North West Leicestershire District Council

Scan the code above or visit www.nwleics.gov.uk/meetings for a full copy of the agenda.

Meeting	**CABINET**
Time/Day/Date	5.00 pm on Tuesday, 31 January 2023
Location	Council Chamber, Council Offices, Whitwick Road, Coalville, LE67 3FJ
Officer to contact	Democratic Services (01530 454512)

AGENDA

Item		Pages
1.	**APOLOGIES FOR ABSENCE**	
2.	**DECLARATION OF INTERESTS**	
	Under the Code of Conduct members are reminded that in declaring interests you should make clear the nature of that interest and whether it is a disclosable pecuniary interest, registerable interest or other interest.	
3.	**PUBLIC QUESTION AND ANSWER SESSION**	
4.	**MINUTES**	
	To confirm the minutes of the meeting held on 10 January 2023.	**3 - 8**
5.	**MINUTES OF THE COALVILLE SPECIAL EXPENSES WORKING PARTY**	
	The Report of the Strategic Director. Presented by the Business and Regeneration Portfolio Holder.	**9 - 12**
6.	**ROBUSTNESS OF BUDGET ESTIMATES AND ADEQUACY OF RESERVES**	
	The Report of the Interim Head of Finance and S151 Officer. Presented by the Corporate Portfolio Holder.	**13 - 32**
7.	**CAPITAL STRATEGY, TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2023/24**	
	The Report of the Interim Head of Finance and S151 Officer. Presented by the Corporate Portfolio Holder.	**33 - 90**

Circulation:

Councillor R Blunt (Chairman)
Councillor R Ashman (Deputy Chairman)
Councillor R D Bayliss
Councillor T Gillard
Councillor K Merrie MBE
Councillor N J Rushton
Councillor A C Woodman

MINUTES of a meeting of the CABINET held in the Council Chamber, Council Offices, Whitwick Road, Coalville, LE67 3FJ on TUESDAY, 10 JANUARY 2023

Present: Councillor R Blunt (Chairman)

Councillors R Ashman, R D Bayliss, K Merrie MBE, N J Rushton and A C Woodman

Observer: Councillors J Legrys

Officers: Ms A Thomas, Mr J Arnold, Mr A Barton, Miss E Warhurst, Mr G Hammons, Mrs C Hammond, Ms R Haynes and Ms S Thirkettle

48. APOLOGIES FOR ABSENCE

Apologies were received from Councillor T Gillard.

49. DECLARATION OF INTERESTS

No interests were declared.

50. PUBLIC QUESTION AND ANSWER SESSION

No questions were received.

51. MINUTES

Consideration was given to the minutes of the meeting held on 8 November 2022.

It was moved by Councillor N Rushton, seconded by Councillor K Merrie and

RESOLVED THAT:

The minutes of the meeting held on 8 November 2022 be approved and signed as a correct record.

52. MINUTES OF THE COALVILLE SPECIAL EXPENSES WORKING PARTY

The Corporate Portfolio Holder presented the report and highlighted the challenges expressed by the working party in establishing a balanced budget. It was noted that they had worked closely with officers to understand where savings or additional income could be generated for the future. Members of the working party had stated that they would welcome advice or support from Cabinet. It was noted that the working party had deferred the making of any recommendations to Cabinet pending further budget and financial details.

The Corporate Portfolio Holder proposed a new recommendation that the working party be requested to produce -a balanced budget without any increase in precept. This was supported by the Leader, who wished to add that much of the budget was used for cutting grass and that in support of biodiversity, many other authorities had reduced the amount of grass cutting which they carried out and suggested this could be a policy considered by North West Leicestershire District Council.

It was moved by Councillor N Rushton, seconded by Councillor R Bayliss and

RESOLVED THAT:

1. The minutes of the Coalville Special Expenses Working Party be noted.

2. Any recommendations made by the Coalville Special Expenses Working Party be noted.
3. A balanced budget from the Coalville Special Expenses Working Party without any increase in precept be expected.

53. DRAFT ROBUSTNESS OF BUDGET ESTIMATES AND ADEQUACY OF RESERVES

The Corporate Portfolio Holder presented the statutory report of the Section 151 Officer. It was noted that the report set out key risks and specific actions to ensure financial stability, the most important being to implement a medium term financial plan to bridge the forecast funding gap in the General Fund over the medium term. Risks were highlighted, including inflation and the possible loss of business rates in the future.

It was moved by Councillor N Rushton, seconded by Councillor R Ashman and

RESOLVED THAT:

The S151 Officer's advice set out in Section 7 be noted and the content of this report as part of proposing the draft budget for consultation be considered.

54. DRAFT CAPITAL STRATEGY, TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS

The Corporate Portfolio Holder presented the report and outlined the proposed changes for the Capital Strategy and minimum revenue provision to delay the revenue impact of the Capital Programme. The proposal to split the Capital Programme into two elements was summarised, these included separating active capital schemes and non-active capital schemes, which would allow for greater scrutiny. The second change entailed how the capital programme would be financed. It was noted that new schemes starting from 2023/24 would see no new borrowing

It was moved by Councillor N Rushton, seconded by Councillor K Merrie and

RESOLVED THAT:

The Draft Capital Strategy, Treasury Management Strategy and Prudential Indicators for Statutory Consultation be agreed.

55. DRAFT GENERAL FUND BUDGET AND COUNCIL TAX 2023/24

The Corporate Portfolio Holder presented the report, and highlighted the impact of inflationary pressures, which had been impossible to predict. It was noted that there would be a proposal not to increase council tax again next year which had been a huge achievement given the financial pressures faced. It was observed that the council tax freeze is something of which the administration was proud and was the longest of any council tax freeze ever, as confirmed by the House of Commons library.

The financial success attained by the provision of more new homes and more new jobs was highlighted and this was attributed as the reason behind not needing to raise additional funds by raising council tax.

It was moved by Councillor N Rushton, seconded by Councillor A Woodman and

RESOLVED THAT:

1. The 2023/24 Draft General Fund Revenue, Capital and Special Expenses Budget, the Medium Term Financial Plan (MTFP) for 2023/24 to 2027/28 and the budget proposals contained within the report and the proposed fees and charges for the 2023/24 for statutory consultation be proposed.
2. The statutory requirement to set a balanced budget for the special expenses accounts be acknowledged.
3. Direction on the balance between increasing council tax and reducing costs for the special expense accounts be provided
4. The Council's key risks to the budget be noted.
5. Revised funding figures following the announcement of the provisional local government finance settlement be noted.
6. Comments from Corporate Scrutiny be noted.

56. DRAFT HOUSING REVENUE ACCOUNT BUDGET AND RENTS 2023/24

The Housing, Property and Customer Services Portfolio Holder presented the report, and highlighted the rent income as the major source of income to this account. It was noted that central government had issued a rent cap of 7% and that the proposal was to set it at this level. It was noted that those in receipt of benefits had been protected as benefits had risen at the rate of inflation and that those with affordable housing had been protected by the local rent allowance. This had maintained tenant's safety in terms of affordability. The proposed budget was recommended on the basis that the programme be delivered as planned but with a reduced budget.

Attention was drawn to the loan which had been taken out in 2012 to improve housing and it was noted that this loan was on schedule to be fully repaid on time by 2042.

It was moved by Councillor R Bayliss, seconded by Councillor N Rushton and

RESOLVED THAT:

The:
1. Draft 2023/24 Housing Revenue Account Budget
2. Rent increase
3. Draft MTFP for 2023/24 to 2027/28
4. Draft budget proposals

as contained within this report be proposed for consultation by Cabinet.

57. COUNCIL TAX BASE 2023/24

The Corporate Portfolio Holder presented the report and noted that this was a statutory report which calculated the Council Tax Base.

It was moved by Councillor N Rushton, seconded by Councillor R Bayliss and

RESOLVED THAT:

1. The calculation of the Council Tax Base for each parish and special expense area for the financial year 2023/24, as detailed in Appendix 2 be recommended to Council for adoption at its meeting on 23 February 2023.
2. In accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, the amount calculated by North West Leicestershire District Council for the financial year 2023/24 shall be 36,394 be noted.

3. The S151 Officer be delegated authority to submit the calculations on non domestic rating income and other amounts required by government by the 31 January 2023 for the forthcoming financial year.

58. KEGWORTH PROJECT

The Community Services Portfolio Holder presented the report and outlined the investments and grants which had been made from various organisations towards the Kegworth Public Realm Project. It was noted that a funding contract has now been prepared and would need to be formally agreed and accepted by Cabinet in order to benefit from the Leicester and Leicestershire Enterprise Partnership (LLEP) grant.

It was moved by Councillor A Woodman, seconded by Councillor R Blunt and

RESOLVED THAT:

1. The £500,00 grant from LLEP business rates pool funding be accepted.
2. The available budget of £786,587 to be added to the Capital Programme Development Pool and agreed at Council in February 2023 as part of the budget be approved.
3. The Head of Property and Regeneration be delegated authority to spend the LLEP £500,000 grant on Kegworth Project works and to enter into any necessary agreements to proceed with the project.

59. COALVILLE REGENERATION FRAMEWORK

The Leader presented the report and described how the plan set out an ambitious future for the town, showing the direction of travel and the vision which could inform the vision of future projects and investment opportunities.

The key regeneration projects were described, and the key areas of work were highlighted. A member emphasised that it was very positive to see the improvements start to happen and that the schemes coming to fruition would be something to look forward to.

Councillor Robert Ashman noted that much of the scheme had been enabled by private investments and stated that this had been indicative of the confidence of private businesses in the potential represented by Coalville.

Thanks were extended to the Labour Group for their support with regards to the plans for the regeneration of Coalville and also to Leicestershire County Council for their continued support with the project.

It was moved by Councillor R Blunt, seconded by Councillor K Merrie and

RESOLVED THAT:

1. The document appended to this report be adopted as the Regeneration Framework for Coalville.
2. The Strategic Director (in consultation with the Portfolio Holder) be delegated authority to make any minor changes to the document required, prior to publishing.

60. 2022/23 QUARTER 1 AND 2 PERFORMANCE REPORT

The Deputy Leader presented the report and updated the meeting with information the progress made over the first two quarters in comparison the delivery plan. It was noted that continuing progress had been made in the Council's key priority areas. The meeting was informed that observations made by the Corporate Scrutiny Committee would be picked up by officers, particularly with regards to delays in the housing repairs programme.

The Community Services Portfolio holder highlighted that the Newmarket now housed 17 new businesses and had again seen an increase in footfall. It was also noted that North West Leicestershire had one of the best leisure offerings in the country and that memberships had almost doubled since the start of the pandemic. The correlation between the increase in memberships and the benefits in promoting the health and wellbeing agenda was pointed out.

With regards to litter, it was noted that the Council is still committed to making NWL a cleaner and tidier district, and the good work of the local litter pickers, who had collected over 100,000 bags of litter was highlighted, as was the Council's response in collecting this litter. In terms of dog fouling, it was felt that improving this situation would still require some work, however, the Council was committed to tackling the problem.

The Housing, Property and Customer Services Portfolio Holder highlighted the notable improvement in letting times and noted that the Council was very close to achieving its target of 28 days. The meeting was informed that the target for the production of new homes had been exceeded.

In terms of Customer Service, Cabinet was advised that telephone service had been the weakest point, but that the head of service would be taking steps to improve this going forward. Online contact had been very successful and had attained the targets set. The success of the new Customer Service Centre was highlighted and it was noted how busy it had been following the move to a more accessible location for local residents.

It was moved by Councillor R Ashman, seconded by Councillor R Blunt

RESOLVED THAT:

The progress against the Council Delivery Plan Actions and Performance Indicators for Quarters 1 and 2 of the financial year be noted.

The meeting commenced at 5.00 pm

The Chairman closed the meeting at 5.36 pm

This page is intentionally left blank

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 31 JANUARY 2023

Title of Report	**MINUTES OF THE COALVILLE SPECIAL EXPENSES WORKING PARTY**	
Presented by	Councillor Tony Gillard Business and Regeneration Portfolio Holder PH Briefed √	
Background Papers	Agenda for Coalville Special Expenses Working Party on Tuesday, 24 January 2023	**Public Report:** Yes **Key Decision:** Yes
Financial Implications	As set out in the reports to the CSEWP on 24 January 2023. **Signed off by the Deputy Section 151 Officer**: Yes	
Legal Implications	Legal advice was provided during the drafting of all reports to the CSEWP on 24 January 2023. **Signed off by the Deputy Monitoring Officer**: Yes	
Staffing and Corporate Implications	There are no staffing or corporate implications arising from the report. **Signed off by the Head of Paid Service:** Yes	
Purpose of Report	To share the minutes of the Coalville Special Expenses Working Party from 24 January 2023	
Reason for Decision	So that the decisions of the Coalville Special Expenses Working Party can be considered.	
Recommendations	**THAT CABINET** **1. NOTES THE MINUTES OF THE COALVILLE SPECIAL EXPENSES WORKING PARTY THAT WILL BE CIRCULATED IN THE ADDITIONAL PAPERS PRIOR TO THE MEETING;** **2. AGREES ANY RECOMMENDATIONS MADE BY THE WORKING PARTY AT ITS MEETING ON 24 JANUARY 2023 CIRCULATED IN THE ADDITIONAL PAPERS PRIOR TO THE MEETING**	

1.0 BACKGROUND

1.1 The Coalville Special Expenses Working Party consists of all ward members from the Coalville Special Expenses Area and meets as often as is required to meet business demands, which is usually bi-monthly.

1.2 As the Working Party reports directly to Cabinet, all recommendations made are to be sent to the first available Cabinet meeting for final approval.

2.0 TERMS OF REFERENCE

2.1 To consider budget and financial issues which either solely or predominantly affect the Coalville Special Expenses Area and to make recommendations to Cabinet.

2.2 To receive reports and examine possible project options on which recommendations will be made to Cabinet.

3.0 RECOMMENDATIONS TO CABINET FROM THE MEETING ON 24 JANUARY 2023

3.1 As the meeting of the Coalville Special Expenses will take place after the Cabinet agenda had been published, the minutes and any amended recommendations will be circulated to Cabinet via an update paper before Tuesday, 31 January.

Policies and other considerations, as appropriate	
Council Priorities:	• Supporting Coalville to be a more vibrant, family-friendly town • Developing a clean and green district • Our communities are safe, healthy and connected
Policy Considerations:	Taken into consideration in drafting of reports to CSEWP.
Safeguarding:	Taken into consideration in drafting of reports to CSEWP.
Equalities/Diversity:	Taken into consideration in drafting of reports to CSEWP.
Customer Impact:	The reports and proposals presented to CSEWP all have positive impacts on a variety of customers.
Economic and Social Impact:	The reports and proposals presented to CSEWP will have positive economic and social impacts.
Environment and Climate Change:	Updates within the Capital Projects Update report will have positive environmental and climate change impacts.
Consultation/Community Engagement:	Coalville Special Expenses Working Party - 24 January 2023
Risks:	None identified.
Officer Contact	Paul Wheatley Head of Economic Regeneration Paul.wheatley@nwleicestershire.gov.uk

This page is intentionally left blank

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 31 JANUARY 2023

Title of Report	**ROBUSTNESS OF BUDGET ESTIMATES AND ADEQUACY OF RESERVES**	
Presented by	Councillor Nicholas Rushton Corporate Portfolio Holder PH Briefed Y	
Background Papers	Capital Strategy, Treasury Management Strategy and Prudential Indicators 2023/24 Report (Council 23 February 2023) General Fund Budget and Council Tax 2023/24 Report (Council 23 February 2023) Housing Revenue Account Budget and Rents 2023/24 Report (Council 23 February 2023)	**Public Report:** Yes **Key Decision:** Yes
Financial Implications	In line with statutory requirements the report provides the Section 151 Officer's advice on the robustness of budget estimates and the adequacy of reserves in the draft budget. **Signed off by the Section 151 Officer**: Yes	
Legal Implications	No direct legal implications arising. **Signed off by the Deputy Monitoring Officer**: Yes	
Staffing and Corporate Implications	**Signed off by the Head of Paid Service:** Yes	
Purpose of Report	To ensure the council meets its statutory requirements when considering its budget.	
Reason for Decision	To meet the requirements of the Section 25(1) of the Local Government Act 2003	
Recommendations	**THAT CABINET NOTES THE S151 OFFICER'S ADVICE SET OUT IN SECTION 7 OF THE APPENDIX, AND CAREFULLY CONSIDERS THE CONTENT OF THIS REPORT AS PART OF PROPOSING TO COUNCIL THE GENERAL FUND BUDGET REPORT 2023/24, HOUSING REVENUE ACCOUNT BUDGET 2023/24 REPORT AND THE CAPITAL STRATEGY AND TREASURY MANAGEMENT STRATEGY 2023/24**	

1.0 BACKGROUND

1.1 Section 25(1) of the Local Government Act 2003 (the “2003 Act”) requires that the Chief Financial Officer (Section 151 Officer under the Local Government Act 1972) reports to the Council when setting its Council Tax on:

- the robustness of the estimates in the budget.
- the adequacy of the proposed financial reserves.

