation.

Drainage Board Levies - £3m one-off additional funding to support councils most affected by Internal Drainage Board levies, accompanied by a commitment to work with DEFRA to implement a long-term solution.

National Pay Review

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

On 1st November 2023, agreement was reached by the National Joint Council (NJC) on the 2023 pay award for local government services. Two of the three unions, Unison and GMB, have agreed the pay deal after deciding not to pursue industrial action. For the third consecutive year Unite have refused to have its details included on the NJC pay agreement circular.

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

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

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

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

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

Future Economic Outlook

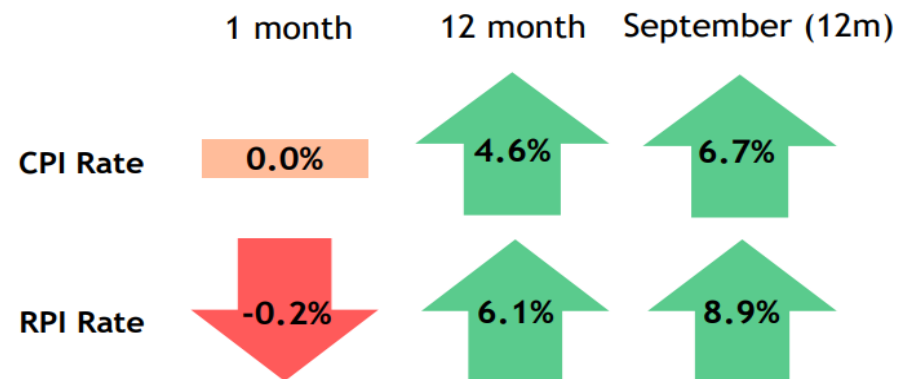
CPI inflation rose by 4.6% year-on-year in October, a larger reduction than expected from 6.7% in September. Month-on-month CPI remained unchanged in October 2023, compared to the rise of 2.0% reading in October 2022.

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

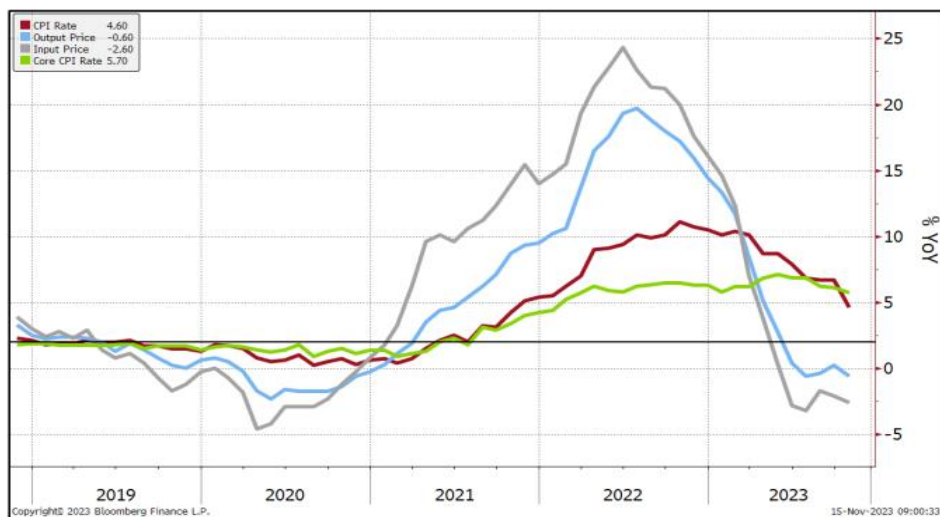
The most significant downward driver of the monthly change for the CPI annual rate was due to housing and household services. The

reduction in annual inflation rates was mainly driven by declines in three areas: housing and household services, food and non-alcoholic beverages, and restaurants and hotels. The only major positive impact came from the recreation and culture sector.

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



UK Inflation Rates



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

PART 2 – DISTRICT PROFILE AND PLANS

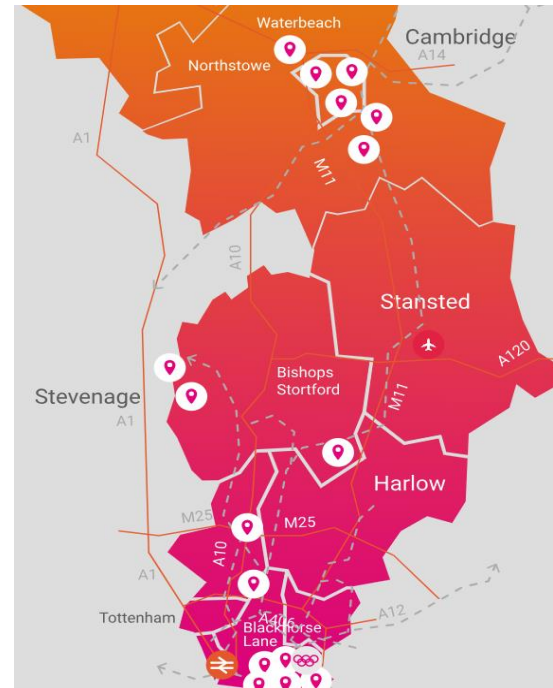
2.1 About Harlow

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

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

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

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



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

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

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

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

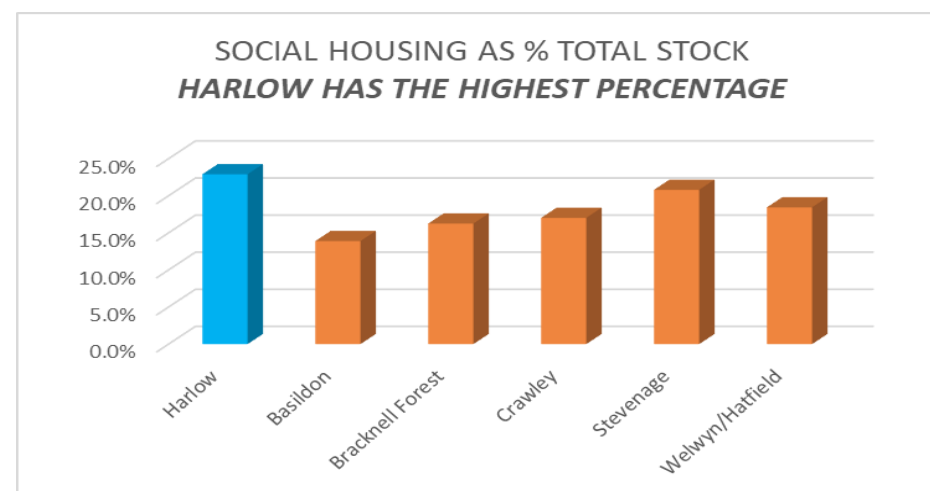
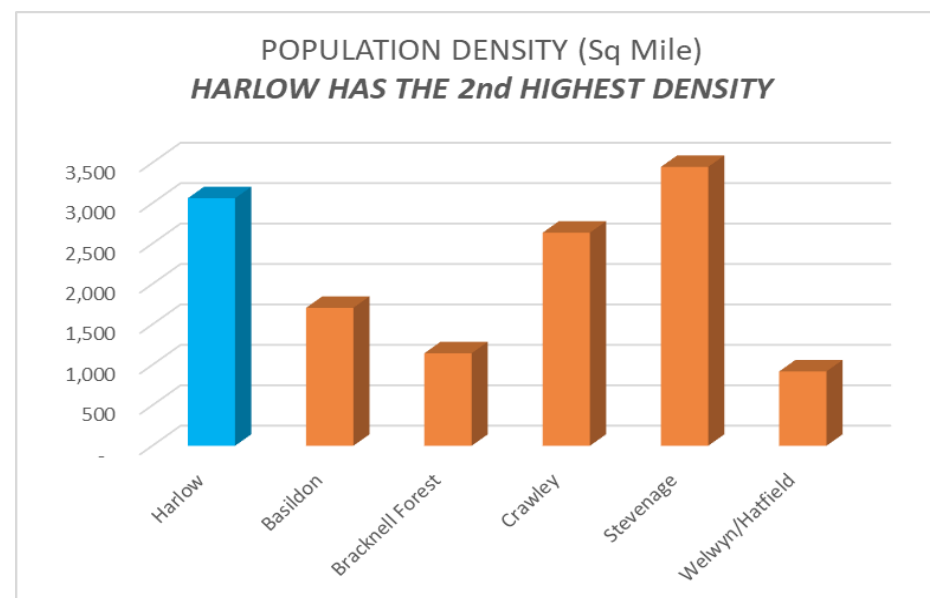
PART 2 – DISTRICT PROFILE AND PLANS

