

Three Rivers District Council

# Full Council

**MEDIUM TERM FINANCIAL PLAN**

**2024/25 to 2026/27**

**Green Group**

20<sup>th</sup> February 2024

## COUNCIL – 20 FEBRUARY 2023

### ITEM 3. FINANCIAL PLANNING 2024 - 2027

#### RECOMMENDATIONS OF THE GREEN GROUP

1. The Climate Change Emergency is something that is becoming clearer to us every year. 2023 was the warmest year on record and on an international basis is very close to the 1.5C degrees above the preindustrial level. This is the international agreed maximum increase. It will go even higher. In 2023 we saw an increasing number of damaging storms, horrendous fires and droughts. It is our Council's stated aim that Three Rivers will be net Zero by 2045. We signed up, in 2021, to UK100 that supports the most ambitious councils to go further and faster on their Net Zero and Clean Air targets. This is bold and ambitious. The small team we have are doing very well and progress is being made. However, to meet net zero by 2045 will need far more resources and progress. The revised Climate Emergency and Sustainability strategy was approved in the December 2023 meeting. This amendment is proposed to ensure reasonable progress will be made towards implementing the strategy. The Green Group recognises additional finance is required in this area. Given the current financial climate, we consider the additional £75k increase in the project budget to be reasonable and pragmatic. This money can be leveraged to secure additional grants and funding streams from external sources.
2. **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 an additional £75k budget be added for a "project budget" to support the Three Rivers Climate Emergency and Sustainability Strategy. This will allow a mix of getting expertise to apply for larger funding streams, to help turn our pilot projects into permanent ones, to use as leverage to gain other funds as match funding and direct funding of small easy to achieve projects identified in the strategy.
  - (b) That the revenue budget for 2024/25 totalling net expenditure of **£14,342,101** and the draft revenue estimates for the period 1 April 2024 to 31 March 2026 giving a balance on the general fund at 31 March 2026 of **£3,327,266** 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**

3. Under Section 25 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.
4. The Director of Finance, as the designated officer, confirms the estimates have been correctly calculated under the assumptions used and are robust. The council would have sufficient balances to fund the 2024/25 budget, including the future years of the MTFP.
5. 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.
6. 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.
7. There remains considerable uncertainty around the macro-economic climate and its impact on the Council's MTFP, especially in future years. Key uncertainty

includes:

8. 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.
9. 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.
10. 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.
11. 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.
12. 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 £4.5m at the end of the medium-term financial plan.

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

## Appendix 1

### 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
<b>Council Tax Base Increase (%)</b>	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
<b>Council Tax Increase - TRDC (%)</b>	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)
<b>Total Taxation (£)</b>	<b>(10,080,302)</b>	<b>(10,080,302)</b>	<b>(10,080,302)</b>	<b>(10,080,302)</b>	<b>(10,080,302)</b>	<b>(10,485,496)</b>	<b>(10,806,437)</b>	<b>(11,140,318)</b>
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)
<b>Total Grant Funding (£)</b>	<b>(3,327,193)</b>	<b>(3,327,193)</b>	<b>(3,327,193)</b>	<b>(3,327,193)</b>	<b>(3,327,193)</b>	<b>(3,473,103)</b>	<b>(3,440,000)</b>	<b>(3,440,000)</b>
<b>Total Taxation &amp; Grant Funding (£)</b>	<b>(13,407,495)</b>	<b>(13,407,495)</b>	<b>(13,407,495)</b>	<b>(13,407,495)</b>	<b>(13,407,495)</b>	<b>(13,958,598)</b>	<b>(14,246,437)</b>	<b>(14,580,318)</b>

  

