

Three Rivers District Council

Full Council

MEDIUM TERM FINANCIAL PLAN

2024/25 to 2026/27

Liberal Democrat Group

20th February 2024

ITEM 3. FINANCIAL PLANNING 2024 - 2027

RECOMMENDATIONS OF THE LIBERAL DEMOCRAT GROUP

1. Council notes the challenge to our finances of the past couple years and the continuing impact of the pandemic on our budgets. There continues to be uncertainty around long term fair funding and business rates and this the Council has taken a prudent approach within the Medium Term Financial Plan (MTFP) and reflecting expected losses in resources as a result. Inflation and pay pressure is a key feature of current the MTFP and one that is unlikely to be matched by increases in resources putting further pressure on our budgets.
2. Council further notes the following achievements, enabling services to be protected without steep increases in its council tax:
 - Cashable efficiency savings, sustained even during the pandemic and further cashable efficiency gains in this MTFP of £0.25M per annum
 - Additional income from our wise decision made to undertake sound investments including our joint venture Three Rivers Homes which is also providing additional affordable housing.
 - Sound financial management of the Council along with a clear strategic direction.
 - No staff redundancies and no reduction in services
 - Having skilled and dedicated staff at all levels enabling us to deliver a excellent range of services that are highly rated by Three Rivers residents
 - The ability to increase and improve services with an additional support in key areas unlike some other Councils including:
 - An extra £300,000 over the MTFP for Green and bio-diversity projects to achieve our Net Zero Goal,
 - Additional £80,000 towards clearing any parking scheme and regulation control backlogs and the ability to purchase extra enforcement as required.
 - Continuing the support for those children in need and on free school meals with free swimming.
 - Additional resources to bring forward Conservation Area reviews earlier in the next financial year whilst providing support for potential planning appeals and for bringing forward our Local Plan proposals to enable earlier submission to the Government our strategy to protect 98% of Three Rivers Green Belt.

Green waste

3. There are, as with other services, increased costs due to inflation, including fuel and vehicle cost and pay awards therefore the Council feels it has to increase the charge for Garden Waste by £5 per bin in order to cover these costs rather than be covered by all residents out of the general fund. We estimate that this will bring in additional income of £120k per year compared to additional costs of £126k. The Director of Finance has confirmed that our income from collecting garden waste does not exceed our costs for this service. The cost of £65 for a single brown bin (a concessionary rate of £55 will apply for those on income-based Council-administered benefits). Our charges are still lower than many other authorities and our near neighbours and offers value for money.

4. Overall, this is a balanced budget as signed off by the Director of Finance. It will ensure we have sufficient reserves to deal with key pressures around pay and inflation, business rate changes, if as likely, that any future government fail to provide a fair finding for local government. It ensures our debt obligations are also well managed and funded along with our capital programme.

The future

5. Along with the Local Government Association and other bodies we will keep up the pressure on Government Ministers to agree not only a fair funding deal for Local Government but a medium term plan to enable better forward planning.

6. Council agrees the following actions;

- (a) That the Medium Term Financial Strategy and Capital Programme, as presented to Policy and Resources on 29 January 2024, be approved subject to the following changes, note these are all reflected in Appendix 1:

- (i) That MTFP figures be updated for the final settlement.
- (ii) That the final parish precept figures are reflected.
- (iii) That the charge for Green Bins be increased by £5 per year
The following annual charges for the collection of garden waste will apply for the year commencing 1st April 2024 to 31st March 2025:
 - For a single brown bin: £65 (A concessionary rate of £55 will apply for those on income-based Council-administered benefits).
 - For each additional brown bin: £110 per bin (a maximum of 3 brown bins applies).

This will result in additional income of £120,000.