2.2 Peer Group Benchmarking

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

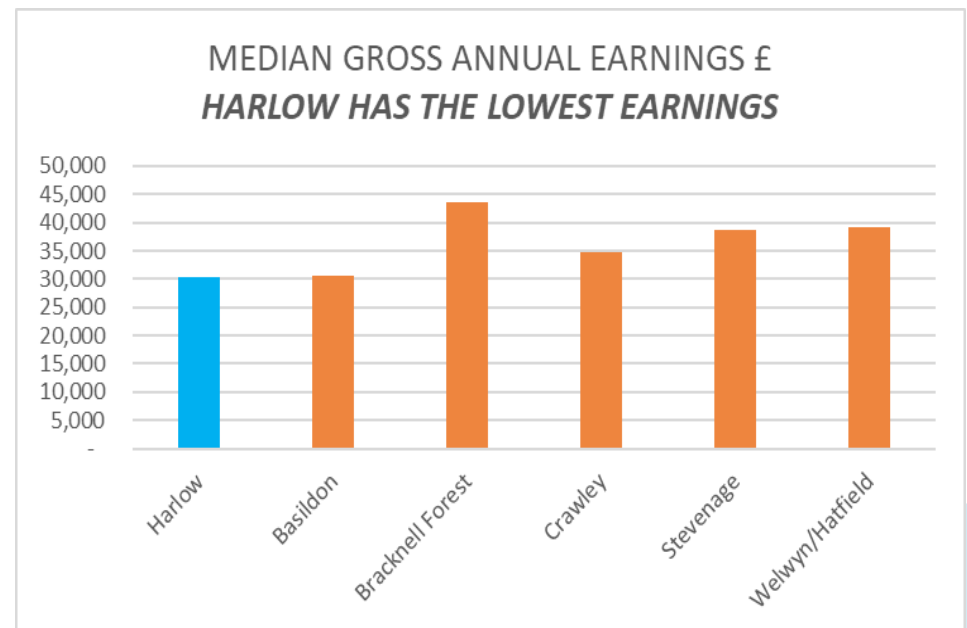
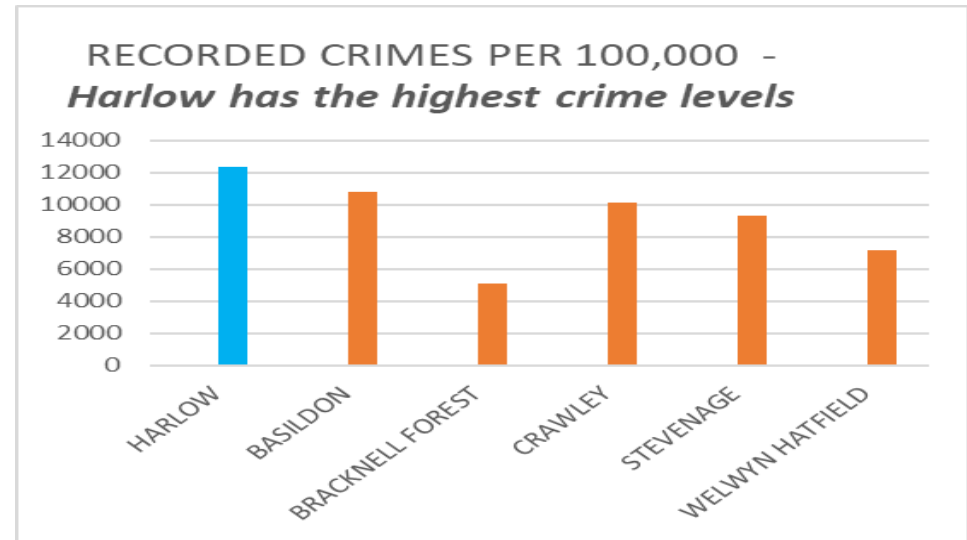
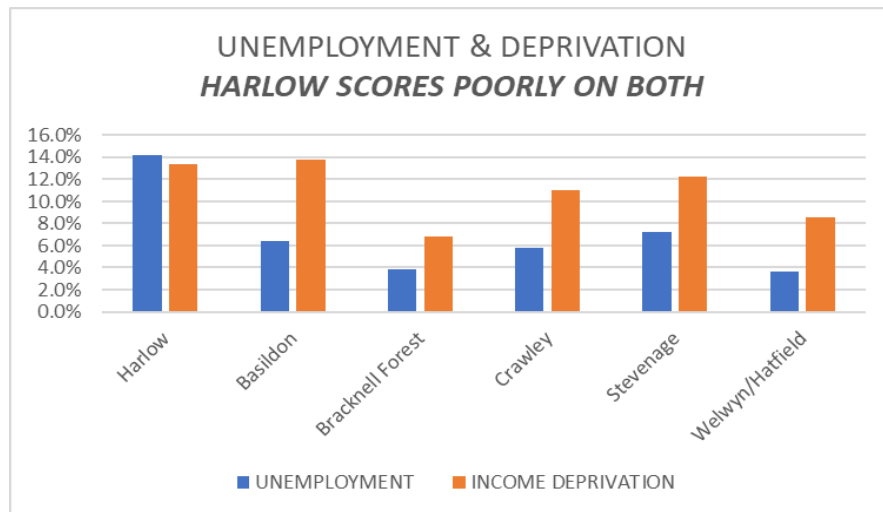
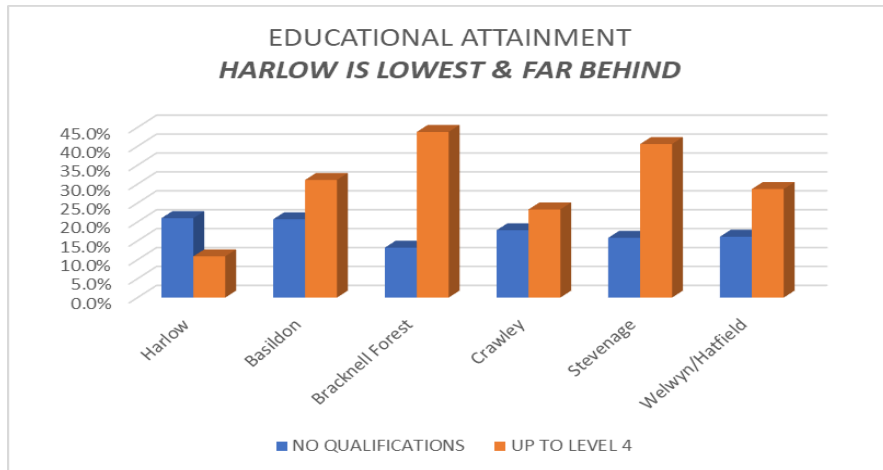
	HARLOW	BASILDON	BRACKNELL FOREST	CRAWLEY	STEVENAGE	WELWYN HATFIELD	AVERAGE (WHERE APPLICABLE)
POPULATION (CENSUS 2021)	93,374	187,659	125,174	118,580	89,320	119,538	122,274
AREA SQ. MILE	11.79	42.64	42.24	17.36	10.03	50.01	29.0
DENSITY (SQ MILE)	7,920	4,401	2,963	6,831	8,905	2,390	5,568
HOUSING (2021)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