1.2 Section 25(2) of the 2003 Act requires the Council to have regard to this report in approving the budget and Council Tax.

1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code reinforces this requirement stating that the statement in relation to the proposed financial reserves should consider whether the level of general reserves are appropriate for the risks (both internal and external) to which the Council is exposed and give reassurance that the authority’s financial management processes and procedures are able to manage those risks

1.4 While the statutory local authority budget setting process continues to be on an annual basis, a longer-term perspective is essential if local authorities are to demonstrate their financial sustainability.

1.5 The Report from the Chief Finance Officer to Council is set out in Appendix A.

Policies and other considerations, as appropriate	
Council Priorities:	The report encompasses the Council’s budget, therefore, is relevant to all Council Priorities: - Supporting Coalville to be a more vibrant, family-friendly town - Support for businesses and helping people into local jobs - Developing a clean and green district - Local people live in high quality, affordable homes Our communities are safe, healthy and connected
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	There has been equality impact assessments conducted by services on relevant proposals during the budget setting period.
Customer Impact:	Customers are likely to be impacted by the changes to fees and charges and special expenses precepts set out in this report.
Economic and Social Impact:	The General Fund capital programme allocates £9.9 million to investing in Coalville Regeneration Projects over five years.
Environment and Climate Change:	The General Fund budget sees substantial new investment of £7.4m in the replacement of council vehicles and reducing the Council’s carbon

	emissions. There's £0.8m investment in bins and recycling containers to increase recycling from households. On revenue the Climate Change Programme Manager post has been funded for the next five years from reserves. The HRA budget includes a capital programme of Zero Carbon works to dwellings worth £13.8m.
Consultation/Community/Tenant Engagement:	The draft budget was considered by Corporate Scrutiny and has been the subject of consultation with the public. In addition, the Housing Revenue Account draft budget has been shared with and considered by the Tenants Forum.
Risks:	This report provides the Section 151 Officers view on the robustness of budget estimates and adequacy of reserves. The report identifies the key risks, provides an assessment of these and proposed mitigating actions to manage those risks.
Officer Contact	Glenn Hammons Head of Finance and Chief Finance Officer glenn.hammons@nwleicestershire.gov.uk

This page is intentionally left blank

APPENDIX A

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

COUNCIL – THURSDAY, 23 FEBRUARY 2023

Title of Report	**ROBUSTNESS OF BUDGET ESTIMATES AND ADEQUACY OF RESERVES**	
Presented by	Councillor Nicholas Rushton Corporate Portfolio Holder	
Background Papers	Capital Strategy, Treasury Management Strategy and Prudential Indicators 2023/24 Report (Council 23 February 2023) General Fund Budget and Council Tax 2023/24 Report (Council 23 February 2023) Housing Revenue Account Budget and Rents 2023/24 Report (Council 23 February 2023)	**Public Report:** Yes
Financial Implications	In line with statutory requirements the report provides the Section 151 Officer's advice on the robustness of budget estimates and the adequacy of reserves in the draft budget.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	No direct legal implications arising in this report.	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications		
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	To ensure the council meets its statutory requirements when considering its budget.	
Recommendations	**THAT COUNCIL NOTES THE S151 OFFICER'S ADVICE SET OUT IN SECTION 7 AND CAREFULLY CONSIDERS THE CONTENT OF THIS REPORT AS PART OF APPROVING THE GENERAL FUND BUDGET REPORT 2023/24, THE HOUSING REVENUE ACCOUNT BUDGET 2023/24 REPORT AND THE CAPITAL STRATEGY AND TREASURY MANAGEMENT STRATEGY 2023/24**	

1.0 BACKGROUND

1.1 Section 25(1) of the Local Government Act 2003 (the "2003 Act") requires that the Chief Financial Officer (Section 151 Officer under the Local Government Act 1972) reports to the Council when setting its Council Tax on:

- the robustness of the estimates in the budget.
- the adequacy of the proposed financial reserves.

1.2 Section 25(2) of the 2003 Act requires the Council to have regard to this report in approving the budget and Council Tax.

1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code reinforces this requirement stating that the statement in relation to the proposed financial reserves should consider whether the level of general reserves are appropriate for the risks (both internal and external) to which the Council is exposed and give reassurance that the authority’s financial management processes and procedures are able to manage those risks

1.4 While the statutory local authority budget setting process continues to be on an annual basis, a longer-term perspective is essential if local authorities are to demonstrate their financial sustainability.

2.0 CONTEXT

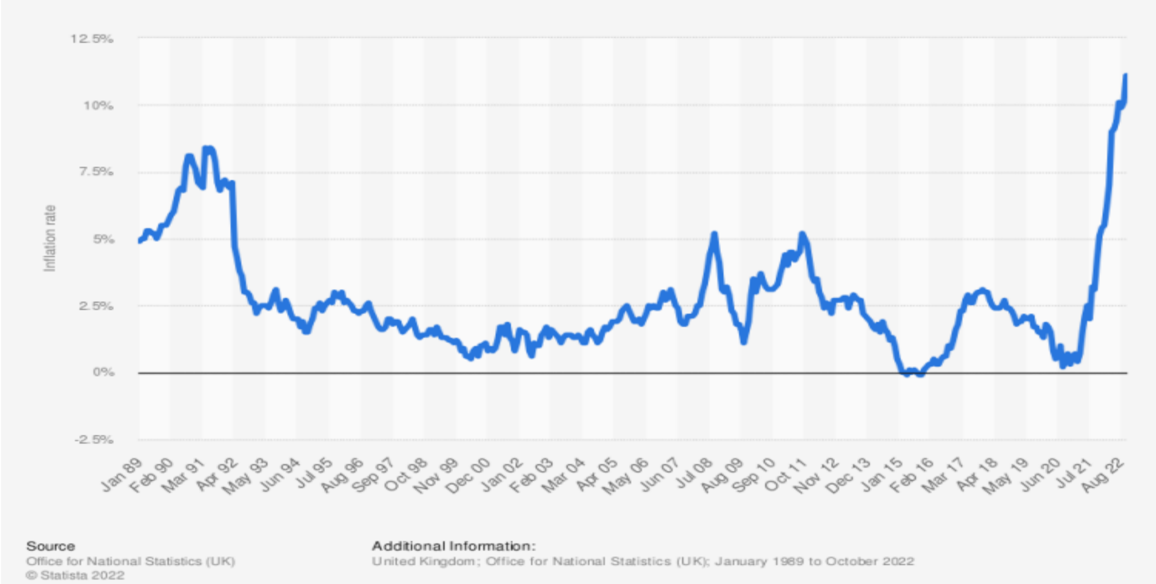
2.1 The Council is setting its budget at a time when it faces a range of issues to contend with. In broad terms these can be split into three categories: economic, local government and locally in North West Leicestershire. Each of these is explored below:

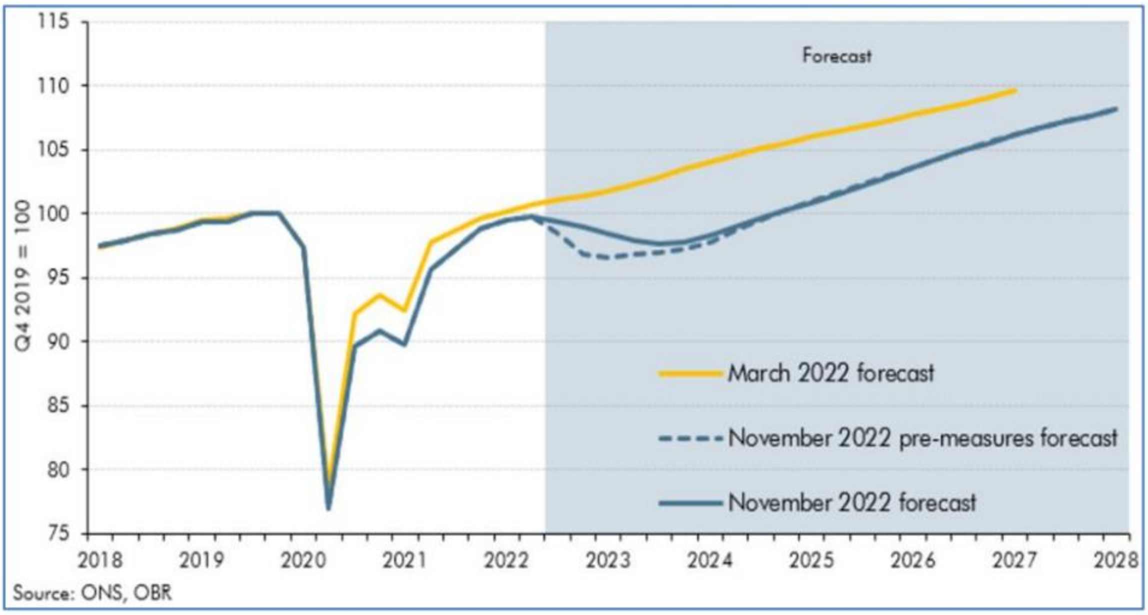
2.2 <u>Economic</u>

2.3 The national economic position has been influenced by a number of factors in recent years including the Covid-19 pandemic, Brexit, Russian invasion of Ukraine and the cost of living crisis. The government has provided unprecedented support through these events.

2.4 The key economic challenges faced are inflation, lower economic growth and a potential recession. The graphs below show the current level of consumer price inflation (CPI) and the forecast level of gross domestic product (GDP) for the UK as provided by the Office for Budget Responsibility.

Inflation rate for the Consumer Price Index (CPI) in the United Kingdom from January 1989 to October 2022





2.5 Local Government

2.6 The pressures facing the national economy are also having an impact on the local government sector. The cost of providing services is increasing due to the inflationary pressures being experienced in the wider economy, the demand for services growing and the need to respond to government policy initiatives, such as zero carbon.

2.7 The Autumn Statement in November 2022, announced additional funding in local government for social care, provided increased flexibilities by increasing the level at which a referendum would be required to increase council tax, announced the cap on social rents for 2023/24 would be 7% and confirmed commitments to fund the Levelling Up agenda.

2.8 The service with the most pressure in local government continues to be social care. Whilst the Council does not provide social care services directly its budget is impacted upon with these pressures. Firstly, by government funding being targeted at councils with social care responsibilities and away from district councils as seen through reductions in New Homes Bonus funding in recent years. Secondly, through increased 'knock on' pressures on district council services supporting the vulnerable and their local communities.

2.9 The Provisional Local Finance Settlement was announced on 19 December 2022 and has been incorporated in the budget position for 2023/24. Whilst no specific funding allocations for 2024/25 have been made the Local Government Finance Policy Statement announced on 9 December 2022 stated they would be in line with 2023/24. There is currently little certainty of government funding streams for 2025/26 and the remainder of the medium term period.

2.10 Local – North West Leicestershire

2.11 North West Leicestershire District Council, just like the rest of the UK, is experiencing the impact of the cost of living crisis. The costs of running services and the demand for services has increased in the past 12 months and is expected to continue to increase over the coming year.

2.12 In the last 5-10 years the district has seen growth in its business rate income as new companies have moved into the area due to its location and excellent communication links. This has led to the Council being the largest beneficiary in England from the business rates growth retention scheme. The business rates growth has enabled the Council to fund services without increasing council tax.

2.13 However, this also presents the Council's highest financial risk as government has indicated that it is looking to reset the business rates growth baseline and redistribute resources to councils across the country with a fair funding review.

2.14 Leicestershire County Council has announced its draft budget for 2023/24 which includes a number of savings proposals. The full impact of these savings proposals on services provided by North West Leicestershire District Council is not fully understood. Officers are in the process of assessing the potential impact of County Council proposals. It should be noted the impacts are very difficult to assess as the effects are likely to be indirect. Mitigating actions will be considered as and when required. The Council will, alongside other district councils in the county, continue to work closely with the County Council.

2.15 Recognising the wider context within which the budget is being set, and making improvements to financial management, the Council has used a new process to develop its proposed budget plans for 2023/24 and over the medium term. This recognises the greater focus within the organisation on its finances. The new process, coupled with that used in previous years, has involved:

- Services completing budget proposal forms to justify the need for any changes to the budget.
- Budget challenge sessions, with follow ups as required, between the Chief Finance Officer and Heads of Service.
- Regular reporting to the Corporate Leadership Team on the Council's overall budget position.
- Engagement with councillors through Portfolio Holder briefings, Strategy Group and an all councillor budget briefing prior to the draft budget being proposed for consultation.
- Further engagement has taken place through Corporate Scrutiny, consultation with the public and the HRA tenants forum.

3.0 PROPOSED FINANCIAL STRATEGIES & POLICIES

3.1 To ensure the Council has a clarity on its financial management objectives it is imperative to have a clear financial strategy in place for the short, medium and long term. As part of setting the Budget for 2023/24 and beyond the following guiding principles have been developed for the budget setting approach:

- Financial Stability and Sustainability
- Resources Focussed on Priorities
- Maximising our Sources of Income
- Managing our Risks

3.2 Capital Strategy

3.3 The Capital Strategy has been significantly enhanced to make it fit for the future. Historically, there has been a substantial level of reprofiling budgets to future financial years after the budget has been set. This has been the position during 2022/23 where, as at Quarter 2, over 50% of budgeted capital spend has been reprofiled to future financial years. This indicates an optimism bias in the Council about how quickly capital projects can be delivered.

3.4 To provide greater accountability, governance and due diligence of the capital programme the Capital Strategy proposes improvements to managing capital schemes through their life cycle by splitting the programme into an approved Active Projects Programme for 'in flight' schemes and a Development Pool for schemes at business case stage. A new Capital Strategy and Investment Group will oversee this process and propose schemes through the Council's governance for formal approval by Cabinet or Council in line with the Constitution.

3.5 The Treasury Management Strategy

3.6 The Treasury Management Strategy has been refreshed and improved in line with required national guidance to ensure the Council is appropriately managing risk in both its borrowing and investment portfolios. The introduction of the liability benchmark indicator which measures the Council's future borrowing liabilities to fund its capital investment against how these will be financed either through external borrowing or by using our surplus cash resources (internal borrowing).

3.7 Corporate Charging Policy

3.8 The Corporate Charging Policy, which contains the Council's fees and charges, has been refreshed and updated to reflect the Council's financial strategy and provide greater clarity for service users on the rational for future changes in levels of fees and charges. The draft budget includes a range of proposed amendments to fees and charges in line with the policy; reflecting both the costs of providing charges for services and estimated levels of demand.

4.0 PROPOSED GENERAL FUND BUDGET 2023-24

4.1 The macro economic challenges, particularly inflation, facing the country have directly impacted upon the Council's financial position in the 2022/23 financial year, the budget for 2023/24 and over the medium term.