- (iv) That the vacant AD Economy, Infrastructure and Planning post be removed, saving £107,769
 - (v) That £75,000 be allocated for project funding for Green and Bio-diversity projects towards Net Zero with £100,000 pa in 2025/26 and £125,000 in future years.
 - (vi) That £40,000 be allocated for the next two years for project funding for parking schemes, including regulation and controls.
 - (vii) That £5,000 pa be allocated to allow the scheme for free swimming aimed at children on free school meals to continue.
 - (viii) That £100,000 be transferred from general fund reserves to a specific Planning Reserve to allow for conservation appraisals, the local plan timetable to be accelerated and other planning advice.
- (b) That the revenue budget for 2024/25 totalling net expenditure of **£14,159,332** and the draft revenue estimates for the period 1 April 2024 to 31 March 2027 giving a balance on the general fund at 31 March 2027 of **£3,740,533** be approved. (Appendix 1)
 - (c) That £2.0m be considered as a prudent minimum balance for the

general fund.

- (d) That the capital strategy, including the Minimum Revenue Provision strategy and the Treasury Management Policy, as presented to Policy and Resources Committee on 29 January 2024 be agreed and the total investment programme for 2024/25 be agreed at £4,371,882.
- (e) That the arrangements for funding the 2024/27 capital strategy and investment programme resulting in an estimated balance of capital resources at 31 March 2027 of £2,719,289 be agreed
- (f) That the financial and budgetary risks presented to The Policy and Resources Committee on 29 January 2024 be approved and their management monitored by the Audit Committee.
- (g) That the revised Council Tax Reduction Scheme, as presented to Policy and Resources Committee on 29 January 2024, is approved for 2024/25
- (h) That the position on the financial reserves as presented to the Policy and Resources Committee on 29 January 2024, as amended by paragraph above, is noted.
- (i) The Director of Finance's advice on the robustness of the estimates and the adequacy of the financial reserves is noted.
- (j) The Director of Finance be authorised to amend individual budget lines to implement the budget as set out above.
- (k) Notes the advice of the monitoring officer appended to this item

STATEMENT OF CHIEF FINANCIAL OFFICER

7. Under Section 25 of the of the Local Government Act 2003, the Council's Chief Finance Officer (designated officer under section 151 of the Local Government Act 1972) must report to Council on the following matters:
 - o the robustness of the estimates made for the purposes of the calculations, and
 - o the adequacy of the proposed financial reserves.
8. The Director of Finance, as the designated officer, confirms the estimates have been correctly calculated under the assumptions used and are robust. The council has set a balanced budget and would have sufficient balances to fund the 2024/25 budget, including the future years of the MTFP.
9. Effective budget management remains key to Three Rivers' strong financial position. All budget managers understand the need to ensure that any unnecessary expenditure is minimised and that income levels are optimised and income collected promptly. The establishment and vacancies remain tightly controlled. Service heads have been successful in identifying and applying for external funding particularly in respect of green, leisure and community initiatives.
10. Three Rivers remains in a cash positive position and as such, unlike other councils, has benefited from the ongoing increased level of interest rates. The additional interest income is treated as a windfall and has not been built into future years beyond 2024/25 as interest rates are forecast to fall during the period of the medium term financial plan as well as cash balances . The Council has £8m of external debt

which relates to lending by the council in relation to the joint venture and other housing projects with maturities that match the underlying borrowing.

11. There remains considerable uncertainty around the macro-economic climate and its impact on the Council's MTFP, especially in future years. Key uncertainty includes the ongoing level of inflation and the impact of inflation on underlying budgets, including next year's local government pay award and the impact of inflation on our key contracts. 4% has been allowed for the pay award for 2024/25, in addition to the cost of the real living wage. Inflation on contracts is offset by the positive impact of inflation indices on the council's leisure contract. Continued high inflation is also likely to increase demand for some key services and impact on council tax revenues.
12. The Council benefits significantly from business rate growth and in previous years business rate pooling. Whilst this will remain for 2024/25, the position from 2025/26 remains unclear with decisions to be made in the next Parliament about Fair Funding and a business rate reset.
13. As a result of the 2023 business rate revaluation, the Council is exposed to significant appeals risk. Three Rivers experienced the highest business rate increase in the country as a result of the revaluation, principally as a result of the business rate valuation increase applied to film studios. The national system was reset based on an average appeals loss adjustment of 3.2%. A successful appeal could wipe out business rate growth and leave the Council in the safety net. The council works with Local Government Futures to understand the potential implications for its resources and to help it minimise this risk but it cannot be eliminated. This risk can be managed against reserves.
14. The impact of national changes to waste collection and waste disposal, including the introduction of the 'producer pays' charges and associated additional funding sources were postponed during 2023/24. Along with the delays to fair funding reforms and business rates reset, uncertainty over future funding remains the biggest risk to the budget beyond 2024/25.
15. The Council will continue to manage the risks within its budget through active budget monitoring, taking steps in year to address any pressures, and through the use of the Economic Impact Reserve and ultimately General Balances. The Economic Impact Reserve and General Fund Balances are currently projected to be approximately £4.9m at the end of the medium-term financial plan.