Source: LG Inform



PART 2 – DISTRICT PROFILE AND PLANS

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



2.3 Harlow’s Plan’s

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

Residents Survey 2023

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

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

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

Results – Satisfaction and Communication

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

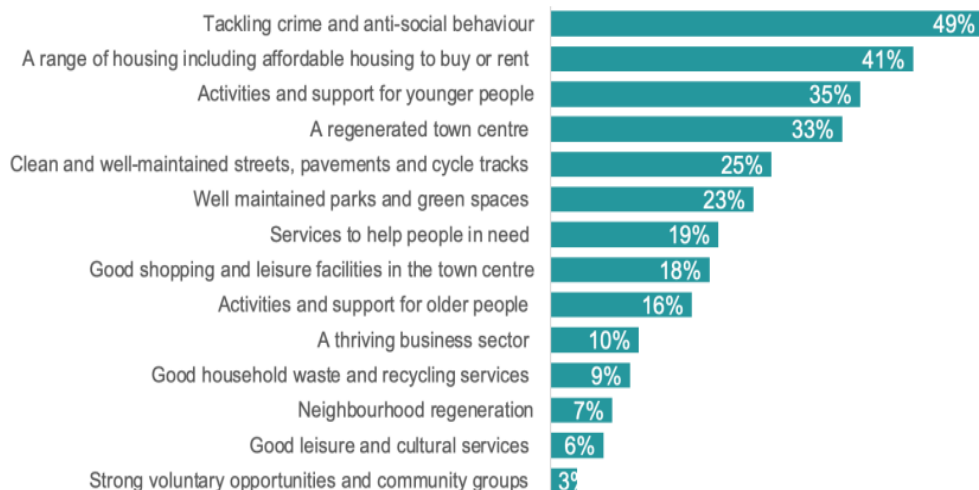
Results – How we compare with other councils

<p>77% of residents are satisfied with their local area. 73% is the national average.</p>	<p>58% of residents are satisfied with the council. 60% is the national average.</p>	<p>44% agree the council provides value for money. 42% is the national average.</p>
<p>49% of residents feel safe at night. 71% is the national average.</p>	<p>84% of residents feel safe during the day. 90% is the national average.</p>	<p>57% of residents trust the council. 56% is the national average.</p>

Results – Local Issues

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

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



Harlow Regeneration Partnership (HRP)

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



Towns Fund

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

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

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

PART 2 – DISTRICT PROFILE AND PLANS

Levelling Up

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

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

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

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

The quarter will see brand new:

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

Harlow Investment Fund (HIF)

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

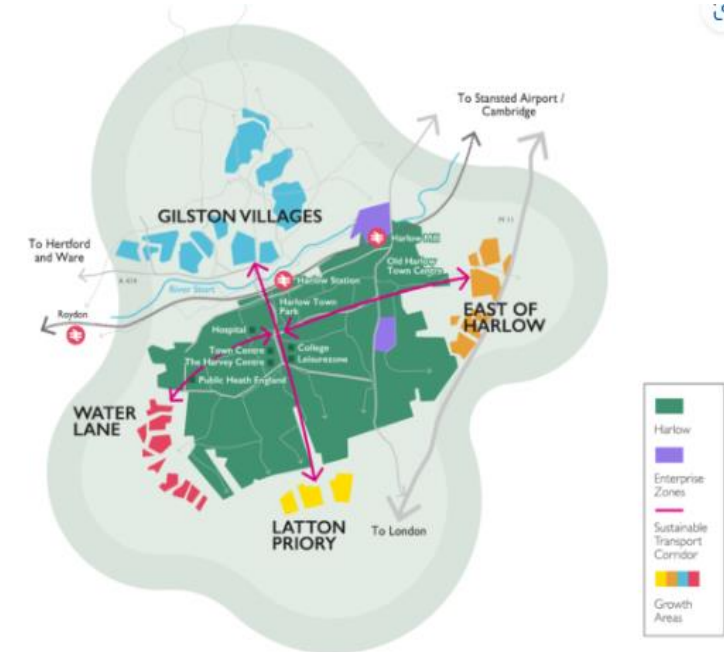
Harlow and Gilston Garden Town (HGGT)

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

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

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

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



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

Climate Change

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

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

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

Shared Service Opportunities

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

Sponsorship Opportunities

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

3.1 Key Assumptions

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

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

Key Area	2023/24 (Current)	2024/25 to 2027/28
Costs		
Pay Inflation	4% pa	3% (24/25), 2% (25/26)
National Insurance	4% pa	3% pa
General Inflation	Only where contractually committed	No Change HTS 5%
Energy Inflation	Gas 150% Electricity 150%	Gas 8% Electricity -2%
Staff Vacancy savings target	2% pa.	No Change
Pension Fund triennial revaluation	2022 Valuation results incorporated in to the MTFP and budget.	No Change pending 2025 valuation.

Key Area	2023/24 (Current)	2024/25 to 2027/28
Income		
Fees & Charges	No Change other than an adjustments to those budgets with long term post Covid impacts.	Reviewed on a service by service basis to determine if increases should be proposed/justified.
Council Tax	Council Tax Freeze	Assumes no Council Tax increases are included within the MTFP period.
Tax Base	Alignment to Statutory Tax Base as at October 2022	Alignment to Statutory Tax Base as at October 2023 Futures years - 0.5% growth p.a
New Homes Bonus	One off allocation £572k	One off allocation £475k
Business Rates Income	Reflects the LGFS 2023/24	Reflects the FLGFS 2024/25
Government Funding	Reflects the LGFS 2023/24	Reflects the FLGFS 2024/25

3.2 Key Risks

Key Risks

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

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

- the lack of certainty in government funding for future years including grants and changes to funding formula
- legacy impact of wider macro-economic factors on public sector finances
- changes in function
- changes in how services are funded
- changes in the economy
- changes in Corporate Plan priorities
- unmanaged service pressures and increases in demand

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

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

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

Political – The FLGFS was announced in December 2023 and the local government finance settlement is still only for 1 year. The impact of any positive or negative change to our future funding as a

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result of any political changes (nationally or locally) and sufficiency of funding will need to be considered in due course.