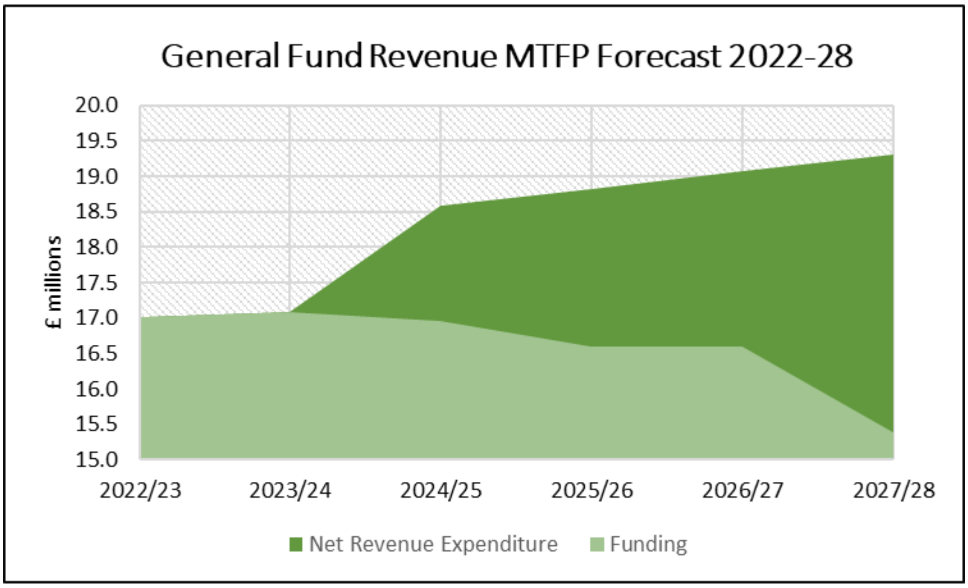
4.2 The forecast outturn position for the general fund revenue budget 2022/23 is an operating deficit of £0.980 million due to the pay award being significantly greater than budgeted and inflation, such as utilities. In addition, the budget included savings target for the Journey to Self Sufficiency (J2SS) of £0.895m which if achieved would have been allocated to reserves. If no action is taken reserves will be £1.875m less than anticipated when the budget was set. As part of the 3rd Quarter monitoring for 2022/23, services have been instructed to explore ways to reduce its forecast cost projections for the remainder of the financial year by undertaking a robust assessment of their budgets to minimise any use of reserves to finance the projected overspend.

4.3 The key strategies applied to developing the proposed budget are set out as follows:

Guiding Principles	Key Strategies for Developing Budget 2023/24 and MTFP 2023-28
Financial Stability and Sustainability	• Plan ahead for potential Government funding changes (including Business Rates Reset) • Do not become overly reliant on Business Rates funding for on-going service provision

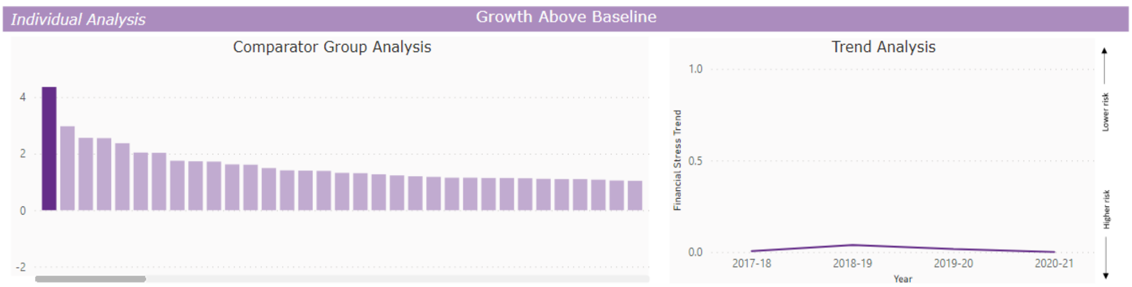
	• Use future surpluses in Business Rates funding for future one off investment to reduce ongoing revenue costs or generate income
Resources Focussed on Priorities	• Resources allocated to Council objectives
Maximising Our Sources of Income	• Fees and Charges maximised (increased by inflation)
Managing our Risks	• Acceptable level of risk tolerance • Review of reserves strategy and position

4.4 The forecast medium term position is set out in the graph below.



4.5 The position shows a balanced budget for 2023/24 and forecast funding gap of £1.6m in 2024/25 rising to £3.9m per annum, equivalent to 20% of net budget, by 2027/28. The cumulative funding gap of £10.2m. The primary reasons for the forecast funding gap are pay, inflationary and service demand pressures on the Council's cost base and anticipated changes to its funding streams arising from promised government funding changes to local authorities arising from a reset of growth from the business rates retention schemes, fair funding review and new homes bonus.

4.6 The single most significant risk facing the Council on its revenue budget is the potential government funding changes, particularly in relation to a reset in growth from the business rates retention scheme. North West Leicestershire has seen the biggest growth above its business rates baseline in all local authorities in England. This can be seen from the graph below which compares the percentage growth above baseline for councils in England:



4.7 It should be noted the timing of these potential government funding changes is unclear. The latest intelligence, based on indications from government, is that the earliest a business rates reset could happen is 2025/26. There is fluidity over this date as government has been indicating its intention to undertake a business rates reset and fair funding review previously, and it is yet to happen. If and when these funding changes may happen there is likely to be an element of transitional protection to assist those councils, like North West Leicestershire, to manage reduced funding over a period of time. An estimate of this protection has been factored into the forecasts in the graph at 4.4 above.

4.8 However, it is important the Council starts to plan early for any potential government funding changes and ensures the funding gap this could create in its revenue budget is appropriately managed. To this end the financial strategies set out in paragraph 4.3 above and proposed draft budget seek to put in place the foundations to achieve this.

4.9 The proposed Revenue Budget for 2023/24 is balanced. The Council faced significant pressures on its revenue cost base compared to 2022/23. The table below sets out the changes to the budget and key assumptions made:

	£'000	**Key Assumptions**
Net Budget 2022/23	16,705	
Pay	1,413	• Catch up pay award 2022/23 (extra 5%) • Pay award 2023/24 (+4%)
Inflation & Unavoidable Service Pressures	1,090	• Utilities (Gas +86%, Electricity +100%), Fuel (+30%), Insurance
Service Developments	271	• Creating capacity to develop a robust MTFP • Regeneration of district
Income & Efficiencies	-1,164	• Fees and Charges (up to 11%) • Waste income, planning income and improved return on surplus cash
Technical adjustments	-962	• Removal of one-off budgets in 2022/23 and GF/HRA Recharges
Proposed Net Budget 2023/24	**17,353**	

4.10 At the time of publishing the proposed budget for 2023/24 the final local government finance settlement has not been announced. The figures included for the funding are estimates based on the provisional local government funding settlement and latest intelligence.

4.11 The Capital Programme has been developed in line with the guiding principles and a substantially improved Capital Strategy.

- The existing capital programme has been split into Active schemes and Development Pool schemes.
- Any new proposed schemes received have been placed into the Development Pool, with the exception of three schemes, totalling £335k, where approval is proposed to ensure service provision is maintained and/or where external funding is available.
- No new borrowing, over and above that approved in the 2022/23 budget, is proposed to fund the capital programme, with the exception of two schemes.

This is to ensure the Council does not create additional revenue pressures in the future arising from interest and capital repayment costs.

- The funding source for new schemes over the medium term is capital receipts, government grant and use of monies previously generated from business rates growth and held in reserve.
- Schemes in the Development Pool will be worked up in more depth through the governance arrangements set out in the Capital Strategy and Constitution.

4.12 The proposed budget is based on the council having the following levels of reserves.

	Estimated Balance 01/04/23 £'000	Change during 2023/24 £'000	Estimated Balance 31/3/24 £'000
Minimum Level of Reserves	1,544	0	1,544
Earmarked Reserves	3,148	-693	2,455
MTFP Reserve	5,165	0	5,165
Business Rates Reserve	369	+1,994	2,363
Total	**10,226**	**+1,301**	**11,527**

4.13 As part of preparing the reserves for the proposed budget the following should be noted:

- The minimum level of reserves has been risk assessed and is considered to be set at an appropriate level.
- Earmarked reserves have been reviewed to assess if the risks/commitments continue to exist and if the amounts are still appropriate.
- The former Journey to Self Sufficiency Reserve (J2SS) has been renamed MTFP Reserve. It will be used for managing risks over the medium term, investing in projects to make the Council more efficient, reduce its revenue costs, generate income and fund the capacity for the Council to deliver its financial plans
- The Business Rates Reserve includes the additional business rates revenues from growth in the district (including contributions from Business Rates Pool and Freeport) in excess of that included in the revenue budget to fund on-going services. This additional growth will be prioritised to fund the capital programme and projects. The reserve will also be used to manage the cashflow implications between the timing of payments received into the collection fund and government grants for business rates relief announced by HM Treasury in recent years to support businesses through Covid-19 and cost of living crisis.

5.0 PROPOSED HOUSING REVENUE ACCOUNT BUDGET 2023-24

5.1 The Housing Revenue Account (HRA) is a ringfenced account for the operation of the Council's housing stock. The Council has 4,181 homes. The budget for the HRA is also experiencing the inflationary pressures seen in other areas of the Council's budget, particularly on its staffing, maintenance and capital budgets.

5.2 In 2012, the Council took on the debt associated with its housing stock under the nationally HRA Self Financing initiative. As part of this a 30 year business plan was developed. A core component of the business plan is for the HRA to repay the self financing borrowing by 2042. The Council should continue to make provision in its HRA to repay this outstanding borrowing.

5.3 The forecast outturn position for the HRA budget 2022/23 is an operating deficit of £0.587 million due to the pay award being significantly greater than budgeted (£0.198m), inflation (such as utilities) and an unachieved savings target for the Journey to Self Sufficiency (J2SS) of £0.325m. If no action is taken reserves will be less than anticipated when the budget was set. As part of the 3rd Quarter monitoring for 2022/23 services have been instructed to explore ways to reduce its forecast cost projections for the remainder of the financial year by undertaking a robust assessment of their budgets in order to minimise any use of reserves to finance the projected overspend.

5.4 The position shows a balanced budget for 2023/24. The table below provides a summary of the key changes and assumptions.

HRA Budget	Approved 2022/23 £'000	Proposed 2023/24 £'000	Change and Key Assumptions
Repairs & Maintenance	5,914	7,693	• Inflation on repairs costs, grounds maintenance and materials
Supervision & Management (incl Provision for Doubtful Debts of £100k)	3,079	4,095	• Catch up pay award 2022/23 5% • Pay award 2023/24 4% • Utilities (Gas 86%, Electricity 100%)
Capital Charges – Depreciation	6,241	5,289	
J2SS Cost Savings	-325	0	• Savings targets removed
Total Expenditure	**14,909**	**17,077**	
Income	-18,524	-20,139	• Rents (7%) • Service charges (12%)
Net Operating Surplus	**-3,615**	**-3,062**	
Appropriations (incl contributions to capital programme)	3,550	3,815	
Contribution to/from Reserves	0	3,726	
Net Surplus(-)/Deficit (+)	**-64**	**4,479**	

5.5 The proposed HRA budget for 2023/24 shows an operating surplus of £3.1m. This is a £553k reduction from 2022/23. The primary reason for this movement is due to staff pay award and inflationary pressures on utilities, repairs, materials and grounds maintenance offset by additional income.

5.6 To deliver the HRA Capital Programme in 2023/24 and ensure sufficient monies are set aside for future debt repayment an overall deficit of £4.5m is being budgeted for. This will be paid for from accumulated surpluses of £6.6m which have been built up in reserves. This leaves an operating balance of £2.1 million for unexpected events. This is more than the minimum balance of £1 million considered adequate for the size of HRA and risks faced.

5.7 The Capital Programme is planned to spend £15.2m in 2023/24. Based on previous years experience this is an ambitious level of estimated spend. For example, as at Quarter 2 in 2022/23 over 50% of the planned in year spend has been re-profiled to future years. It is likely a proportion of spend in 2023/24 maybe delayed to future financial years, which would lead to a lower drawdown from reserves to finance the programme. The area of the capital programme at greatest risk of delay is the Housing Improvement Programme.

5.8 To mitigate the risks of the capital programme not delivering to budget the draft Capital Strategy proposes a number of improvements to manage schemes through their project lifecycle.

6.0 ROBUSTNESS OF BUDGET ESTIMATES AND ADEQUACY OF RESERVES

6.1 The table below provides an assessment of the key risk areas to determine the robustness of the estimates and adequacy of reserves included in the General Fund and Housing Revenue Account budgets:

Area	Y/N	Comments
Is performance against the current year's budget on track and where variances are evident, ongoing and unavoidable, are they appropriately reflected in the plans?	Y & N	The 2022/23 Q2 financial monitoring is showing a projected overspend of £1.9m on the General Fund and £0.6m on the HRA. Work is currently on-going within services to report a full and realistic position to minimise any drawdown from reserves. The on-going and unavailable pressures, alongside potential reductions in reserve levels, have been factored into budget plans for 2023/24 and the medium term.
Are arrangements for monitoring and reporting performance against the savings plans robust?	N	In recent years the Council has not been required to make significant savings to maintain its financial position. Therefore, clear savings plans and delivery has not been required. The Council has delivered large projects, some of which have resulted in new income streams (eg Leisure). These projects have had project management structures in place which have tracked the delivery of enhanced income streams which are reflected in the draft budget and medium term forecasts. <u>General Fund</u> Looking to the medium term the Council needs to establish a clear and robust plan to balance its financial position. As part of this it will be imperative to implement new processes to deliver the required savings are introduced. <u>Housing Revenue Account (HRA)</u> Whilst the HRA isn't facing the same medium term financial outlook as the General Fund. It is important that the HRA ensures it is operating at its optimum level of effectiveness and efficiency to provide value for money to tenants. As part of this it will be imperative to implement

Area	Y/N	Comments
		new processes to delivery these efficiencies.
The reasonableness of the underlying budget assumptions	Y	All budget proposals have been justified by service managers, reviewed by finance and subject to budget challenge sessions in the new process. External review has also been undertaken by the treasury advisers, Arlingclose, on the treasury strategy. The Pixel Financial Management funding model has been used to assist in forecasting General Fund income streams for Business Rates and Government Grants.
The alignment of resources with the Council's service and organisational priorities	Y	Resources are aligned to the current priorities of the Council. A new Corporate Plan will be developed from May 2023 following council elections. The Corporate Plan will need to ensure it is aligned to the resources available and risk faced. A Medium Term Financial Plan should be developed as a financial expression of the Corporate Plan.
A review of the major risks associated with the budget	Y	The major risks within the budget have been assessed and are set out in the budget report, including mitigations and strategies about how these are being managed.
The availability of un-earmarked reserves to meet unforeseen cost pressures	Y	The Council has a minimum level of reserves for both its General Fund (£1.5m) and HRA (£1m). The General Fund position has been risk assessed to take account of potential unforeseen pressures.
Have realistic income targets been set and 'at risk' external funding been identified?	Y	An assessment of income targets has been undertaken as part of the development of the draft budget. The income areas which have the greatest risk (including business rates, council tax, planning and leisure) have had greater focus for this work and focus in the budget challenge sessions. Government funding projections are based on government announcements and the latest intelligence available.
Has a reasonable estimate of demand cost pressures been made?	Y	The enhanced budget process used in the development of the draft budget has improved the reasonableness of estimates. The budget proposals were required to be justified/assessed using a form, then were reviewed by finance and subject to budget challenge sessions.
Has a reasonable estimate of future income been made?	Y	
Have one-off cost pressures been identified?	Y	All pressures have been reviewed to assess if they are one-off or ongoing in nature. One-off

Area	Y/N	Comments
		proposals are to be funded from reserves. Services will need to ensure exit plans exist for one off expenditure.
Are arrangements for monitoring and reporting performance against the budget plans robust?	Y & N	The Council has operated a quarterly process of budget monitoring. Services and finance work closely to produce forecasts. However, with greater focus on the Council's finances more oversight is required. To this end a dedicated quarterly finance monitoring report is proposed for Cabinet and Scrutiny for 2023/24, rather than it being part of the wider performance reporting process. The Council will also need to enhance its development, monitoring and delivery of its plans to deliver balanced budgets over the medium term.
Is there a reasonable contingency available to cover the financial risks faced by the Council?	Y	The Council has incorporated estimates for pay award, inflation and demand pressures into its budget. It has also made provisions for key income streams not materialising in line with estimates for business rates and council tax.
Is there a reasonable level of reserves, which could be used to mitigate any issues arising and are they reducing as the risks decrease?	Y	The Council has a range of earmarked and minimum levels of reserves to ensure its financial stability. It is important reserves are not used to fund service provision on an on-going basis.
The strength of the financial management function and reporting arrangements?	Y & N	The Council has an existing financial management process. To ensure it is kept up to date there are improvements in the process of being implemented. These include a new financial system, changes to the Financial Procedures Rules and a dedicated quarterly finance report to Cabinet/Scrutiny.
Are Special Expense Budgets financially stable and sustainable?	Y & N	<u>2023/24</u> Inflationary pressures and a proposed freeze in precept have led to some special expense accounts with funding deficits. As part of the budget process work has been undertaken to deliver a balanced position for 2023/24. <u>Medium Term Outlook</u> Further work is required to ensure financial stability and sustainability over the medium term. This works includes a review of planned & preventative maintenance, service levels, income sources and the Special Expenses Policy.
Have the previous years Accounts been signed off by external audit to verify balances?	N	The Council's Accounts for 2020/21 are currently being audited. The 2021/22 Accounts are awaiting the final sign off of 2020/21 but exist in an early draft form.