Alison Scott
Director of Finance (Shared Services)
20 February 2024

Revised Medium Term Financial Plan

Funding	2023/2024					2024/25	2025/26	2026/27
	Original	Original Budget plus Carry Forwards from 2022/23	Latest Budget	Previous Forecast	Latest Forecast	Forecast	Forecast	Forecast
Council Tax Base (No.)	39,545.20	39,545.20	39,545.20	39,545.20	39,545.20	39,850.80	40,249.30	40,651.80
Council Tax Base Increase (%)	0.00	0.00	0.00	0.00	0.00	0.77	0.99	0.99
Band D Council Tax (£)	194.55	194.55	194.55	194.55	194.55	200.37	206.36	212.53
Council Tax Increase - TRDC (%)	0.00	0.00	0.00	0.00	0.00	2.99	2.99	2.99
Council Tax (£)	(7,693,519)	(7,693,519)	(7,693,519)	(7,693,519)	(7,693,519)	(7,984,905)	(8,305,846)	(8,639,727)
Parish Precepts (£)	(2,386,783)	(2,386,783)	(2,386,783)	(2,386,783)	(2,386,783)	(2,500,591)	(2,500,591)	(2,500,591)
Total Taxation (£)	(10,080,302)	(10,080,302)	(10,080,302)	(10,080,302)	(10,080,302)	(10,485,496)	(10,806,437)	(11,140,318)
Business Rates (£)	(2,679,928)	(2,679,928)	(2,679,928)	(2,679,928)	(2,679,928)	(2,818,907)	(2,795,000)	(2,795,000)
Collection Fund Surplus (£)	(44,341)	(44,341)	(44,341)	(44,341)	(44,341)	84,870	0	0
New Homes Bonus Grant (£)	(18,480)	(18,480)	(18,480)	(18,480)	(18,480)	(100,025)	(95,000)	(95,000)
Government Funding (£)	(534,444)	(534,444)	(534,444)	(534,444)	(534,444)	(589,041)	(500,000)	(500,000)
Dividend (£)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
Total Grant Funding (£)	(3,327,193)	(3,327,193)	(3,327,193)	(3,327,193)	(3,327,193)	(3,473,103)	(3,440,000)	(3,440,000)
Total Taxation & Grant Funding (£)	(13,407,495)	(13,407,495)	(13,407,495)	(13,407,495)	(13,407,495)	(13,958,598)	(14,246,437)	(14,580,318)