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

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

Corporate Risk

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

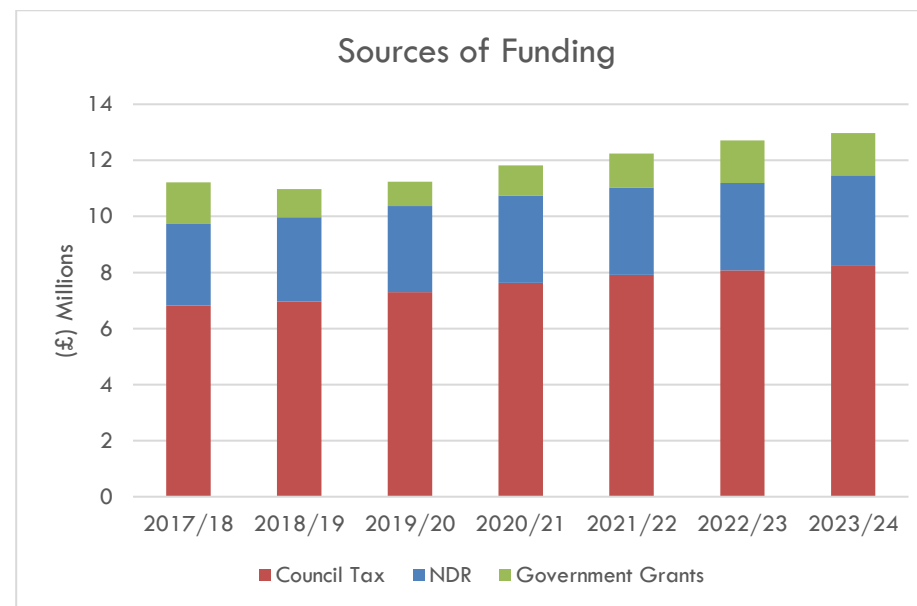
Likelihood	Almost Certain	5	10	15	20	25	
	Likely	4	8	12	16 CR06	20	
	Moderate	3	6 CR09b	9 CR02; CR03 CR04; CR09 CR09a	12 CR01; CR05 CR07; CR08	15	
	Unlikely	2	4 CR09e	6 CR09c	8	10	
	Rare	1	2	3 CR09d	4	5	
			1	2	3	4	5
			Insignificant/ Minimal Impact	Minor	Moderate	Major	Catastrophic
			Impact				

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

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

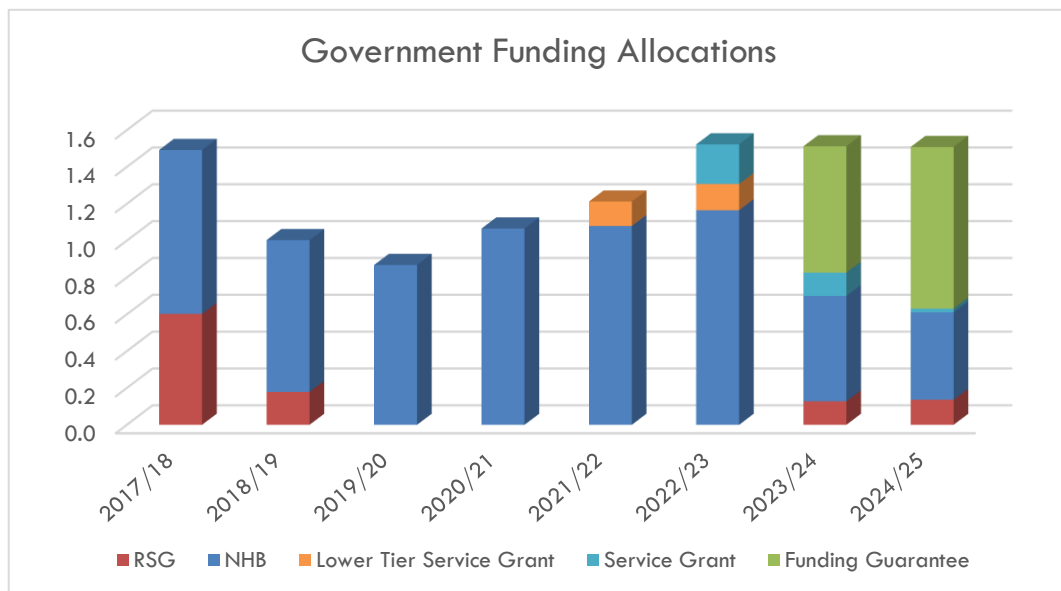
3.3 Funding Challenges

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



Government Funding

The table below summarises the MTFP’s Total Government funding arising from the Local Government Finance Settlement since 2017/18. In recent years, government have awarded council’s a series of one-off Grants, which has made Government funding sources stable at around £1.5m. However, as these one-off grants have only been notified with the LGFS, it makes it considerably difficult for councils to plan for future certainty.



Lower Tier Services Grant - was introduced in the local government finance settlement 2021/22 for local authorities with responsibility for lower tier services. This Grant has now been abolished and replaced with the Minimum Funding Guarantee.

Service Grant – Is an unringfenced Grant from 2022/23, proposed to provide funding to all tiers of local government in recognition of the vital services delivered at every level of local government. **The councils 2024/25 final allocation is £21,771.**

Funding Guarantee - This grant is intended to provide a funding floor for all local authorities, so that no local authority would see an increase in Core Spending Power that is lower than 4% (before assumptions on council tax rate increases but includes those on Council Tax base). **The councils 2024/25 final allocation is £1,011,318.**

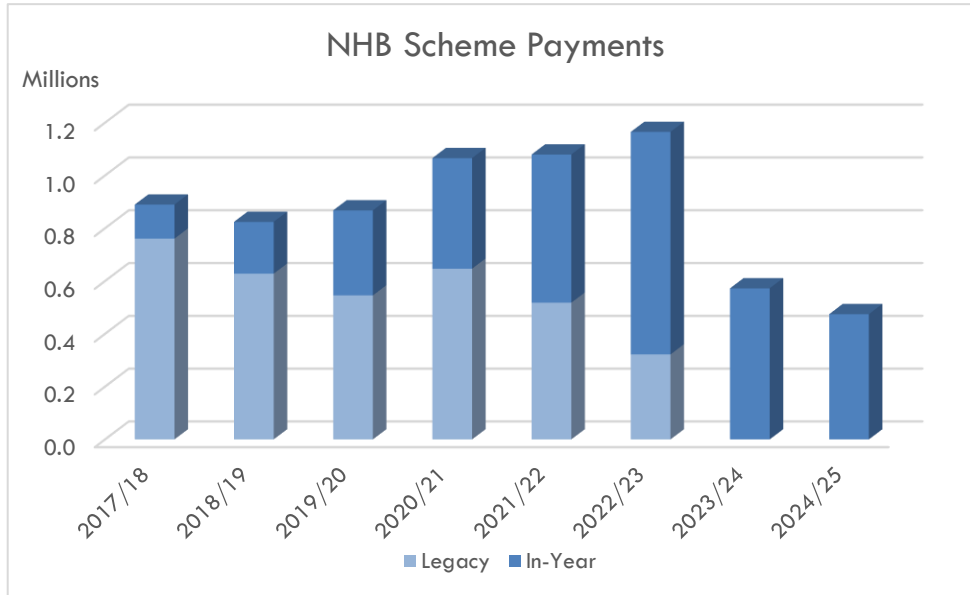
Revenue Service Grant - This grant is a central government grant given to local authorities which can be used to finance revenue expenditure on any service. **The councils 2024/25 allocation is £135,959.**

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

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

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



The finance settlement for 2024/25 includes an allocation of NHB for that year only. There has been no indication as to whether a similar payment will be made in 2025/26 or future years.