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
	£		£		£	£	£	£
<b>Committee - Net Cost Of Services</b>								
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 Policy and Resources	2,441,726	2,499,295	2,536,877	2,579,417	2,579,417	2,372,875	2,372,875	2,372,875
	5,026,223	5,368,708	5,477,536	5,863,330	5,863,330	5,799,818	5,743,092	5,743,092
<b>Period 8 Variances</b>	0	0	0	0	(113,577)	(800,675)	(788,401)	(527,010)
<b>Growth Bids</b>	0	0	0	0	0	178,804	319,951	319,951
<b>Proposed Variations</b>	0	0	0	0	0	75,000	75,000	75,000
<b>Sub-Total</b>	<b>11,354,773</b>	<b>11,845,545</b>	<b>12,166,354</b>	<b>12,873,481</b>	<b>12,759,904</b>	<b>11,885,904</b>	<b>11,975,068</b>	<b>12,236,459</b>
<b>Other</b>								
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)
<b>Period 8 Variances</b>	0	0	0	0	(361,574)	(83,383)	56,277	42,777
<b>Sub-Total</b>	<b>2,399,772</b>	<b>2,399,772</b>	<b>2,399,772</b>	<b>2,180,422</b>	<b>1,818,848</b>	<b>2,456,197</b>	<b>2,595,857</b>	<b>2,582,357</b>
<b>Net Expenditure</b>	<b>13,754,545</b>	<b>14,245,317</b>	<b>14,566,126</b>	<b>15,053,903</b>	<b>14,578,752</b>	<b>14,342,101</b>	<b>14,570,925</b>	<b>14,818,816</b>
<b>Income from Council Tax, Government Grants &amp; Business Rates</b>	<b>(13,407,495)</b>	<b>(13,407,495)</b>	<b>(13,407,495)</b>	<b>(13,407,495)</b>	<b>(13,407,495)</b>	<b>(13,958,598)</b>	<b>(14,246,437)</b>	<b>(14,580,318)</b>
<b>(Surplus)/Deficit Before Use of Earmarked Reserves</b>	<b>347,050</b>	<b>837,822</b>	<b>1,158,631</b>	<b>1,646,408</b>	<b>1,171,257</b>	<b>383,503</b>	<b>324,488</b>	<b>238,498</b>
<b>Planned Use of Reserves:</b>								
Economic Impact Reserve	0	0	0	0	(182,840)	(147,587)	(147,587)	0
<b>(Surplus) / Deficit to be funded from General Balances</b>	<b>347,050</b>	<b>837,822</b>	<b>1,158,631</b>	<b>1,646,408</b>	<b>988,417</b>	<b>235,916</b>	<b>176,901</b>	<b>238,498</b>

  

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)	(3,978,541)	(3,742,625)	(3,565,724)
Revenue Budget (Surplus)/Deficit for Year	347,050	837,822	1,158,631	1,646,408	988,417	235,916	176,901	238,498
<b>Closing Balance at 31 March</b>	<b>(4,619,908)</b>	<b>(4,129,136)</b>	<b>(3,808,327)</b>	<b>(3,320,550)</b>	<b>(3,978,541)</b>	<b>(3,742,625)</b>	<b>(3,565,724)</b>	<b>(3,327,226)</b>

  

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
<b>Closing Balance at 31 March</b>	<b>(1,617,617)</b>	<b>(1,617,617)</b>	<b>(1,617,617)</b>	<b>(1,617,617)</b>	<b>(1,434,777)</b>	<b>(1,287,190)</b>	<b>(1,139,603)</b>	<b>(1,139,603)</b>

  

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)	(5,413,318)	(5,029,815)	(4,705,327)
Impact for Year	347,050	837,822	1,158,631	1,646,408	1,171,257	383,503	324,488	238,498
<b>Closing Balance at 31 March</b>	<b>(6,237,525)</b>	<b>(5,746,753)</b>	<b>(5,425,944)</b>	<b>(4,938,167)</b>	<b>(5,413,318)</b>	<b>(5,029,815)</b>	<b>(4,705,327)</b>	<b>(4,466,829)</b>
<b>Total Reserves</b>	<b>(6,237,525)</b>	<b>(5,746,753)</b>	<b>(5,425,944)</b>	<b>(4,938,167)</b>	<b>(5,413,318)</b>	<b>(5,029,815)</b>	<b>(4,705,327)</b>	<b>(4,466,829)</b>