Area	Y/N	Comments
		Budget estimates and reserves balances for 2023/24 and beyond are based on the latest information incorporated into the 2020/21 and 2021/22 Accounts.
Has there been a degree and quality of engagement with colleagues and councillors in the process to develop and construct the budget?	Y	There has been a fundamental change in the approach to engaging the organisation during this budget process. This has included a series of budget challenge sessions between the CFO and Heads of Service, as well as engagement with Corporate Leadership Team, Portfolio Holders, Strategy Group, an all councillor briefing prior to the budget being published for consultation and consideration from Corporate Scrutiny. In addition there has been an external public consultation on the draft budget with feedback being presented to Cabinet.

6.2 There are a number of specific actions arising from the table above that the Council's needs to undertake, alongside the delivery of its draft budget, to ensure risks and issues associated with the budget are mitigated. These actions are:

Financial Strategy

- The financial strategy set out at paragraph 4.3 is followed. This underpins the proposed budget 2023/24 and provides a stable platform from which to build over the medium term.
- A robust corporate and financial plan is required to bridge the funding gap and ensure the Council can balance its budget for 2024/25 and over the medium term. This plan should initially focus on being more efficient with the aim of having the same service outcomes at a lower cost. However, it needs to be flexible enough to adapt to potential national changes to local government funding which may require reductions in service levels in the future. To track progress of delivery against the plan robust reporting mechanisms will need to be implemented.
- To ensure this plan is developed and delivered the Council should invest in its financial and programme management capacity / capability.
- Reserves should not be used to fund on-going service expenditure.
- Special expense budgets must be in a balanced position for 2023/24 and the medium term.

Financial Reporting

- Introduce a dedicated quarterly financial report to Cabinet and Scrutiny to promote transparency and accountability of the financial position.
- Ensure the 2020/21 and 2021/22 Accounts are signed off.

Financial Management and Control

- Implement its new financial system to commence operation from 1 April 2023.
- Services need to develop exit plans for government grant funding and one off proposals funded by reserves.
- Enhance the capacity of the internal audit function to provide assurance of the internal control environment.

7.0 CONCLUSION

7.1 Based on the assumptions made in its proposed Budget 2023/24 and MTFS 2023-28 for income and expenditure, the Council can set a balanced proposed budget for 2023/24.

7.2 However, there are a number of risks, or "known unknowns". The most significant of these for the Council is the timing of a potential reset in business rates and associated changes to the local government finance system.

7.3 Whilst the Council's financial position is currently stable and sustainable there are a number of uncertainties. As such the Council will need to ensure it makes the right decisions in the short term (next year) to ensure it is financially stable and sustainable over the medium to long term.

7.4 Such a strategy should include maximising all income streams, being more efficient, growing its financial management capability, influencing the risks faced to optimise the Council's future financial viability and delivering on the actions set out at paragraph 6.2.

7.5 The single most important action is for the Council to recognise the future risks ahead and start to develop, implement and, most importantly, deliver a medium term financial plan.

7.6 Provided the Council carefully considers and acts upon the analysis in this report, and officers robustly manage the implementation of the Revenue and Capital Budgets, a positive opinion can be given under Section 25 of the Local Government Act 2003 on the robustness of budget estimates and the level of reserves.

Policies and other considerations, as appropriate	
Council Priorities:	The report encompasses the Council's budget, therefore, is relevant to all Council Priorities: - Supporting Coalville to be a more vibrant, family-friendly town - Support for businesses and helping people into local jobs - Developing a clean and green district - Local people live in high quality, affordable homes - Our communities are safe, healthy and connected
Policy Considerations:	None.
Safeguarding:	None.
Equalities/Diversity:	There have been equality impact assessments conducted by services on relevant proposals during this period.
Customer Impact:	Customers are likely to be impacted by the changes to fees and charges and special expenses precepts set out in this report.
Economic and Social Impact:	The General Fund capital programme allocates £9.9 million to investing in Coalville Regeneration Projects over five years.
Environment and Climate Change:	The General Fund budget sees substantial new

	investment of £7.1m in the replacement of council vehicles and reducing the Council's carbon emissions. There's £1m investment in bins and recycling containers to increase recycling from households. On revenue the Climate Change Programme Manager post has been funded for the next five years from reserves. The HRA budget includes a capital programme of Zero Carbon works to dwellings worth £13.8m.
Consultation/Community/Tenant Engagement:	The draft budget was considered by Corporate Scrutiny and has been the subject of consultation with the public. In addition, the Housing Revenue Account draft budget has been shared with and considered by the Tenants Forum. The proposed budget was considered by Cabinet on 31 January 2023 and recommended to Council for approval.
Risks:	This report provides the Section 151 Officers view on the robustness of budget estimates and adequacy of reserves. The report identifies the key risks, provides an assessment of these and proposed mitigating actions to manage those risks.
Officer Contact	Glenn Hammons Head of Finance and Chief Finance Officer glenn.hammons@nwleicestershire.gov.uk

This page is intentionally left blank

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 31 JANUARY 2023

Title of Report	**CAPITAL STRATEGY, TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2023/24**	
Presented by	Councillor Nicholas Rushton Corporate Portfolio Holder PH Briefed Y	
Background Papers	Prudential Indicators and Treasury Strategies 2022/23 – Council 24 February 2022 Draft Capital Strategy, Treasury Management Strategy and Prudential Indicators - Cabinet 10 January 2023.	**Public Report:** Yes **Key Decision:** Yes
Financial Implications	The report sets out the annual update of the core strategies which underpin the council's approach to managing its capital investment. There are a number of changes proposed to improve the governance and financial management of the capital programme. **Signed off by the Section 151 Officer**: Yes	
Legal Implications	There are no direct legal implications arising from the report **Signed off by the Deputy Monitoring Officer**: Yes	
Staffing and Corporate Implications	**Signed off by the Head of Paid Service:** Yes	
Purpose of Report	For Cabinet to review the 2023/24 Capital Strategy, Treasury Management Strategy and Prudential Indicators and recommend to Council for approval.	
Reason for Decision	To meet the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Government.	
Recommendations	**THAT CABINET:** 1. **ENDORSES THE ATTACHED COUNCIL REPORT (APPENDIX A) AND RECOMMENDS IT TO COUNCIL FOR APPROVAL AT ITS MEETING ON 23 FEBRUARY 2023.** 2. **DELEGATES AUTHORITY TO THE SECTION 151**	

	OFFICER, IN CONSULTATION WITH THE CORPORATE PORTFOLIO HOLDER, TO MAKE AMENDMENTS TO THE REPORT TO IMPROVE ITS ACCURACY PRIOR TO CONSIDERATION AT COUNCIL ON 23 FEBRUARY 2023.

1.0 BACKGROUND

1.1 The 2023/24 Capital Strategy, Treasury Management Strategy and Prudential Indicators are due to be approved by Council on the 23 February 2023.

1.2 Cabinet is requested to review the Council Report 2023/24 Capital Strategy, Treasury Management Strategy and Prudential Indicators (Appendix A) and recommend it to Council for approval.

1.3 Delegation is also sought to enable the Section 151 Officer, in conjunction with the Corporate Portfolio Holder, to make amendments to the Council report to improve its accuracy or any required technical adjustments prior to consideration at Council on 23 February 2023.

Policies and other considerations, as appropriate	
Council Priorities:	The Capital Strategy and Treasury Management Strategy Statement help the Council achieve all its priorities: - Supporting Coalville to be a more vibrant, family-friendly town - Support for businesses and helping people into local jobs - Developing a clean and green district - Local people live in high quality, affordable homes Our communities are safe, healthy and connected
Policy Considerations:	None
Safeguarding:	Not applicable
Equalities/Diversity:	Not applicable
Customer Impact:	Not applicable
Economic and Social Impact:	Not applicable
Environment and Climate Change:	The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing Where practical when making investment decisions ESG will be considered and counterparties with integrated ESG policies and commitments to carbon net zero by 2050 will be favoured by the council.
Consultation/Community/Tenant Engagement:	Corporate Scrutiny – 4 January 2023 Cabinet – 10 January 2023 Public consultation 16/01/23 – 27/01/23

Risks:	Borrowing and investment both carry an element of risk. This risk is moderated through the adoption of Treasury and Investment Strategies, compliance with the CIPFA Code of Treasury Management and the retention of Treasury Management advisors (Arlingclose) to offer expert advice.
Officer Contact	Anna Crouch Finance Team Manager and Deputy S151 Officer anna.crouch@nwleicestershire.gov.uk

This page is intentionally left blank

APPENDIX A

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

COUNCIL – THURSDAY, 23 FEBRUARY 2023

Title of Report	**CAPITAL STRATEGY, TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2023/24**	
Presented by	Councillor Nicholas Rushton Corporate Portfolio Holder	
Background Papers	Prudential Indicators and Treasury Strategies 2022/23 – Council 24 February 2022 Draft Capital Strategy, Treasury Management Strategy and Prudential Indicators - Cabinet 10 January 2023.	**Public Report:** Yes
Financial Implications	The report sets out the annual update of the core strategies which underpin the council's approach to managing its capital investment. There are a number of changes proposed to improve the governance and financial management of the capital programme.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	No direct legal implications arising.	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications		
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	To approve the 2023/24 Capital Strategy, Treasury Management Strategy and Prudential Indicators.	
Recommendations	**COUNCIL IS REQUESTED TO:** **1. NOTE THE FINANCIAL INDICATORS REQUIRED UNDER THE PRUDENTIAL CODE DETAILED IN SECTION 3 AND APPROVE THE FOLLOWING LIMITS:** **A) THE AUTHORISED LIMIT AND OPERATIONAL BOUNDARY FOR EXTERNAL DEBT AS DETAILED IN TABLE B OF THE TREASURY MANAGEMENT STRATEGY 2023-24 (APPENDIX 2)** **B) THE MATURITY STRUCTURE OF BORROWING AS DETAILED IN PARAGRAPH 6.6 OF THE TREASURY MANAGEMENT STRATEGY 2023-24 (APPENDIX 2)** **2. NOTE THE MAIN CHANGES TO THE CAPITAL STRATEGY AND MINIMUM REVENUE PROVISION (MRP) STATEMENTAS DETAILED IN PARAGRAPH 2.2 AND** **A) DELEGATE AUTHORITY TO CABINET TO MOVE A CAPITAL SCHEME FROM THE DEVELOPMENT POOL TO THE ACTIVE PROGRAMME AS LONG AS THE SCHEME IS WITHIN THE APPROVED BUDGET** **B) APPROVE THE FOLLOWING ADDITION TO THE**	

	MRP STATEMENT FOR 2022/23 AT PARAGRAPH 1.5: MRP WILL ONLY BE CHARGED ONCE THE ASSET IS FULLY OPERATIONAL AND WILL NOT BE CHARGED WHILST THE ASSET IS UNDER CONSTRUCTION. THE MRP WILL COMMENCE THE YEAR AFTER THE ASSET BECOMES OPERATIONAL. **3. APPROVE THE:** **A) CAPITAL STRATEGY 2023-24 (APPENDIX 1)** **B) TREASURY MANAGEMENT STRATEGY 2023-24 (APPENDIX 2)** **C) MINIMUM REVENUE PROVISION (MRP) STATEMENT 2023-24 (APPENDIX 3)** **D) INVESTMENT STRATEGY 2023-24 (APPENDIX 4)**

1. BACKGROUND

1.1 The Local Government Act 2002 and supporting regulations require the Council to 'have regard to' the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code and the Treasury Management Code of Practice and to prepare, set and publish prudential indicators and treasury indicators that ensure the Council's capital expenditure plans are affordable, prudent and sustainable in the long- term.

1.2 The prudential indicators consider the affordability and impact of capital expenditure plans and set out the Council's overall capital framework. The prudential indicators summarise expected treasury activity, introduce limits upon that activity and reflect the underlying capital programme. As a consequence, a Treasury Management Strategy is prepared which considers the effective funding of the capital expenditure decisions and complements the prudential indicators.

1.3 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return. The Council is required to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby charges to revenue remain affordable within the projected income of the Council for the foreseeable future. These increased charges may arise from:

- increases in interest charges and debt repayment caused by increased borrowing to finance additional capital expenditure; and
- any increases in operational running costs from new capital projects.

1.4 Treasury Management is, therefore, an important part of the overall financial management of the Council's affairs and is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risk associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.5 Specific treasury indicators are prepared and included in the Treasury Management Strategy which requires Member approval. These are detailed in Section 2.

1.6 The Council's treasury activities are strictly regulated by statutory requirements and guidance, including:

- CIPFA Prudential Code for Capital Finance in Local Government
- CIPFA Treasury Management Code of Practice
- MHCLG Investment Guidance
- MHCLG Minimum Revenue Provision (MRP) Guidance.

1.7 The Council's Constitution (via the Financial Procedure Rules) requires full Council to approve the Treasury Management Policy statement for the forthcoming year at or before the start of the year. The statement is proposed to the full Council by the Cabinet. The Head of Finance has delegated responsibility for implementing and monitoring the statement. The Head of Finance is responsible for reporting annually to the Cabinet on the activities of the treasury management operation and on the exercise of his or her delegated treasury management powers. Reports on treasury management are also required to be adequately scrutinised and this role is undertaken by the Audit and Governance Committee.

2.0 CAPITAL AND TREASURY MANAGEMENT STRATEGIES

2.1 The following strategies are attached as appendices for Council to approve:

- Appendix 1 – Capital Strategy 2023/24;
- Appendix 2 – Treasury Management Strategy Statement 2023/24;
- Appendix 3 – Minimum Revenue Provision (MRP) Statement 2023/24; and
- Appendix 4 – Investment Strategy 2023/24.

2.2 There are proposed changes to both the Capital Strategy and the Minimum Revenue Provision (MRP) Statement for 2023/24 which have an impact on the revenue budgets over the life of the Medium-Term Financial Plan (MTFP). These changes are to reduce or delay the revenue impact of the capital programme. The changes are summarised below and are documented in the relevant strategy:

- There are two main changes in the Capital Strategy (Appendix 1)
    - Improvements to governance and the process for managing schemes through their project lifecycle. This includes splitting the programme into two elements; an Approved Active Projects Programme (schemes that are currently in their delivery stage) and a Development Pool (schemes which are indicative and in their early stages). The Capital Strategy and Investment Group will oversee the capital programme and bring schemes forward for promotion to the Approved Programme through Cabinet/Council in line with the Constitution.
    - How the general fund capital programme will be financed. Currently the programme is heavily financed by prudential borrowing which has an impact on the revenue budget through interest charges and the repayment of debt. For 2023/24 onwards there will be no new borrowing to fund capital investments that are not yet in the live approved capital programme. For a capital investment to move from the Development Pool to the 'Active' capital programme, a funding source other than borrowing will need to be identified. This is to ensure the Council does not create additional revenue pressures in the future arising from interest and capital repayment costs.
- The change in the MRP Statement, is in relation to assets under construction, the change means that MRP will not be charged until the asset is fully operational. At present MRP is charged for assets under construction. It is proposed to change this policy for 2022/23.