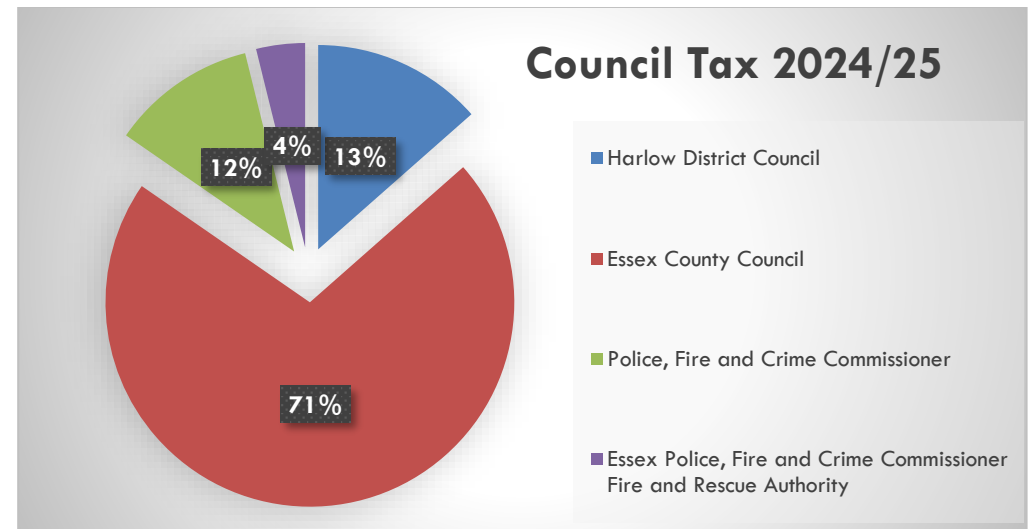
Therefore, **the MTFP now includes £0.475m** of assumed New Homes Bonus income in 2024/25 only and no income for future years.

In previous years, NHB has not been used to support the base budget. Instead, it has been earmarked into the Discretionary Service Fund (DSF) Reserve. For 2024/25, £0.300m of NHB has

been used to contribute towards a Neighbourhood Renewal Reserve, the balance has been contributed towards the Discretionary Service Fund.

Council Tax Referendum Limits & Council Tax Base

Harlow Council is the billing authority for the District of Harlow. This means that it is responsible for sending out the Council Tax bills to residents and for the collection of the Council Tax. Of the money billed and collected 87% is distributed to Essex County Council, Police Authority and the Fire Authority.

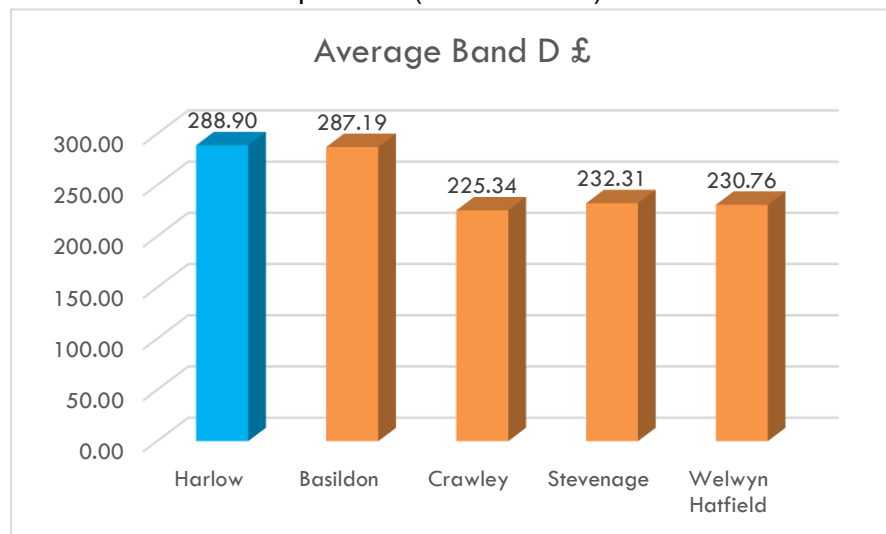


In announcing the 2023/24 LGFS, the government took steps towards providing some clarity about funding in 2024/25 although this stopped short of a two-year settlement. The charge on a Band D property which is retained by Harlow is currently £288.90. Any increases on this amount are restricted by a cap put in place by the

Government. The Council Tax referendum principle applicable to shire districts were set out in the 2023/24 LGFS and it was stated that increases of less than 3% or £5 (whichever is the greater) would continue in 2024/25.

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

The graph below shows the comparative Band D data with our peer groups. It shows the Harlow's Band D is now more comparable with our peers. Bracknell Forest is not included as it is a unitary authority and therefore not comparable. (2023/24 data)



The council's 2024/25 tax base (the number of Band D equivalent dwellings in the area), which is used to determine the level of Council Tax charged to each dwelling by the Council and the preceptors, has been calculated as 28,753 (2023/24 – 28,483).

A modest growth rate of 0.5% has been applied, in the MTFP for future years.

Business Rates Income

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

Harlow is currently part of an Essex wide Pool which provides benefits to pool members by reducing the level of Tariff that is payable across the pool. The benefit of pooling can be factored in to the MTFP and the general fund budget. The council have assume no pooling to be received with the MTFP period. If pooling income is received from the Essex pool It will be contributed to a Business Rates Income reserve to offset any potential future year deficits on the Collection Fund.

The income from the current system is shared on the basis of 50% being returned to Central Government, 40% being retained by Harlow with 9% going to Essex County Council and 1% to the Essex Fire Authority.

Following the settlement, The Non-Domestic Rating Act 2023 changed the way business rates multipliers are set and calculated. For 2024/25 the Standard multiplier increased by CPI but the Small Business Rates multiplier was frozen. It is likely that compensation will be calculated using VOA proxy data. It is also likely that funding levels (top-up/tariff and baselines) will be set using weighted averages meaning that net retained income from business rates may not equate to an uplift equal to CPI.

For the purpose of setting budgets, the present rules require each billing authority to produce an official estimate of its net rating income for the budget year and of the amounts payable to the Government and each precepting authority (i.e. the central and local shares). Each authority affected will use that estimate to calculate the expected growth or decline in its retained income. The statutory pro forma is to be 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.

Based on the estimates used above, the base line funding level has been used for 2024/25 budget setting, set by government as part of the final settlement notifications. The forecasts beyond 2024/25 reflects the Government’s baselines assuming no change from the existing 50% scheme at this stage.

Budget Forecasts	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Business Rates Income	(3,400)	(4,220)	(4,288)	(4,356)

Collection Fund

The assumptions made around Council Tax and NDR are reflected initially in the Collection Fund Account, which is a statutory account that records the collection and distribution of taxation, which is managed by the council as the billing authority. 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.

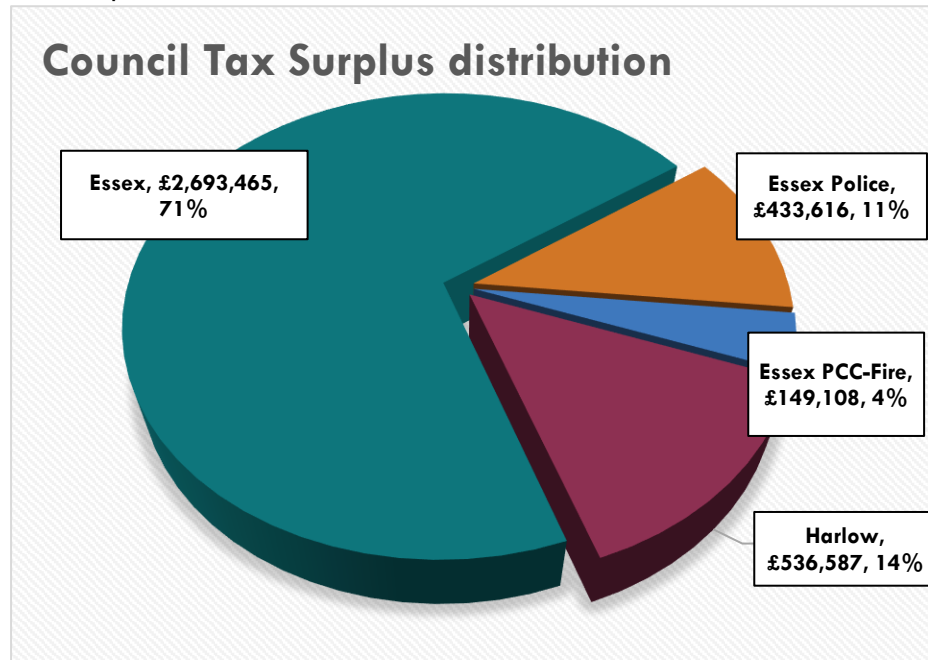
A surplus on the Collection Fund arises when actual income collected is greater than the original estimate; conversely when, actual income is lower than estimated a deficit on the Collection Fund occurs. This surplus or deficit is distributed at a later stage with the difference between the original estimate and the revised estimate normally being accounted for in the following year and the difference between the revised estimate and the actual outturn being accounted for in the year after that.