Financial Statement - Summary	2023/2024					2024/25	2025/26	2026/27
	Original	Original Budget plus Carry Forwards from 2022/23	Latest Budget	Previous Forecast	Latest Forecast	Forecast	Forecast	Forecast
	£		£		£	£	£	£
Committee - Net Cost Of Services								
General Public Services and Economic Development	3,886,824	3,977,542	4,151,941	4,430,734	4,430,734	4,260,082	4,252,551	4,252,551
Climate Change, Leisure and Community	2,441,726	2,499,295	2,536,877	2,579,417	2,579,417	2,372,875	2,372,875	2,372,875
Policy and Resources	5,026,223	5,366,708	5,477,536	5,863,330	5,863,330	5,799,818	5,743,092	5,743,092
Period 8 Variances	0	0	0	0	(113,577)	(800,675)	(788,401)	(527,010)
Growth Bids	0	0	0	0	0	178,804	319,951	319,951
Proposed Variations	0	0	0	0	0	(107,769)	(82,769)	(97,769)
Sub-Total	11,354,773	11,845,545	12,166,354	12,873,481	12,759,904	11,703,135	11,817,299	12,063,690
Other								
Parish Precepts	2,386,783	2,386,783	2,386,783	2,386,783	2,386,783	2,500,591	2,500,591	2,500,591
Interest Payable & Borrowing costs	682,989	682,989	682,989	573,639	573,639	698,989	698,989	698,989
Interest Received	(670,000)	(670,000)	(670,000)	(780,000)	(780,000)	(660,000)	(660,000)	(660,000)
Period 8 Variances	0	0	0	0	(361,574)	(83,383)	56,277	42,777
Sub-Total	2,399,772	2,399,772	2,399,772	2,180,422	1,818,848	2,456,197	2,595,857	2,582,357
Net Expenditure	13,754,545	14,245,317	14,566,126	15,053,903	14,578,752	14,159,332	14,413,156	14,646,047
Income from Council Tax, Government Grants & Business Rates	(13,407,495)	(13,407,495)	(13,407,495)	(13,407,495)	(13,407,495)	(13,958,598)	(14,246,437)	(14,580,318)
(Surplus)/Deficit Before Use of Earmarked Reserves	347,050	837,822	1,158,631	1,646,408	1,171,257	200,734	166,719	65,729
Planned Use of Reserves:								
Economic Impact Reserve	0	0	0	0	(182,840)	(147,587)	(147,587)	0
(Surplus) / Deficit to be funded from General Balances	347,050	837,822	1,158,631	1,646,408	988,417	53,147	19,132	65,729

Movement on General Fund Balance	2023/24					2024/25	2025/26	2026/27
	Original	Original Budget plus Carry Forwards from 2022/23	Latest Budget	Previous Forecast	Latest Forecast	Latest	Latest	Latest
	£		£		£	£	£	£
Balance Brought Forward at 1 April	(4,966,958)	(4,966,958)	(4,966,958)	(4,966,958)	(4,966,958)	(3,878,541)	(3,825,394)	(3,806,262)
Revenue Budget (Surplus)/Deficit for Year	347,050	837,822	1,158,631	1,646,408	988,417	53,147	19,132	65,729
Transfer to Earmarked Reserves					100,000			
Closing Balance at 31 March	(4,619,908)	(4,129,136)	(3,808,327)	(3,320,550)	(3,878,541)	(3,825,394)	(3,806,262)	(3,740,533)

Movement on Economic Impact	2023/24					2024/25	2025/26	2026/27
	Original	Original Budget plus Carry Forwards from 2022/23	Latest Budget	Previous Forecast	Latest Forecast	Latest	Latest	Latest
	£		£		£	£	£	£
Balance Brought Forward at 1 April	(1,617,617)	(1,617,617)	(1,617,617)	(1,617,617)	(1,617,617)	(1,434,777)	(1,287,190)	(1,139,603)
COVID-19 Impact for Year	0	0	0	0	182,840	147,587	147,587	0
Closing Balance at 31 March	(1,617,617)	(1,617,617)	(1,617,617)	(1,617,617)	(1,434,777)	(1,287,190)	(1,139,603)	(1,139,603)

Total Reserves Impact	2023/24					2024/25	2025/26	2026/27
	Original	Original Budget plus Carry Forwards from 2022/23	Latest Budget	Previous Forecast	Latest Forecast	Latest	Latest	Latest
	£		£		£	£	£	£
Balance Brought Forward at 1 April	(6,584,575)	(6,584,575)	(6,584,575)	(6,584,575)	(6,584,575)	(5,313,318)	(5,112,584)	(4,945,865)
Impact for Year	347,050	837,822	1,158,631	1,646,408	1,271,257	200,734	166,719	65,729
Closing Balance at 31 March	(6,237,525)	(5,746,753)	(5,425,944)	(4,938,167)	(5,313,318)	(5,112,584)	(4,945,865)	(4,880,136)
Total Reserves	(6,237,525)	(5,746,753)	(5,425,944)	(4,938,167)	(5,313,318)	(5,112,584)	(4,945,865)	(4,880,136)