2.3 As the Statement of Accounts for 2021/22 has not yet been produced, data in the strategies is based on the 2020/21 Accounts and taking into account any known changes such as capital expenditure and changes to reserves.

3.0 PRUDENTIAL INDICATORS

3.1 The CIPFA codes require a prescribed set of prudential indicators to be produced annually and monitored throughout the year and the Council also has the option to add locally set indicators, these are shown below with further explanation to their meanings:

1(a). External Debt - Operational Boundary (Treasury Strategy – Appendix 2)
The most likely, prudent view of the level of gross external indebtedness. External debt includes both borrowing and long-term liabilities (e.g. finance leases). It encompasses all borrowing, whether for capital or revenue purposes. This indicator will be subject to the level and timing of borrowing decisions and so the actual level of borrowing can, therefore, be below or above this initial estimate. However, what cannot be breached without a further report to Council is the authorised borrowing limit.

1(b). External Debt - The Authorised Limit (Treasury Strategy – Appendix 2)
The upper limit on the level of gross external indebtedness, which must not be breached without Council approval. It is the worst-case scenario. It reflects the level of borrowing which, while not desired, could be afforded but may not be sustainable. Any breach must be reported to the executive decision-making body, indicating the reason for the breach and the corrective action undertaken or required to be taken. This limit is a statutory limit required to be set by the Council under Section 3(1) of the Local Government Act 2003.

1(c). External Debt - Actual External Debt (Treasury Strategy – Appendix 2)
The indicator for actual external debt will not be directly comparable to the operational boundary and authorised limit since the actual external debt will reflect the actual position at one point in time.

2. Capital Financing Requirement (CFR) (Treasury Strategy – Appendix 2)
The Capital Financing Requirement (CFR) replaced the ‘Credit Ceiling’ measure of the Local Government and Housing Act 1989. It measures an authority’s underlying need to borrow or use other long-term liabilities, to pay for capital expenditure.

3. Capital Expenditure (Capital Strategy – Appendix 1)
The level of capital expenditure incurred and likely to be incurred in future years. This is to be based on an accruals basis and on the definition of capital expenditure.

4. Gross External Borrowing and the Capital Financing Requirement (Treasury Strategy – Appendix 2)
The level of external borrowing is required to be compared to the Capital Financing Requirement which represents the underlying need to borrow. Requires that borrowing in the medium term can only be for capital purposes.

5. Maturity Structure of Borrowing (Treasury Strategy – Appendix 2)
Local Authority debt portfolios consist of a number of loans with differing maturities. Setting limits assists in ensuring any new borrowing in particular when combined with existing borrowing does not result in large concentrations of borrowing maturing in a short period of time.

6. Principal sums invested for greater than one year (Treasury Strategy –

Appendix 2)

This indicator measures the exposure of a local authority to investing for periods of greater than one year.

7. Ratio of Financing Costs to Net Revenue Stream (Capital Strategy – Appendix A)

This indicator is a measure of affordability of historic and future capital investment plans. It identifies the trend in the cost of capital financing which include:

- interest payable on borrowing
- penalties or any benefits receivable on early repayment of debt
- prudent revenue budget provision for repayment of capital expenditure paid for by borrowing.

This is calculated for the General Fund and Housing Revenue Account (HRA). For the General Fund, the net revenue stream is the amount to be met from non-specific Government grants and Council Tax, whilst for the HRA it is the amount to be met from rent payers. An increasing ratio indicates that a greater proportion of the Council's budget is required for capital financing costs over the planned Capital Programme period.

It should be noted that these figures include assumptions such as:

- no new approvals of additional borrowing apart from that currently proposed over the period of the programme.
- estimated interest rates.
- the level of internal borrowing and timing of external borrowing decisions and capital expenditure.

Policies and other considerations, as appropriate	
Council Priorities:	The Capital Strategy and Treasury Management Strategy Statement help the Council achieve all its priorities: - Supporting Coalville to be a more vibrant, family-friendly town - Support for businesses and helping people into local jobs - Developing a clean and green district - Local people live in high quality, affordable homes - Our communities are safe, healthy and connected
Policy Considerations:	None
Safeguarding:	Not applicable
Equalities/Diversity:	Not applicable
Customer Impact:	Not applicable
Economic and Social Impact:	Not applicable
Environment and Climate Change:	The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing. Where practical when making investment decisions ESG will be considered and counterparties with integrated ESG policies and commitments to carbon net zero by 2050 will be favoured by the council.
Consultation/Community/Tenant	Corporate Scrutiny – 4 January 2023

Engagement:	Cabinet – 10 January 2023 Public consultation 16/01/23 – 27/01/23 Cabinet – 31 January 2023
Risks:	Borrowing and investment both carry an element of risk. This risk is moderated through the adoption of Treasury and Investment Strategies, compliance with the CIPFA Code of Treasury Management and the retention of Treasury Management advisors (Arlingclose) to offer expert advice.
Officer Contact	Anna Crouch Finance Team Manager and Deputy S151 Officer anna.crouch@nwleicestershire.gov.uk

Appendix 1

Capital Strategy 2023/24

1. Background and Scope

1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires local authorities to produce a Capital Strategy to demonstrate how capital expenditure, capital financing and treasury management activity contribute to the provision of desired outcomes and take account of stewardship, value for money, prudence, sustainability, and affordability. The Prudential Code has been significantly updated to incorporate changes which restrict councils using borrowing to finance commercial property solely for generating yield. The Capital Strategy reflects the new requirements and compliance to them.

1.2 The Capital Strategy forms part of the framework for financial planning and is integral to both the Medium-Term Financial Plan (MTFP) and the Treasury Management Strategy Statement (TMSS). It sets out how capital investment will play its part in delivering the long-term strategic objectives of the Council, how associated risk is managed and the implications for future financial sustainability.

1.3 The Capital Strategy maintains a strong and current link to the Council's Priorities and to other key strategy documents as shown below:

- Corporate Plan
- HRA Business Plan
- Asset Management Strategy

1.4 All capital expenditure and capital investments decisions are covered by this strategy. Decisions made this year on capital and treasury management will have financial consequences for the Council for many years into the future. It is refreshed annually in line with the MTFP and TMSS to ensure it remains fit for purpose and enables the Council to make investments necessary to deliver its strategic aims and objectives.

1.5 The Capital Strategy is considered by the Council as one of the foundations of good financial management and reflects the requirements under the CIPFA Financial Management Code.

2. Economic

2.1 The national economic position has been influenced by a number of factors in recent years including the Covid-19 pandemic, Brexit, Russian invasion of Ukraine and the cost-of-living crisis. The government has provided unprecedented support through these events. The key economic challenges faced by the Council are inflation, lower economic growth and a potential recession.

3. Capital Expenditure

3.1 In contrast to revenue expenditure which is spending on the day to day running costs of the services such as employee costs and services, capital expenditure seeks to provide long-term solutions to Council priorities and operational requirements. Capital expenditure is technically described as: expenditure on the acquisition, creation, or enhancement of 'non-current assets' i.e., items of land, property and plant which has a useful life of more than one year. Expenditure for capital purposes therefore gives rise to new assets, increases the value or useful life of existing assets or generates economic and social value and an income stream to the Council via non-treasury investments.

3.2 The five aims of the Capital Strategy are:

i. To take a **long-term perspective of capital investment** and to ensure this contributes to the achievement of the Council's Delivery Plan, emerging Local Plan and key strategies such as the Corporate Strategy.
ii. To ensure investment is **prudent, affordable, and sustainable** over the medium term and adheres to the prudential code, Treasury Management Code and other regulatory conditions.
iii. To maintain the **arrangements and governance for investment decision-making** through established governance boards.
iv. To make the **most effective and appropriate use of the funds available** in long term planning and using the most optimal annual financing solutions.
v. To establish **a clear methodology to prioritise capital proposals**.

3.3 The MTFP sets out the key principles and this strategy will support the achievement of the right blend of investment in key priority areas to enable the following:

- Financial Stability and Sustainability
- Resources focused on priorities
- Maximising Income Streams
- Risk Management.

3.4 In 2023/24, the Council is planning capital expenditure of £21.1 million as summarised in the table below and future years are shown in Appendix A.

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2021/22 actual	**2022/23 forecast***	**2022/23 c/fwd**	**2023/24 budget**
General Fund services	15.4	7.2	8.4	5.9
Council housing (HRA)	5.9	11.0	0.0	15.2
TOTAL	**21.3**	**18.2**	**8.4**	**21.1**

* 2022/23 forecast is based on the draft outturn position and may be subject to change

4. Principles for Capital Planning

4.1 Like most public sector bodies the Council has experienced delays on the physical progress of projects against the approved profile and cost over runs. This can be directly linked to the size of the programme, capacity to deliver and over optimism on the project in terms of cost, time and external factors outside the project sponsor's control.

4.2 When capital schemes are approved their inclusion into the capital programme is based on best estimates and slippage is measured against the approved profile at the end of the financial year. The Council will need to significantly improve its performance to ensure that all projects being proposed for inclusion can be delivered within the timeframe and budget stated prior to programme entry. Resource capacity and size of the programme will need to be assessed annually as part of the budget setting process and a range of optimism bias tolls that are available should be utilised in business case assessments of delivery of major projects, as well as at a programme level.

4.3 Delivery of the programme will be overseen by the established governance boards as outlined in Section 6. The Council will operate a clear and transparent corporate approach to the prioritisation of capital spending. The investment principles are set out below:

a) **Invest to improve and maintain Council assets**
The Council will improve and maintain the condition of its core assets to extend their life where appropriate.

b) **Investing for sustainable, inclusive, economic growth**
The Council will expand its capacity to grow the economy in an inclusive manner, whilst delivering whole system solutions to demographic, social and environmental challenges sustainably

c) **Invest to save and to generate income**
The Council will invest in projects which will:
- Reduce running costs
- Avoid costs (capital or revenue) that would otherwise arise
- Generate a financial return

d) **Risk awareness**
The risks of the project have been fully assessed, consulted, communicated and are at an acceptable level.

4.4 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and central government grants. In developing subsequent capital schemes, it will be with a view to ensuring the capital financing costs are less than 15% as a proportion of General Fund net revenue budget over the medium and long term. Table 2 shows the proportion of financing costs to net revenue stream, future years are available in Appendix A.

Table 2: Prudential Indicator: Proportion of financing costs to net revenue stream

	2021/22 actual	**2022/23* forecast**	**2023/24 budget**
General Fund			
Financing costs (£m)	1.4	1.6	1.8
Proportion of net revenue stream	9%	9%	11%
Housing Revenue Account			
Financing costs (£m)	2.1	1.7	1.8
Proportion of net revenue stream	12%	10%	9%

* 2022/23 forecast is based on the draft outturn position and may be subject to change

5. Financing the Capital Investment Programme

5.1 The Council's capital programme is approved as part of the annual budget setting process. The capital programme is scrutinised by the Corporate Scrutiny Committee, recommended to Council by Cabinet, and then approved by Council. The capital programme is funded from a range of sources, principally:
- Grants
- Developer Contributions

- Capital Receipts
- Revenue and Reserves
- Prudential Borrowing

5.2 The first call on available capital resources will always be the financing of spending on live projects, including those carried forward from previous years.

5.3 For the General Fund, in the medium term, for 2023/24 onwards there will be no new borrowing to fund capital investments that are not yet in the live approved capital programme. This is due to the budget pressures facing the Council in future years and the repayment of debt whether internal or external have a revenue implication. For a capital investment to move from the Development Pool to the 'Active' capital programme, a funding source other than borrowing will need to be identified. This is to ensure the Council does not create additional revenue pressures in the future arising from interest and capital repayment costs.

5.4 The planned financing of the capital expenditure in Table 1 is summarised in the table below and full details are available in Appendix B:

Table 3: Capital Financing in £ millions

	2021/22 actual	**2022/23* forecast**	**2022/23 c/fwd**	**2023/24 budget**
External sources	1.2	0.7	0.2	2.6
Capital receipts	1.6	4.7	0.1	6.8
Revenue resources	4.6	7.6	2.4	11.4
Debt	13.9	5.2	5.7	0.3
TOTAL	**21.3**	**18.2.**	**8.4**	**21.1**

* 2022/23 forecast is based on the draft outturn position and may be subject to change

Grants

5.5 The Council receives grants from government, partners, and other organisations to finance capital investment. Grants can be split into two categories:
- Un-ringfenced – resources which are delivered through grant that can be utilised on any project (albeit that there may be an expectation of use for a specific purpose).
- Ring-fenced – resources which are ringfenced to a particular service area and therefore have restricted uses.

Developer/External Contributions

5.6 Significant developments across the district are often liable for contributions to the Council in the form of S106 contributions. If contributions reduce the funding, timing of the planned programme will need reviewing. Following achievement of the targeted contributions, the Council can consider further projects with which to utilise this funding stream.

Capital Receipts

5.7 Capital receipts come from the sale of Council's assets. The Council will adhere to statutory guidance in relation to capital receipts. In considering asset disposals, the Council will comply with its Asset Management Strategy and Disposals Policy.

5.8 If the disposal is within the Housing Revenue Account (HRA) land or property, then not all of the receipt is available to support the capital programme as a percentage has to be paid over to the Department of Levelling Up, Housing and Communities (DLUHC).

5.9 The current strategy is for the assumed receipts from sale/disposal of assets to be taken into consideration when assessing the total value of receipts targeted to fund the overarching capital programme and planned flexible use of receipts (Appendix B).

5.10 Where the asset has been temporarily funded from prudential borrowing a review will be undertaken to determine whether the most cost-effective option is to utilise the receipt to repay the debt, considering the balance sheet position of the Council.

5.11 Where the sale of an asset leads to a requirement to repay grant the capital receipt will be utilised for this purpose. Once the liability has been established and provided for, the residual capital receipt will be available to support the capital programme as a corporate resource.

5.12 Appropriations of land between the General Fund and HRA will be considered on a site-by-site basis. The HRA 'pays for the land through an increase in the HRA Capital Financing Requirement (CFR). The General Fund benefits from a corresponding decrease in its CFR. The CFR adjustments should be based on the market value of land but taking into account of the intended use for social or other sub market housing. The Council has the discretion whether to appropriate land on this basis or sell it on the open market. More information on the Council's CFR is available in the Treasury Management Strategy Statement 2023/24.

<u>Revenue and Reserves</u>

5.13 The Council may choose to utilise revenue contributions to capital and finance its capital investment. This would be through contributions from the Council's revenue budget or from reserves.

5.14 Two reserves will be available to finance the capital programme:

a) MTFP Reserve - The former Journey to Self Sufficiency Reserve (J2SS) has been renamed MTFP (Medium Term Financial Plan) Reserve. It will be used for managing risks over the medium term, investing in projects to make the Council more efficient, reducing its operating costs (e.g. making our building more energy efficient to reduce on going costs), generating more income and funding the capacity for the Council to deliver its financial plans.
b) Business Rates Reserve –The Business Rates Reserve includes the additional business rates revenues from growth in the district (including contributions from Business Rates Pool and Freeport) in excess of that included in the revenue budget to fund on-going services. This additional growth will be prioritised to fund the capital programme and projects. The reserve will also be used to manage the cashflow implications between the timing of payments received into the collection fund and government grants for business rates relief announced HM Treasury in recent years to support businesses through Covid-19 and cost of living crisis. The growth in business rates will not be used to fund the capital programme until the growth has materialised.

Prudential Borrowing

5.15 Table 3 above sets out how the Council will finance its capital expenditure (Table1). These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending obligations. The management of longer-term cash may involve long or short-term loans, or using cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

5.16 In planning for long term capital investment it is essential the long-term revenue financing cost is affordable. Any long-term investment is paid over the life of the asset. It is essential the Council is able to meet the costs of borrowing and minimum revenue provision (MRP) over the life of the asset.