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Council Tax

It is estimated there will be a £3.813 million surplus balance for Council Tax on the Collection Fund as at 31 March 2024. This is due to growth in the Council Tax income received within the district that was higher than expected. Harlow's element is £0.537 million.

The surplus will be distributed in 2024/25 as follow:

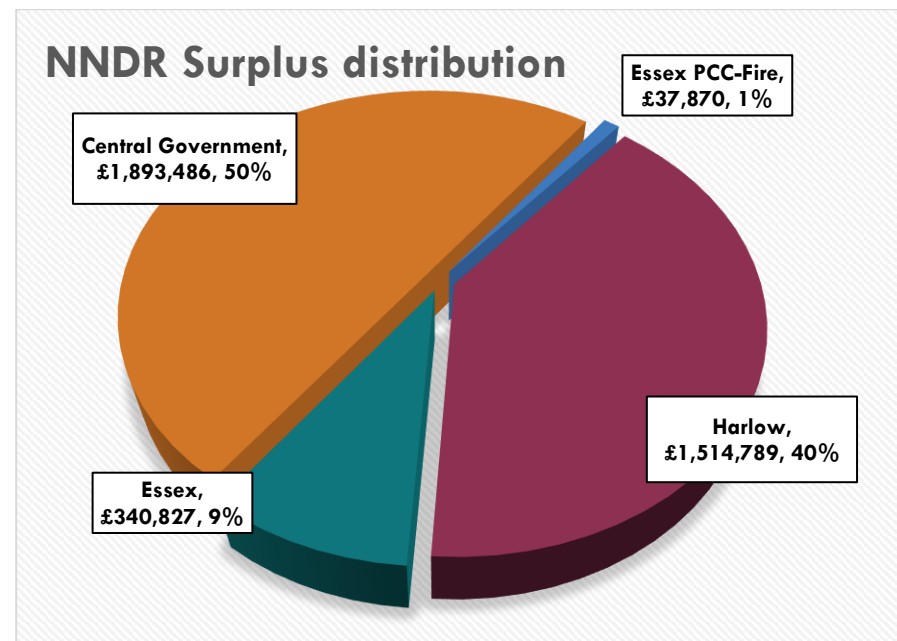


Business Rates

Harlow is the billing authority for business rates in the District. The Collection Fund passes 50% (the central share) to the Government with the other 50% (the local share) being retained locally, and are shared by the District (40%), Essex County Council (9%) and Fire &

Rescue Service (1%). Year-end surpluses and deficits are accounted for in the following year in proportion to the Central and Local Shares.

It is estimated that at 31 March 2024, the balance on the Collection Fund for Business Rates will be a surplus of £3.787million. The £1.515 million for Harlow is largely due to prior years (2022/23) surplus of £1.688 million, regarding higher income received than budgeted for. The 2023/24 forecast deficit of £0.173 million, is due to revised appeal provisions in year. It should be noted that there should not be expected large surplus/deficits and therefore no income has budgeted on the collection fund for future years.



Fees & Charges

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

- a) Fees & Charges are discussed annually with service managers, Directors, 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,
- b) compared against the cost of providing the service,
- c) compared against the objective for this charge (i.e. charge to make a surplus/ breakeven/ subsidise).
- d) Assessed to ensure fee payers see value for money with a reasonable fee or charge set.

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

For 2024/25 fees and charges proposals will consider the ongoing economic conditions and their impact upon income streams, existing income targets and the wider impact of increases in businesses and residents. A full list of the proposed 2024/25 Fees and Charges has been included within Appendix C of the Budget Report, they have been split out into statutory and discretionary fees and charges to make it easier to understand the council obligations.

4.1 The General Fund Revenue Budget

Taking the financial challenges and key assumptions into account, the council has set a balanced budget for 2024/25.

The November position showed budget gap of £1.728 million for 2024/25 and increases for future years. Several work streams were undertaken in line with the budget setting timetable for 2024/25. This included an energy cost review, a review of various Income budgets as well as a number of inflationary budget lines. The impacts have been included within the table below to show the movement from the 2024/25 budget gap position when the 2023/24 Budget was set in February 2023.

Since November, the council has now closed the budget gap for 2024/25 upon completion of various elements that make up the council's finances.

This included finalising fees and charges for 2024/25, finalising the council's reserve position and assessing various saving and pressures which have been put forward by cost centre managers and assistant directors. The Final Settlement announcements from Government as well as the impact of the collection fund have also been updated.

The Capital Programme has been finalised and the revenue impacts have been assessed and included within the budgeted projections.

These elements are explained below to show the movement since November. They show the movements from the budgeted base position set in February 2023 and not the specific budget lines.

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Budget Gap 2023/24 (Feb 2023)	1,782	1,924	2,100	2,310
Increase Pay Inflation from 2% to 3% Pay Award (2023-24)	164 212	462 216	782 221	1,122 225
Energy Inflation	(359)	(359)	(359)	(359)
Energy Rebasing	(202)	(202)	(202)	(202)
Waste contract Inflation (2023/24)	262	262	262	262
IT Licences Inflation	111	111	111	111
ECC inter authority	(52)	(52)	(52)	(52)
Green waste collection Income	(100)	(100)	(100)	(100)
Cemetery & Crematorium Income	(50)	(50)	(50)	(50)
Car Parking Income	(250)	(250)	(250)	(250)
Water Gardens Car Park Income	200	200	200	200
Commercial Property Rent income	49	49	49	49
GF to HRA recharges	(86)	(86)	(86)	(86)
HTS Pensions (net of hra)	47	47	47	47
Budget Gap November Position	1,728	2,172	2,673	3,227

Salary Adjustments – Additional salary movements since November have been monitored and captured above. These include increments and revaluation of posts and not an increase to the establishment.

Inflationary Adjustments – Further Inflationary elements within the service areas have been reviewed and considered. Which includes, insurance increases and alignment of HTS contract of 5% for 2024/25 and future years.

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Budget changes to Base Budget	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Budget Gap November Position	1,728	2,172	2,673	3,227
Minor ongoing base budget adjustments	(62)	(60)	(58)	(59)
Salary Adjustments	128	128	128	128
Inflationary Adjustments	468	726	994	1,305
Income Review	(146)	(525)	(538)	(111)
Recharges Review	107	107	107	107
Reserve Review	2,866	1,884	1,887	1,452
Business Rates/Council Tax Income	(107)	(879)	(947)	(1,078)
Collection Fund Account	(3,218)	(1,166)	(1,166)	(1,166)
Policy Statement Announcements	(954)	1,274	1,274	1,274
Capital financing	(470)	(495)	(565)	(630)
Interest charges	(193)	(93)	(33)	(33)
Fees & Charges Review	(105)	(106)	(106)	(106)
Savings Review	(296)	(296)	(296)	(296)
Cost Pressures Identified	254	254	254	254
Budget Gap 2024/25 (Feb 24)	0	2,925	3,608	4,268

Income Review – Planning income has been amended following the announcement of statutory fees and charges increases from December 2023, as well as minor amendments to income lines.

Recharges Review – Recharges between General Fund and HRA have been reviewed following the overall movements to the budget.

Reserve Review – The balances show the movement from the value of earmarked reserves that were utilised in 2023/24 base budget to the revised 2024/25 base budget. The movement is predominantly reducing the use of grant reserves to support business rates income in 2023/24 due to covid-19 reliefs. The forecasted earmarked balances are shown in section 4.5.

Business Rates/Council Tax Income – Business Rates Income is linked to the settlement announcements (detailed in section 3.3) forecasts have been realigned to base line funding level. A small income of £70k has arisen on Council Tax Income due to tax base changes.

Collection Fund – Within 2023/24 base budget it was predicted there would be a £1.8m deficit on the collection fund account. Following the collection fund review, the account is now expected to be in a surplus position for 2024/25.(detailed in section 3.3) Future deficits have also been removed, due to the volatility of the account, it will be reviewed on an annual basis.

Interest Income – This includes Interest receivable income which has been realigned with current forecasts on invested balances.

Fees & Charges Review – Fees and Charges review was undertaken and completed in December. The proposed changes are included within Appendix C of the budget report. The projected impact of these changes have been included within the General Fund Budget.

Policy Statement Announcements – The Government settlement announcements have been captured within the budget movement. (detailed in section 3.3)

PART 4 – OUR FINANCIAL POSITION

Capital Financing – Following completion of the capital programme, Minimum Revenue Provision and interest charges have been adjusted accordingly and aligned to the programme.

Savings and Pressures

A detailed saving review was undertaken across all services led by the Wider Leadership Team to achieve service savings that would help reduce the funding gap for 2024/25. Savings and additional income have been considered and accepted by cabinet. No savings have led to redundancies and only one part time vacant post has been removed from the establishment.

Service areas have also identified a number of pressures within the council, which have been factored into the 2024/25 budget and future years.

Identified Cost Pressures		2024/25
Service Area	Description	£'000
Licensing	Creation of new post	48
Environmental Services	Creation of new post	64
Environmental Services	Regrading across teams	20
Secure Total		131
The Playhouse	Revised cleaning arrangements	32
Renew Total		32
Communications	Resident survey	25
Communications	Webcasting	13
Reprographics	Re-Established Post	33
Corporate	Subscription	20
Deliver Total		91
Total Identified Pressures		254

Identified Savings & Additional Income			2024/25
Service Area	Type	Description	£'000
Housing - Garage Rents	Additional Income	5% increase in garage rents	50
Transform Total			50
Pet's Corner	Saving	Vacancies	12
Pet's Corner	Additional Income	Exploring opportunities to increase the education provision	10
Pet-s Corner	Additional Income	Build on current delivery of birthday parties, animal interactions and sponsorship	1
Renew Total			23
Economic, Growth & Development	Saving	Remove membership and development work	25
Youth Council	Saving	Various reductions in running expenses	2
Secure Total			27
Youth & Citizenship	Saving	Cease Civic Pride Community Development Fund. Cease HTS cleaning service following relocation to The Civic Centre	10
Community Safety	Saving		6
Community Safety	Additional Income	Introduce application fee for community events	2
Community Safety	Additional Income	Actively promote Harlow as a filming location.	4
Protect Total			22
Reprographics	Saving	Machine rationalisation	3
Telephony	Saving	Reduced cost of licensing	45
I.T.	Saving	Mobile phone contract saving	21
I.T.	Saving	Cancellation of software subscriptions	81
Elections	Saving	Sharing elections in 2024	20
Revenues & Benefits	Saving	Various reductions in running expenses	3
Deliver Total			173
Total Identified Savings & Additional Income			296

4.2 The Housing Revenue Account (HRA)

Revenue expenditure within the HRA is incurred on:

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

The expenditure is financed from:

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

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

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

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

Details of the medium-term financial planning and financial projections and outcomes are included in the HRA Business Plan. The HRA Budget and Business Plan are reported at the same meeting in a separate report. This sets out the business plan assumptions and budget proposals for 2024/25.

4.3 Capital & Treasury Management

The Capital Programme, Capital Strategy, Investment Strategy and Treasury Strategy will be reported to cabinet and council in February 2024, 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.

4.4 Our Reserves

General Fund & HRA Balances

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

The General Fund Balance is forecast to be £3.378M at the end of 2023/24, following the Financial performance Quarter 2 report that was approved at cabinet on 30 November 2023. The required level of balance is determined by assessing the level of risk the council faces taking into account consideration both risk and affordability.

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

The minimum level of general or uncommitted reserves for the General Fund and HRA, as currently assessed by the Deputy Chief Executive and Director of Finance, are to be £2.5 million and £3.5 million respectively. Taking into consideration both risk and affordability.

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

Earmarked Reserves

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

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

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

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

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

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

Capital – Earmarked to contribute towards the Capital Programme.

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

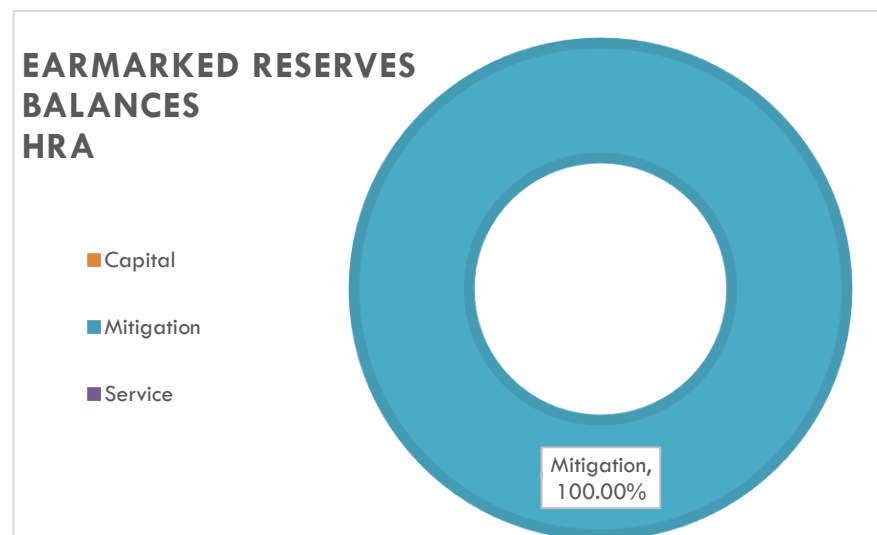
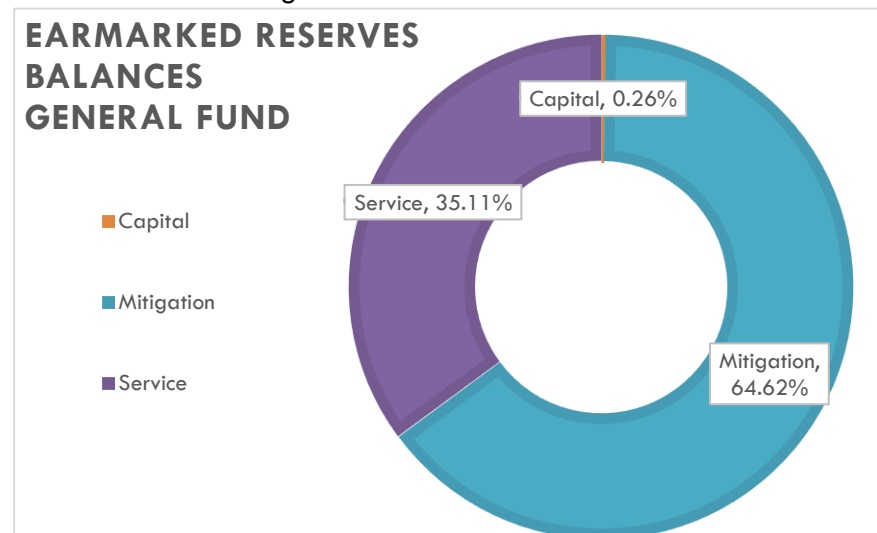
<u>Reserves</u>	<u>Purpose</u>
Mitigation	
Audit Fees	Set aside to meet expect External Audit Fees.
Budget Stabilisation	The creation of the reserve will remove the need to make short term decisions related to potential budget reductions.
Covid-19 Reserve	Set aside to Mitigate Covid-19 Pressures
Debt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