5.17 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). More information is available in the Council's Minimum Revenue Provision Strategy. Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are as follows and future years are available in Appendix C:

Table 4: Replacement of prior years' debt finance in £ millions

	2021/22 forecast	**2022/23 forecast***	**2023/24 budget**
Minimum revenue provision (MRP) – General Fund	1.0	1.2	1.4
Minimum revenue provision (MRP) – HRA	14.2	1.2	1.2
Capital receipts	0.0	0.0	0.0
TOTAL	**15.2**	**2.4**	**2.6**

* 2022/23 forecast is based on the draft outturn position and may be subject to change

5.18 In taking out new external borrowing, the Council will consider a range of different options such as Public Works Loan Board (PWLB), Market Loans, Private Placement and Bonds (Public, Pooled, Community Municipal Investment and Retail). More information is available in the Council's Borrowing Strategy which is included within the Treasury Management Strategy Statement 2023/24.

5.19 Any borrowing taken out is secured against the Council as an entity rather than against specific assets for which it is borrowed for. The Council is required to demonstrate to the PWLB in advance of borrowing that is affordable.

Housing Revenue Account (HRA)

5.20 The HRA Capital and Revenue Investment Programme is entirely funded from the ring-fenced Housing Revenue Account. The investment programme is driven by the 30-year HRA Business Plan. Key areas of housing include planned and cyclical works, zero carbon works and new supply. The programme also includes development and special projects. The HRA capital programme is funded from:

- HRA Self-Financing (the Major Repairs Reserve)

- Capital Receipts (HRA – Right to Buy and other asset sales)
- Revenue and Reserves (HRA contributions from revenue)
- Capital grants from government and other bodies
- Borrowing

5.21 Prior to 2018 the HRA had a limit to how much it was allowed to borrow, known as the HRA borrowing cap, which is tighter than the value of their assets, in order to control public borrowing levels. The HRA borrowing cap was abolished in late 2018. Further borrowing may be undertaken within the HRA subject to overall affordability and requisite business cases which should consider all risks including loss through right to buy.

5.22 The Council can use one for one element of Right to Buy (RTB) receipts to fund up to 40% of building new homes, the receipt must be used within five years. If not, the receipt is paid to DLUHC with interest. The removal of the cap means additional borrowing can be used to meet the remaining 60% of new home building.

5.23 Generally capital expenditure would be funded from capital sources however in exception revenue resources are able to be used to fund capital. The main exception is the use of housing rents to fund capital expenditure within the HRA.

6. Governance of the Capital Strategy

Approval of Capital Strategy and Capital Programme

6.1 The Capital Strategy is agreed annually alongside the TMSS. The Capital Programme is agreed annually by Full Council as part of the budget setting process. Variations to the Capital Programme or in-year additions, subject to delegation by Full Council, will be agreed by Cabinet including moving schemes from the Development Pool to the Approved Programme as long as the scheme is within the budget approved by Council and there are sufficient reserves available. Quarterly monitoring of the Capital Programme will be presented to Corporate Scrutiny and Cabinet.

Strategic Oversight and Delivery

6.2 The newly established Capital Strategy and Investment Group leads on the development and maintenance of the Capital Strategy that is consistent with the relevant code of practice, Corporate Strategy and core regulatory functions, Medium Term Financial Plan and Treasury Management Strategy.

6.3 The Capital Strategy and Investment Group has an oversight and stewardship role for the development and delivery of the Council's capital expenditure within affordable limits, which will include both the Capital Programme and capital investments; as well as providing strategic direction to the programme and projects where necessary.

Capital Programme and Project Delivery

6.5 The delivery of individual capital projects and programmes are managed through project boards in each directorate and for services which do not have a specific projects board delivery is managed through the Capital Strategy and Investment Group. The Project Boards are responsible for developing, managing and progressing capital projects; as well as reporting into the Capital Strategy and Investment Group.

Scrutiny

6.6 The formal scrutiny process will be used to ensure effective challenge via the quarterly Performance Report. The Corporate Scrutiny Committee is also engaged when setting the Capital programme prior to its consideration by Cabinet and approval by Full

Council. It should be noted business cases seeking Cabinet approval will follow the standard decision pathway and as such can be subject to Scrutiny as part of that process.

Managing Schemes Through Their Capital Lifecycle

6.7 The management of capital schemes through their lifecycle is an important aspect of delivering a successful capital investment programme. The approach should balance cost/funding certainty, risk, clarity of commitment to scheme, robust governance and transparent decision making.

6.8 An important aspect of the Council's capital governance framework is at which point schemes are in their development stage and when they are sufficiently developed to enter the approved capital programme. The capital programme is split into three broad components:

- Mandate. The initial concept and need for a capital scheme. Schemes will require prioritisation to ensure strategic fit and there are sufficient resources/capacity/capability to deliver the scheme.
- Development Pool. A priority capital scheme in its early/developmental stages, typically outline business case (OBC) and full business case (FBC). At this stage costs/funding/risks are uncertain, gaining certainty as more in-depth work is undertaken.
- Approved Capital Programme. This refers to a capital scheme which has been through OBC and FBC stages and is developed to an acceptable level of certainty to be formally approved in the programme for delivery/implementation.

Key Decision-Making Considerations

6.9 All capital investment decisions will be underpinned by a robust business case that sets out any expected financial return alongside the broader outcomes/impacts, including economic, environmental and social benefits.

6.10 Throughout the decision-making process the risks and rewards for each project are reviewed and revised and form part of the monitoring of the capital programme. The Capital Strategy and Investment Board receives monthly updates detailing financial forecasts and risks.

6.11 There may be occasions when the nature of a particular proposal requires additional support in the production of the business case or for example in performing of a value for money or due diligence review. In these circumstances the Council may seek external advice.

6.12 The capital programme is reported to Cabinet and Council as part of the annual budget setting process which will take into consideration any material changes to the programme and the investment. The in-year position is monitored monthly, with periodic budget reports to Cabinet with capital reports incorporated. Within that monitoring report minor new investment proposals will be included and variations such as slippage and need for acceleration. Major new capital investment decisions will be subject to an individual report to Cabinet.

6.13 The Chief Finance Officer should report explicitly on the affordability and risk associated with the capital strategy. Where appropriate the Chief Finance Officer will have access to specialised advice to enable them to reach their conclusions and ensure sufficiency of reserves should risk or liabilities be realised.

7. Risk Management

7.1 One of the Council's key investment principles is that all investment risks should be understood with appropriate strategies to manage those risks. Major capital projects require careful management to mitigate the potential risks which can arise. The effective monitoring, management and mitigation of these risks is a key part of managing the capital strategy. All projects are required to maintain a risk register and align reporting to the Council's reporting framework.

7.2 In managing the overall programme of investment there are inherent risks associated such as changes in interest rates or credit risk of counter parties.

7.3 Accordingly, the Council will ensure that robust due diligence procedures cover all external capital investment. Where possible contingency plans will be identified at the outset and enacted when appropriate.

7.4 No project or investment will be approved where the level of risk - determined by the Cabinet or Chief Financial Officer as appropriate - is unacceptable.

8. Skills and Knowledge

8.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Head of Finance and Section 151 and Finance Team Manager and Deputy Section 151 Officer are both qualified accountants and the Head of Property Services and Economic Regeneration is a qualified surveyor. The Council pays for junior staff to study towards relevant professional qualifications including Charted Institute of Public Finance and Accountancy (CIPFA), Association of Accounting Technicians (AAT) and Royal Institute of Chartered Surveyors (RICS).

8.2 Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers, and Wilks, Head and Eve as valuation consultants. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

8.2 Appropriate training will be provided to all charged with investment responsibilities. This includes all those involved in making investment decisions such as members of Capital Strategy and Investment Board as well as those charged for scrutiny and governance such as relevant scrutiny committees and the audit committee. Training will be provided either as part of meetings or by separate ad hoc arrangements.

8.3 When considering complex and 'commercial' investments, the Council will ensure that appropriate specialist advice is taken. If this is not available internally it will be commissioned externally to inform decision making and appropriate use will be made of the Council's Treasury Management advisers.

9. Capital Governance Improvement Plan

9.1 The Council recognises it needs to improve its capital governance, delivery capacity and related processes. The Capital Strategy and Investment Board will develop an improvement plan with a view of improving Capital Governance during 2023/24.

Appendix A

Capital Strategy Prudential Indicators

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2021/22 actual	2022/23 forecast*	2022/23 c/fwd	2023/24 budget	2024/25 budget	2025/26 budget	2026/27 budget	2027/28 budget
General Fund services	15.4	7.2	8.4	5.9	2.5	4.6	2.4	1.5
Council housing (HRA)	5.9	11.0	0.0	15.2	13.6	12.0	12.3	9.5
TOTAL	**21.3**	**18.2**	**8.4**	**21.1**	**16.1**	**16.6**	**14.7**	**11.0**

* 2022/23 forecast is based on the draft outturn position and may be subject to change

Table 2: Prudential Indicator: Proportion of financing costs to net revenue stream

	2021/22 actual	2022/23* forecast	2023/24 budget	2024/25 budget	2025/26 budget	2026/27 budget	2027/28 budget
General Fund							
Financing costs (£m)	1.4	1.6	1.8	2,6	2.5	2.5	2.4
Proportion of net revenue stream	9%	9%	11%	15%	15%	15%	15%
Housing Revenue Account							
Financing costs (£m)	2.1	1.7	1.8	1.9	2.2	2.5	2.8
Proportion of net revenue stream	12%	10%	9.2%	9.4%	10.6%	11.9%	13.1%

* 2022/23 forecast is based on the draft outturn position and may be subject to change

Capital financing in £ millions

	2021/22 actual	2022/23 forecast	2022/23* c/fwd	2023/24 budget	2024/25 budget	2025/26 budget	2026/27 budget	2027/28 budget
General Fund								
External sources	0.9	0.7	0.2	1.2	0.7	0.7	0.7	0.7
Capital receipts	0.5	1.2	0.1	0.3				
Revenue resources	0.1	0.1	2.4	4.1	1.8	3.9	1.7	0.8
Debt	13.9	5.2	5.7	0.3				
TOTAL	**15.4**	**7.2**	**8.4**	**5.9**	**2.5**	**4.6**	**2.4**	**1.5**
Housing Revenue Account								
External sources	0.3			1.4	1.4			
Capital receipts	1.1	3.5		6.5	1.9	0.8	1.5	0.4
Revenue resources	4.5	7.5		7.3	4.9	4.2	3.9	4.1
Debt					5.4	7.0	6.9	5.0
TOTAL	**5.9**	**11.0**	**0.0**	**15.2**	**13.6**	**12.0**	**12.3**	**9.5**
Total								
External sources	1.2	0.7	0.2	2.6	2.1	0.7	0.7	0.7
Capital receipts	1.6	4.7	0.1	6.8	1.9	0.8	1.5	0.4
Revenue resources	4.6	7.6	2.4	11.4	6.7	8.1	5.6	4.9
Debt	13.9	5.2	5.7	0.3	5.4	7.0	6.9	5.0
TOTAL	**21.3**	**18.2**	**8.4**	**21.1**	**16.1**	**16.6**	**14.7**	**11.0**

* 2022/23 forecast is based on the draft outturn position and may be subject to change

Appendix C

Replacement of prior years' debt finance in £ millions

	2021/22 forecast	2022/23* forecast	2023/24 budget	2024/25 budget	2025/26 budget	2026/27 budget	2027/28 budget
Minimum revenue provision (MRP) – General Fund	1.0	1.2	1.4	2.3	2.3	2.2	2.1
Minimum revenue provision (MRP) – HRA	14.2	1.2	1.2	1.3	1.3	1.3	0.6
Capital receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**15.2**	**2.4**	**2.6**	**3.6**	**3.6**	**3.5**	**2.7**

* 2022/23 forecast is based on the draft outturn position and may be subject to change

Appendix D

Flexible Use of Capital Receipts Strategy 2023/24

1. Introduction

1.1 As part of the November 2015 Spending Review, the Government announced that it would introduce flexibility for the period of the Spending Review for local authorities to use capital receipts from the sale of assets to fund the revenue costs of service reform and transformation. Guidance on the use of this flexibility was issued in March 2016 which applied to the financial years 2016/17 through to 2019/20.

1.2 In December 2017, the Secretary of State announced that this flexibility would be extended for a further three years (until 2021-2022) and in February 2021 an addition extension of three years was announced. The latest extension focused on the use of capital receipts to fund transformation or other projects that produce long term savings or reduce the costs of service delivery.

2. The Guidance

2.1 Local Government Act 2003 specifies that;

- Local authorities will only be able to use capital receipts from the sale of property, plant and equipment received in the years in which this flexibility is offered. They may not use their existing stock of capital receipts to finance the revenue costs of reform.

- Local authorities cannot borrow to finance the revenue costs of the service reforms.

- The expenditure for which the flexibility can be applied (known as 'Qualifying Expenditure') should be the up-front (set up or implementation) costs that will generate future ongoing savings and/or transform service delivery to reduce costs or the demand for services in future years. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.

- The key determining criteria to use when deciding whether expenditure can be funded by the new capital receipts flexibility is that it is forecast to generate ongoing savings to an authority's net service expenditure.

- In using the flexibility, the Council will have due regard to the requirements of the Prudential Code, the CIPFA Local Authority Accounting Code of Practice and the current edition of the Treasury Management in Public Services Code of Practice.

2.2 To make use of this flexibility, the Council is required to prepare a "Flexible use of capital receipts strategy" before the start of the year, to be approved by Full Council. This can form part of the budget report to Council. This Strategy therefore applies to the financial year 2023/24, which commences on 1 April 2023.

3. Examples of qualifying expenditure

3.1 There are a wide range of projects that could generate qualifying expenditure and the list below is not prescriptive. Examples of projects include:

- Sharing back-office and administrative services with one or more other council or public sector bodies;

- Investment in service reform feasibility work, e.g. setting up pilot schemes;

- Collaboration between local authorities and central government departments to free up land for economic use;

- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;

- Sharing Chief-Executives, management teams or staffing structures;

- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;

- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations;

- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training;

- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others);

- Integrating public facing services across two or more public sector bodies to generate savings or to transform service delivery.

4. The Council's 2022/23 Budget Proposal

4.1 The Government has provided a definition of expenditure which qualifies to be funded from capital receipts. This is: "Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility."

4.2 The 2023/24 budget proposal does not include any proposal to utilise the flexible use of capital receipts. However, if during the year projects are identified that satisfy the definition above these will be considered by Cabinet and approval for the use of capital receipts will be requested through the relevant channels in line with the Council's Budget and Policy Framework Rules.

5. Impact on Prudential Indicators

5.1 The guidance requires that the impact on the Council's Prudential Indicators should be considered when preparing a Flexible Use of Capital Receipts Strategy. Capital receipts which are allocated to fund the Council's capital programme have been allocated, will be monitored throughout the year and will not be subsequently used to fund qualifying expenditure. Therefore, there will be no change to the council's Prudential Indicators that are contained in the Treasury Management Strategy Statement.

Appendix 2

North West Leicestershire District Council

Treasury Management Strategy Statement 2023/24

1 Introduction

1.1 Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.

1.2 Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

1.3 Investments held locally for service purposes, local regeneration, local investment and profit to be spent on local public services are considered in a different document, the Investment Strategy.

2 External Context

2.1 **Economic background:** The ongoing impact on the UK from the war in Ukraine, together with higher inflation, higher interest rates, uncertain government policy, and a deteriorating economic outlook, will be major influences on the Authority's treasury management strategy for 2023/24.

2.2 The Bank of England (BoE) increased Bank Rate by 0.5% to 3.5% in December 2022. This followed a 0.75% rise in November which was the largest single rate hike since 1989 and the ninth successive rise since December 2021. The December decision was voted for by a 6-3 majority of the Monetary Policy Committee (MPC), with two dissenters voting for a no-change at 3% and one for a larger rise of 0.75%.

2.3 The November quarterly Monetary Policy Report (MPR) forecast a prolonged but shallow recession in the UK with CPI inflation remaining elevated at over 10% in the near-term. While the projected peak of inflation is lower than in the August report, due in part to the government's support package for household energy costs, inflation is expected remain higher for longer over the forecast horizon and the economic outlook remains weak, with unemployment projected to start rising.

2.4 The UK economy contracted by 0.3% between July and September 2022 according to the Office for National Statistics, and the BoE forecasts Gross Domestic Product (GDP) will decline 0.75% in the second half of the calendar year due to the squeeze on household income from higher energy costs and goods prices. Growth is then expected to continue to fall throughout 2023 and the first half of 2024.