Insurance claims	To meet any costs of future claims resulting from the insolvency of the council's previous insurer Municipal Mutual Insurance Ltd.
Insurance fund	A self-insurance reserve to meet excess charges in respect of policies for theft, motor insurance, employer's liability, fire and dwellings and other minor items.
Pension	To Mitigate future risk in Pension fluctuations.
Perpetuity	Amounts set aside to meet long-term contractual obligations under a range of covenants.
Risk management reserve	Established in order to finance future initiatives that mitigate insurable risks and potential insurance claims against the council and help limit increases in insurance premiums.
Severance reserve	Used to finance redundancy costs in excess of the amount included in the revenue budget.
Service	
Discretionary services fund	To fund services to the community that are not required by statute & to provide financial support to organisations providing such services.
Enterprise Zone	Created to fund works at Enterprise Zone.
Environment	Past energy savings, available to finance energy-efficiency schemes & measures to reduce future energy usage & emissions.
Environmental urgent works and improvement	For works and improvements in the Harlow wider town area.

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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.
Invest to save	Established from previous years' windfall income, used to deliver service improvements or to fund efficiency initiatives.
Neighbourhood Renewal	Established for projects to renew our neighbourhoods.
Partnership fund	For implementation costs of potential partnership arrangements for the delivery of the Revenues and Benefits service.
Planning	Used to transfer resources between years should delivery of the Local Development Framework (LDF) be rescheduled.
Regeneration	A reserve to support Harlow town regeneration.
Harlow and Gilston Garden Town funding reserve	Established to contribute towards the Gilston Garden Town project and other developments in and around Harlow to ensure maximum benefits in respect of affordable housing and skills and employment initiatives.
Capital	
Neighbourhood Renewal	Continue towards capital expenditure that relates to projects that renew our neighbourhood.

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



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Earmarked Reserve	Actual Balance as at 31 Mar 2023 £	2023/24 Add/(Use) To Reserve Balance £	Forecast Balance as at 31 Mar 2024 £	2024/25 Add/(Use) To Reserve Balance £	Forecast Balance as at 31 Mar 2025 £	2025/26 Add/(Use) To Reserve Balance £	Forecast Balance as at 31 Mar 2026 £	Forecast Balance as at 31 Mar 2027 £	Forecast Balance as at 31 Mar 2028 £
GENERAL FUND RESERVES									
Bush Fair Capital Improvement	42	(42)	0		0		0	0	0
Neighbourhood Renewal	0	42	42		42		42	42	42
Total Capital Contribution Reserves	42	(42)	42	0	42	0	42	42	42
Audit Fee	166		166		166		166	166	166
Budget Stabilisation	219	1,023	1,242	135	1,377		1,377	1,377	1,377
Covid-19	158	(158)	0		0		0	0	0
Debt Financing	3,415	(331)	3,084	238	3,322	100	3,422	3,522	3,622
Housing Benefits Subsidy	192	(150)	42		42		42	42	42
Housing Temporary Accommodation	150	(96)	54		54		54	54	54
Insurance claims - GF	856	50	906	50	956	50	1,006	1,056	1,106
Insurance Fund - GF	1,954	123	2,077	123	2,200	123	2,324	2,447	2,570
Pension Fund - GF	1,255		1,255		1,255		1,255	1,255	1,255
Perpetuity	847	(65)	782	(3)	779	(3)	776	773	770
Risk Management - GF	299		299		299		299	299	299
Severance	752	(140)	612		612		612	612	612
Total Mitigation Reserves	10,263	256	10,519	543	11,062	270	11,332	11,602	11,872
Discretionary Services Fund	2,005	(455)	1,550	(209)	1,341	(312)	1,029	788	619
Enterprise Zone	338		338		338		338	338	338
Environment	27	(27)	0		0		0	0	0
Environmental Urgent Works & Improvement	1,291	16	1,306		1,306		1,306	1,306	1,306
Harlow & Gilston Garden Town Funding	140	(14)	126	(14)	111	(14)	97	83	69
Hardship Fund	155		155		155		155	155	155
Invest To Save & Improve	108		108		108		108	108	108
Neighbourhood Renewal	187	(187)	0	300	300		300	300	300
New Burdens Grant	223		223		223		223	223	223
Partnership Fund	200		200		200		200	200	200
Planning	79	(30)	49		49		49	49	49
Regeneration	24	(24)	0		0		0	0	0
Regeneration & Enterprise	800	(596)	204	62	266	436	702	1,145	1,157
Total Service Reserves	5,576	(1,317)	4,259	139	4,398	110	4,507	4,695	4,524
Total General Fund Reserves	15,881	(1,104)	14,820	682	15,502	380	15,881	16,339	16,438
HRA RESERVES									
Perpetuity	893	(102)	791	4	795		795	795	795
Housing Insurance Property	70	10	80	10	90		90	90	90
Insurance claims - HRA	796	50	846	50	896		896	896	896
Insurance Fund - HRA (see Note 4.)	2,366	224	2,590	225	2,815		2,815	2,815	2,815
Pension Fund - HRA	1,333		1,333		1,333		1,333	1,333	1,333
Risk Management - HRA	574		574		574		574	574	574
Total HRA Reserves	6,033	182	6,215	289	6,503	0	6,503	6,503	6,503

The breakdown of the forecasted earmarked reserves balances for General Fund and HRA are shown to the left.

There is not expected to be considerable movement on the balances for the forecasted position from 2022/23 to 2024/25.

Neighbourhood Renewal Reserve has been established from the New Homes Bonus for projects to renew our neighbourhood in line with the corporate plan.

Part of the New Homes bonus has been contributed to the discretionary service fund, and is reducing by approx. £75k p.a to ensure that it is included within the base budget over time.

Covid-19 reserve has been amalgamated within the budget stabilisation reserve in 2023/24.

The additional financing received following the final settlement allocations has been transferred to the Budget Stabilisation Reserve.

Additional Income received from the Harvey Centre above £470k (saving in 2023/24) is contributed to the Regeneration Reserve to enable future feasibility work for regeneration unless works can be capitalised.

4.5 Addressing the General Fund budget gap

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

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

The council is actively looking at how the budget gap can be addressed for future years following the balanced budget for 2024/25.

4.6 Managing budgets and forecasts

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

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

Accountability and responsibility

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

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

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

Finance business partnering

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

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

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

5.1 Conclusion

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

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

6.1 Glossary Terms

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