2.5 CPI inflation is expected to have peaked at around 11% in the last calendar quarter of 2022 and then fall sharply to 1.4%, below the 2% target, in two years' time and to 0% in three years' time if Bank Rate follows the path implied by financial markets at the time of the November MPR (a peak of 5.25%). However, the BoE stated it considered this path to be too high, suggesting that the peak in interest rates will be lower, reducing the risk of inflation falling too far below target. Market rates have fallen since the time of the November MPR.

2.6 The labour market remains tight for now, with the most recent statistics showing the unemployment rate was 3.7%. Earnings were up strongly in nominal terms by 6.1% for both total pay and for regular pay but factoring in inflation means real pay for both measures was -2.7%. Looking forward, the November MPR shows the labour market weakening in response to the deteriorating outlook for growth, leading to the unemployment rate rising to around 6.5% in 2025.

2.7 Interest rates have also been rising sharply in the US, with the Federal Reserve increasing the range on its key interest rate by 0.5% in December 2022 to 4.25%-4.5%. This rise follows four successive 0.75% rises in a pace of tightening that has seen rates increase from 0.25%-0.50% in March 2022. Annual inflation has been slowing in the US but remains above 7%. GDP grew at an annualised rate of 3.2% (revised up from 2.9%) between July and September 2022, but with official interest rates expected to rise even further in the coming months, a recession in the region is widely expected at some point during 2023.

2.8 Inflation rose consistently in the Euro Zone since the start of the year, hitting a peak annual rate of 10.6% in October 2022, before declining to 10.1% in November. Economic growth has been weakening with an upwardly revised expansion of 0.3% (from 0.2%) in the three months to September 2022. As with the UK and US, the European Central Bank has been on an interest rate tightening cycle, pushing up its three key interest rates by 0.50% in December, following two consecutive 0.75% rises, taking its main refinancing rate to 2.5% and deposit facility rate to 2.0%.

2.9 **Credit outlook:** Credit default swap (CDS) prices have generally followed an upward trend throughout 2022, indicating higher credit risk. They have been boosted by the war in Ukraine, increasing economic and political uncertainty and a weaker global and UK outlook, but remain well below the levels seen at the beginning of the Covid-19 pandemic.

2.10 CDS price volatility was higher in 2022 compared to 2021 and the divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities has emerged once again.

2.11 The weakening economic picture during 2022 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several local authorities and financial institutions, revising them from to negative from stable.

2.12 There are competing tensions in the banking sector which could impact bank balance sheet strength going forward. The weakening economic outlook and likely recessions in many regions increase the possibility of a deterioration in the quality of banks' assets, while higher interest rates provide a boost to net income and profitability.

2.13 However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

2.14 **Interest rate forecast (December 2022):** The Council's treasury management adviser Arlingclose forecasts that Bank Rate will continue to rise in 2022 and 2023 as the Bank of England attempts to subdue inflation which is significantly above its 2% target.

2.15 While interest rate expectations reduced during October and November 2022, multiple interest rate rises are still expected over the forecast horizon despite looming recession. Arlingclose expects Bank Rate to rise to 4.25% by June 2023 under its central case, with the risks in the near- and medium-term to the upside should inflation not evolve as the Bank forecasts and remains persistently higher.

2.16 Yields are expected to remain broadly at current levels over the medium-term, with 5-, 10- and 20-year gilt yields expected to average around 3.5%, 3.5%, and 3.85% respectively over the 3-year period to December 2025. The risks for short, medium and longer-term yields are judged to be broadly balanced over the forecast horizon. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

2.17 A more detailed economic and interest rate forecast provided by Arlingclose is in Appendix A.

2.18 For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate/yield of 3.41%, and that new long-term loans will be borrowed at an average rate of 4.42%.

3 Local Context

3.1 On 31 December 2022, the Council held £63.2 million of borrowing and £61.9 million of treasury investments. This is set out in further detail at Appendix B. Forecast changes in these sums are shown in the balance sheet analysis in Table 1 below. Please note that due to not having the 2021/22 accounts finalised this forecast uses financial data from the draft 2020/21 Statement of Accounts. Where available these figures have been updated with current positions, but the overall position is still subject to some change.

Table 1: Balance sheet summary and forecast

	31.3.21 Actual £m	31.3.22 Forecast £m	31.3.23 Forecast £m	31.3.24 Forecast £m	31.3.25 Forecast £m
Capital financing requirement	**95.8**	**92.3**	**95.1**	**102.7**	**104.5**
Less: External borrowing **	79.0	64.8	62.6	59.8	58.6
Internal borrowing	**16.8**	**29.5**	**32.5**	**42.9**	**45.9**
Less: Balance sheet resources	64.3	77.6	76.2	65.3	62.6
Treasury investments	**47.5**	**50.1**	**43.7**	**22.4**	**16.7**

3.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying sums available for investment. In other words, the CFR is the total historic outstanding capital expenditure which has not yet been paid for. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

3.3 CIPFA' s *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2023/24.

3.4 **Liability benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as Table 1 above, but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk. This also allows the Council to maintain its professional investor status (known as MIFID) which allows for higher levels of advice from its treasury advisors and investment in a more diverse range of sources.

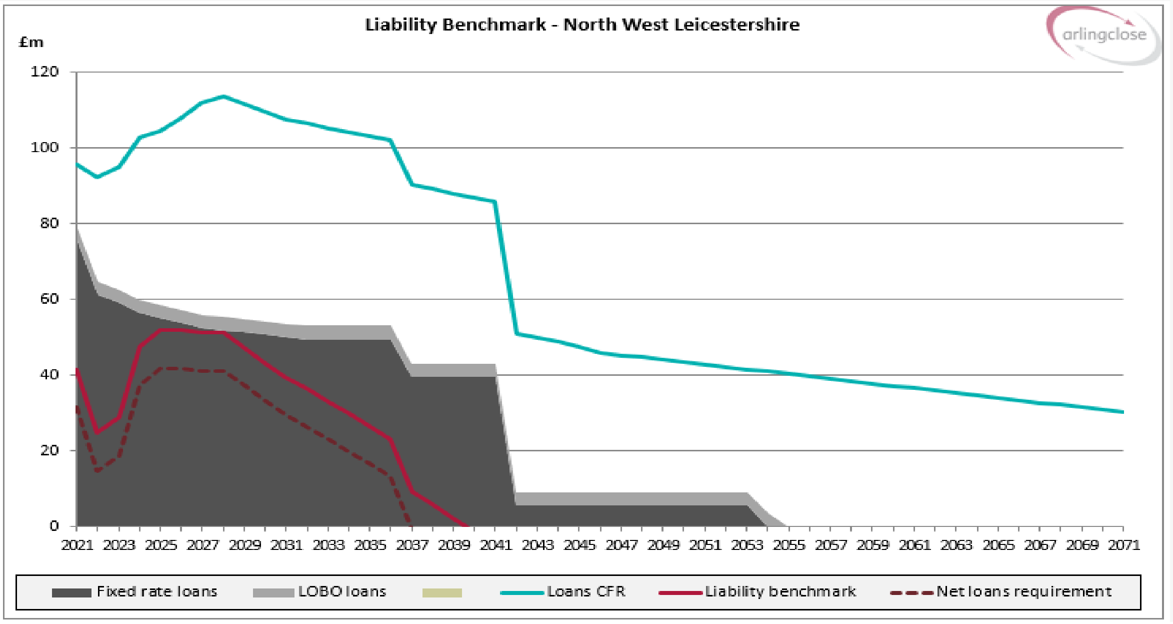
3.5 The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

3.6 Please note that the balance sheet resources figures are based on the 2020/21 unaudited accounts which are yet to be audited. Therefore, it is subject to change.

Table 2: Prudential Indicator: Liability benchmark

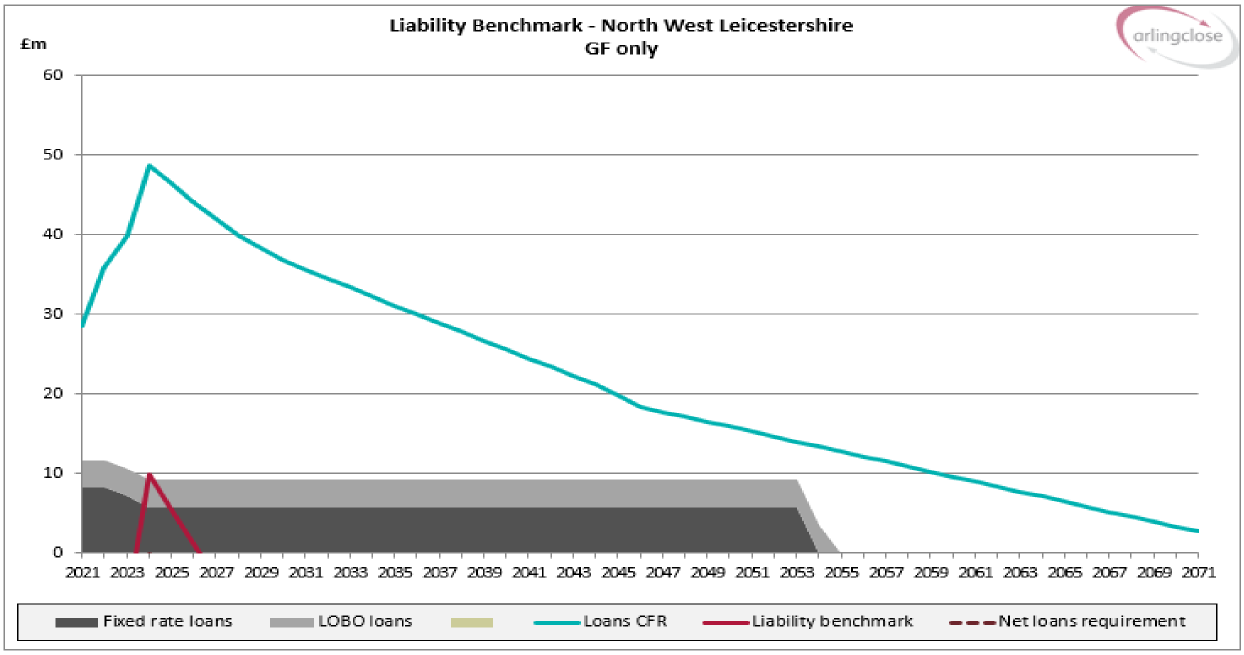
	31.3.21 Actual £m	**31.3.22 Forecast £m**	**31.3.23 Forecast £m**	**31.3.24 Forecast £m**	**31.3.25 Forecast £m**
Loans CFR	95.8	92.3	95.1	102.7	104.5
Less: Balance sheet resources	64.3	77.6	76.2	65.3	62.6
Net loans requirement	31.5	14.7	18.9	37.4	41.9
Plus: Liquidity allowance	10.0	10.0	10.0	10.0	10.0
Liability benchmark	**41.5**	**24.7**	**28.9**	**47.4**	**51.9**

3.7 Following on from the medium-term forecasts in Table 2 above, the long-term liability benchmark assumes capital expenditure funded by borrowing only for the HRA, minimum revenue provision on new capital expenditure based on local decisions on asset life and income, expenditure and reserves all increasing by inflation of 2.5% a year. This measure is shown in the charts below initially for the Council as a whole and then split into the General Fund and HRA together with the maturity profile of the Council's existing borrowing. Please note that as with the above graph these figures are in part using the 2020/21 unaudited accounts and may be subject to change:

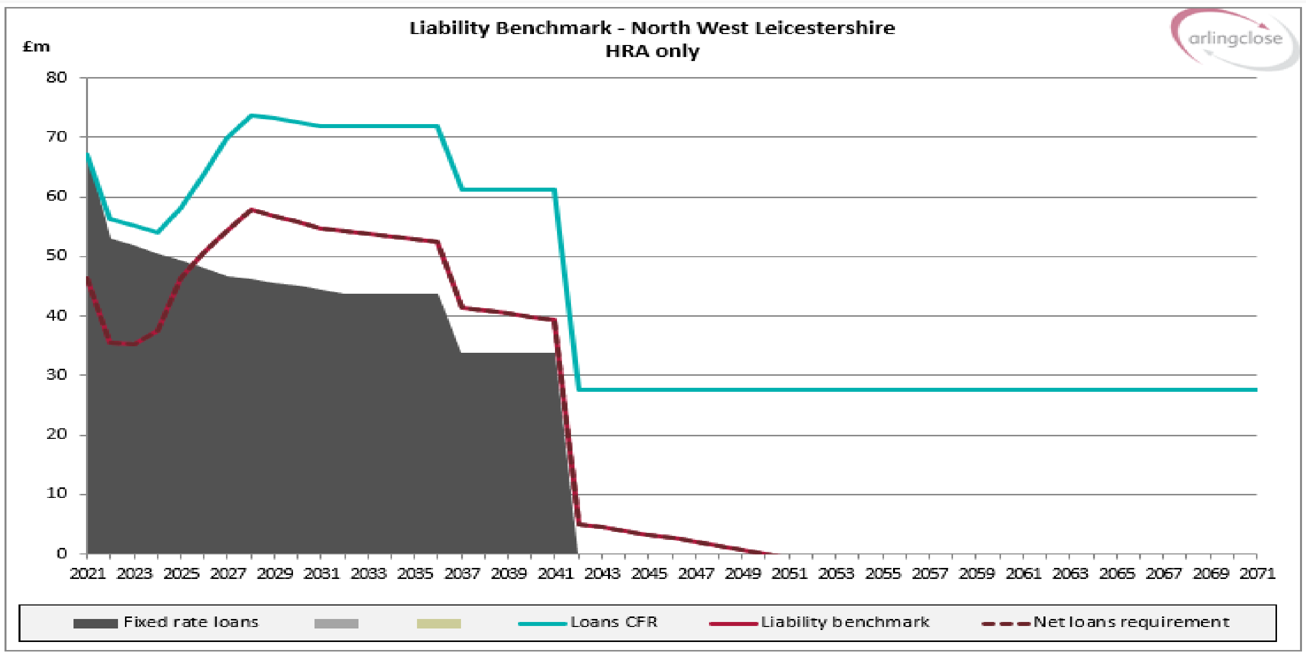


3.8 The above graph demonstrates the Council's overall forecasted borrowing requirement and anticipated underlying need to borrow. It shows that the Council is funding its CFR through a mixture of both internal and external borrowing. Should the Council maintain its policy of internal borrowing there is no expectation that any new external borrowing will be required. It is worth noting that this is subject to change within an uncertain economic environment.

3.9 The following graph shows the Liability Benchmark position for the general fund only. This graph demonstrates that the general fund may need to borrow in the short term. This could be funded through borrowing from the HRA. This situation is subject to change due to a variety of internal and external circumstances.



3.10 The following graph shows the Liability Benchmark position for the HRA. This shows that the HRA will likely require borrowing from 2024/25 to fund the capital programme. As discussed previously this is subject to change and reflects the forecasted position.



4 Borrowing Strategy

4.1 As at 31 December 2022, the Council holds £63.2 million of loans, a decrease of £1.6 million compared to the start of the financial year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in Table 1 shows that the Council's CFR is due to increase by around £7.6 million in 2023/24, this increase will need to be financed through internal or external borrowing. The Council may borrow additional sums to pre-fund future years' requirements, providing this does not exceed the forecast CFR plus any cashflow requirements. This is represented with the authorised limit for borrowing of £105.1 million as outlined below.

4.2 **Affordable borrowing limit:** The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

4.3 Leases limits will come into effect in the 2024/25 financial year with the implementation of IFRS16.

Table 3: Authorised limit and operational boundary for external debt in £m

	2021/22 limit	2022/23 limit	2023/24 limit	2024/25 limit
Authorised limit – borrowing	104.5	102.3	105.1	112.7
Authorised limit – leases	0.0	0.0	0.0	5.0
Authorised limit – total external debt	104.5	102.3	105.1	117.7
Operational boundary – borrowing	94.5	92.3	95.1	102.7
Operational boundary – leases	0.0	0.0	0.0	2.0

	2021/22 limit	2022/23 limit	2023/24 limit	2024/25 limit
Operational boundary – total external debt	94.5	92.3	95.1	104.7

4.4 **Objectives:** The Councils chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

4.5 **Strategy:** Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently slightly higher than long term rates it may be beneficial to borrow long term to lock in lower rates. However, there is also the possibility that short term rates will decrease over the next few years if the economic situation improves. Due to the uncertain economic scenario any decisions on this will be made following an internal review and consultation with our treasury advisors.

4.6 The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2023/24 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

4.7 The Council has previously raised the majority of its long-term borrowing from the Public Works Loan Board (PWLB) but will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council intends to avoid this activity in order to retain its access to PWLB loans.

4.8 Alternatively, the Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

4.9 In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages.

4.10 **Sources of borrowing:** The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- Any institution approved for investments (see below)
- Any other bank or building society authorised to operate in the UK
- Any other UK public sector body
- UK public and private sector pension funds (except Leicestershire County Council Pension Fund)
- Capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

4.11 **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Leasing
- Hire purchase
- Private Finance Initiative
- Sale and leaseback

4.12 **Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

4.13 **Lender's Option Borrower's Option (LOBOs):** The Council holds £3.5 million of LOBO loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. £3.5 million of these LOBOs have options during 2023/24, and with interest rates having risen recently, there is now a reasonable chance that lenders will exercise their options. If they do, the Council will take the option to repay LOBO loans to reduce refinancing risk in later years. Total borrowing via LOBO loans will be limited to £3.5 million.

4.14 **Short-term and variable rate loans**: These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

4.15 **Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

5 Treasury Investment Strategy

5.1 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. Since 31 March 2022, the Council's treasury investment balance has ranged between £68.7 million and £44.0 million. These levels are expected to gradually reduce over the coming year due to planned capital expenditure, use of reserves and repayment of debt.

5.2 **Objectives:** The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

5.3 **Strategy:** As demonstrated by the liability benchmark above, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.

5.4 The CIPFA Code does not permit local authorities to both borrow and invest long-term for cash flow management. But the Council may make long-term investments for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme for up to three years; to manage inflation risk by investing usable reserves in instruments whose value rises with inflation; and to manage price risk by adding diversification to the strategic pooled fund portfolio.

5.5 **ESG policy:** Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

5.6 Where practical when making investment decisions ESG will be considered and counterparties with integrated ESG policies and commitments to carbon net zero by 2050 will be favoured by the council.

5.7 **Business models:** Under the IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

5.8 **Approved counterparties:** The Council may invest its surplus funds with any of the counterparty types in Table 4 below, subject to the limits shown.

Table 4: Treasury investment counterparties and limits

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	5 years	£60m	n/a
Local authorities & other government entities	5 years	£5m	£60m
Secured investments *	5 years	£5m	£60m
Banks (unsecured) *	13 months	£2.5m	£60m

Building societies (unsecured) *	13 months	£2.5m	£5m
Registered providers (unsecured) *	5 years	£2.5m	£12.5m
Money market funds *	n/a	£5m	£60m
Strategic pooled funds	n/a	£5m	£25m
Real estate investment trusts	n/a	£5m	£12.5m
Other investments *	5 years	£2.5m	£5m

This table must be read in conjunction with the notes below:

5.9 *** Minimum credit rating**: Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

5.10 For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £5 million per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

5.11 **Government:** Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 5 years.

5.12 **Secured investments:** Investments secured on the borrower’s assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

5.13 **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

5.14 **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for

Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

5.15 **Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. A £60 million sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

5.16 **Strategic pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

5.17 **Real estate investment trusts (REIT):** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

5.18 **Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.

5.19 **Operational bank accounts:** The Council may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £2.5 million per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

5.20 **Risk assessment and credit ratings**: Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- No new investments will be made,
- Any existing investments that can be recalled or sold at no cost will be, and
- Full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

5.21 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

5.22 **Other information on the security of investments**: The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

5.23 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

5.24 **Investment limits**: The Council's revenue reserves available to cover investment losses are forecast to be £10.3 million on 31 March 2023 and £16.5 million on 31 March 2024. In order that no more than 50% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £5 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

5.25 Credit risk exposures arising from non-treasury investments, financial derivatives and balances greater than £2.5 million in operational bank accounts count against the relevant investment limits.

5.26 Limits are also placed on fund managers, investments in brokers' nominee accounts and foreign countries as detailed in the table below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 5: Additional investment limits

	Cash limit
Any group of pooled funds under the same management	£12.5m per manager
Negotiable instruments held in a broker's nominee account	£12.5m per broker

5.27 **Liquidity management**: The Council forecasts its cashflow using an excel spreadsheet to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

5.28 The Council will spread its liquid cash over at least three providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

6 Treasury Management Prudential Indicators

6.1 The Council measures and manages its exposures to treasury management risks using the following indicators.

6.2 **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit rating	A-

6.3 **Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

Liquidity risk indicator	Target
Total cash available within 3 months	£2.5m

6.4 **Interest rate exposures**: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	External Borrowing Limit	Internal Borrowing Limit
Upper limit on one-year revenue impact per a 1% rise in interest rates	£600,000	£550,000
Upper limit on one-year revenue impact per a 1% fall in interest rates	£600,000	£550,000

6.5 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates.

6.6 **Maturity structure of borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Lower limit	Upper Limit	Position as at 31/12/2023
Under 12 months	0%	70%	43%
12 months and within 24 months	0%	30%	1%
24 months and within 5 years	0%	30%	3%

Refinancing rate risk indicator	Lower limit	Upper Limit	Position as at 31/12/2023
5 years and within 10 years	0%	30%	2%
10 years and within 20 years	0%	90%	44%
20 years and above	0%	30%	6%

**includes internal borrowing*

6.7 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

6.8 The figures above include internal borrowing. The assumption is made that internal borrowing matures in one working day so the full amount of £36.2 million is all represented in the 'under 12 months' row.

6.9 **Long-term treasury management investments:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management investments will be:

Price risk indicator	2023/24	2024/25	2025/26	No fixed date
Limit on principal invested beyond year end	£60m	£10m	£10m	£10m

6.10 The section named 'no fixed date' refers to longer dated investments which have no set maturity point but are anticipated to be held for a period longer than a year e.g., strategic property funds.

7 Related Matters

7.1 The CIPFA Code requires the Council to include the following in its treasury management strategy.

7.2 **Financial derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

7.3 The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

7.4 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

7.5 In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

7.6 **Housing Revenue Account:** In 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred between the General Fund and HRA at the Council's average interest rate on investments, adjusted for credit risk.

7.7 **External Funds:** The Council manages S106 funds. These funds contribute towards the investment balances. Therefore, interest earnt on S106 balances are repaid to the S106 fund. The value of the S106 funds as at 31 December 2022 equals £6.9 million. Reducing our overall interest earnt forecast by an estimated £130,000.

7.8 Additionally the Council holds funds for the Chairman's Charity which is gathered throughout the year and apportioned out to selected charities. These amounts are negligible.

7.9 **Markets in Financial Instruments Directive**: The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Head of Finance believes this to be the most appropriate status.

8 Financial Implications

8.1 The risk adjusted budget for investment income in 2023/24 is £981,300, based on an average investment portfolio of £34.2 million at an interest rate of 2.87%. Deductions largely consisting of S106 Balances will reduce this by £189,300 leaving a total forecasted interest income of £792,000.

8.2 The allocations of interest to the General Fund and HRA will be worked out based on the average notional investment balances of both funds throughout the financial year the percentage of which will be applied to the overall interest received after deductions. The forecasted notional balances of each fund throughout the year result in a split of 42% for the general fund totalling £335,500 and 58% for the HRA totalling £456,500.

8.3 This interest forecast is subject to a great deal of change as it is impacted by cashflow timings, delivery of capital programmes and their subsequent forecasts, grant payments, grant repayments and growth in council tax, business rates and social housing rents. It is also dependent on our base rate forecast being accurate (shown in appendix A and paragraph 2.14) which in turn is impacted by economic factors such as inflation which are notoriously difficult to predict. Therefore, this forecast is likely to evolve throughout the year and can change on a daily basis. As a result of the changeable nature of investment return the above interest income forecast is risk adjusted to be reduced by 20% of actual projections to reduce the risk to the Councils budget of the possible changes.

8.4 The budget for debt interest paid in 2023/24 is £2.2 million. Of this £520,000 refers to the General Fund and £1.7 million to the HRA. This is based on a debt portfolio of £62.6 million at an average interest rate of 3.6%. £51.9 million of this forecast is HRA Borrowing and £10.7 million is General Fund.

8.5 If actual levels of investments and borrowing, or actual interest rates, differ from those forecasts, performance against budget will be correspondingly different.

8.6 Where investment income exceeds budget, e.g., from higher risk investments including pooled funds, or debt interest paid falls below budget, e.g., from cheap short-term borrowing, then 50% of the revenue savings will be transferred to a treasury management reserve to cover the risk of capital losses or higher interest rates payable in future years. This option will be at the discretion of the Chief Financial Officer and will not be taken in periods of outstanding financial pressures or uncertainties.

9 Other Options Considered

9.1 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Head of Finance, having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain

Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Appendix A

Arlingclose Economic & Interest Rate Forecast – December 2022

Underlying assumptions:

- The influence of the mini-budget on rates and yields continues to wane following the more responsible approach shown by the new incumbents of Downing Street.
- Volatility in global markets continues, however, as investors seek the extent to which central banks are willing to tighten policy, as evidence of recessionary conditions builds. Investors have been more willing to price in the downturn in growth, easing financial conditions, to the displeasure of policymakers. This raises the risk that central banks will incur a policy error by tightening too much.
- The UK economy is already experiencing recessionary conditions and recent GDP and PMI data suggests the economy entered a technical recession in Q3 2022. The resilience shown by the economy has been surprising, despite the downturn in business activity and household spending. Lower demand should bear down on business pricing power – recent data suggests the UK has passed peak inflation.
- The lagged effect of the sharp tightening of monetary policy, and the lingering effects of the mini-budget on the housing market, widespread strike action, alongside high inflation, will continue to put pressure on household disposable income and wealth. The short- to medium-term outlook for the UK economy remains bleak.
- Demand for labour appears to be ebbing, but not quickly enough in the official data for most MPC policymakers. The labour market remains the bright spot in the economy and persisting employment strength may support activity, although there is a feeling of borrowed time. The MPC focus is on nominal wage growth, despite the huge real term pay cuts being experienced by the vast majority. Bank Rate will remain relatively high(er) until both inflation and wage growth declines.
- Global bond yields remain volatile as investors price in recessions even as central bankers push back on expectations for rate cuts in 2023. The US labour market remains tight and the Fed wants to see persistently higher policy rates, but the lagged effects of past hikes will depress activity more significantly to test the Fed's resolve.
- While the BoE appears to be somewhat more dovish given the weak outlook for the UK economy, the ECB seems to harbour (worryingly) few doubts about the short term direction of policy. Gilt yields will be broadly supported by both significant new bond supply and global rates expectations due to hawkish central bankers, offsetting the effects of declining inflation and growth.

Forecast:

- The MPC raised Bank Rate by 50bps to 3.5% in December as expected, with signs that some members believe that 3% is restrictive enough. However, a majority of members think further increases in Bank Rate might be required. Arlingclose continues to expect Bank Rate to peak at 4.25%, with further 25bps rises February, March and May 2023.
- The MPC will cut rates in the medium term to stimulate a stuttering UK economy, but will be reluctant to do so until wage growth eases. It is anticipated that there will be rate cuts in the first half of 2024.
- Arlingclose expects gilt yields to remain broadly steady over the medium term, although with continued volatility across shorter time periods.

- Gilt yields face pressures to both sides from hawkish US/EZ central bank policy on one hand to the weak global economic outlook on the other. BoE bond sales and high government borrowing will provide further underlying support for yields.

	Current	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Official Bank Rate													
Upside risk	0.00	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25	1.25
Arlingclose Central Case	**3.50**	**4.00**	**4.25**	**4.25**	**4.25**	**4.25**	**4.00**	**3.75**	**3.50**	**3.25**	**3.25**	**3.25**	**3.25**
Downside risk	0.00	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00
3-month money market rate													
Upside risk	0.00	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25	1.25
Arlingclose Central Case	**3.00**	**4.40**	**4.40**	**4.40**	**4.35**	**4.30**	**4.25**	**4.00**	**3.75**	**3.50**	**3.40**	**3.40**	**3.40**
Downside risk	0.00	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00
5yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	**3.43**	**3.60**	**3.80**	**3.80**	**3.80**	**3.70**	**3.60**	**3.50**	**3.40**	**3.30**	**3.30**	**3.30**	**3.30**
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
10yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	**3.47**	**3.50**	**3.60**	**3.60**	**3.60**	**3.60**	**3.50**	**3.50**	**3.50**	**3.50**	**3.50**	**3.50**	**3.50**
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
20yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	**3.86**	**3.85**	**3.85**	**3.85**	**3.85**	**3.85**	**3.85**	**3.85**	**3.85**	**3.85**	**3.85**	**3.85**	**3.85**
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
50yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	**3.46**	**3.60**	**3.60**	**3.60**	**3.60**	**3.60**	**3.60**	**3.60**	**3.60**	**3.60**	**3.60**	**3.60**	**3.60**
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%
PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
UKIB Rate (Maturity Loans) = Gilt yield + 0.60%

Appendix B

Existing Investment & Debt Portfolio Position - 31 December 2022

	31/12/2022 Actual portfolio £m	31/12/2022 Average rate %
External borrowing:		
Public Works Loan Board	55.7	3.4%
LOBO loans from banks	3.5	4.8%
Other loans	3.9	4.7%
Total external borrowing	**63.2**	**3.6%**
Treasury investments:		
The UK Government	47.5	3.0%
Local authorities	0.8	0.6%
Banks (unsecured)	2.1	2.0%
Money market funds	11.5	3.0%
Total treasury investments	**61.9**	**3.0%**
Net debt	**1.3**	

This page is intentionally left blank

Appendix 3

North West Leicestershire District Council

Minimum Revenue Provision Statement 2023/24

1. Annual Minimum Revenue Provision Statement 2023/24

1.1 Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The *Local Government Act 2003* requires the Council to have regard to the former Ministry of Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in 2018.

1.2 The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

1.3 The MHCLG Guidance requires the Council to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance.

- Capital expenditure funded by borrowing incurred before 1 April 2008 MRP will be determined in accordance with the former regulations that applied on 31 March 2008, incorporating an “Adjustment A” of £606k.

- For capital expenditure funded by borrowing incurred between 1 April 2008 and 31 March 2019, MRP will be determined as 4% of the capital financing requirement in respect of that expenditure.

- For capital expenditure funded by borrowing incurred after 31 March 2019, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.

- For transferred debt from Hinckley and Bosworth Borough Council, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

- Where former operating leases have been brought onto the balance sheet on 1 April 2024 due to the adoption of the *IFRS 16 Leases* accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or discounts, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard.

- For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the MHCLG Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred on the loan is fully funded over the life of the assets.

- MRP in respect of the £80 million payment made in 2012 to exit the Housing Revenue Account subsidy system will be determined as being equal to the principal amount repaid on the loans borrowed to finance that payment.

1.4 Capital expenditure incurred during 2022/23 will not be subject to a MRP charge until 2023/24.

1.5 MRP will only be charged once the asset is fully operational and will not be charged whilst the asset is under construction. The MRP charge will commence the year after the asset becomes operational.

1.6 Based on the Council's latest estimate of its capital financing requirement (CFR) on 31 March 2023, the budget for MRP has been set as follows:

	31.03.2023 Estimated CFR **£m**	**2023/24 Estimated MRP** **£m**
Capital expenditure funded by borrowing before 01.04.2008	7.7	0.3
Capital expenditure funded by borrowing between 01.04.2008 and 31.03.2019	5.2	0.2
Unsupported capital expenditure after 31.03.2008	26.9	0.9
Transferred debt	0.1	0.0
Total General Fund	**39.9**	**1.4**
Assets in the Housing Revenue Account	3.3	0.0
HRA subsidy reform payment	51.9	1.2
Total Housing Revenue Account	**55.2**	**1.2**
Total	**95.1**	**2.6**

Appendix 4

North West Leicestershire District Council

Investment Strategy Report 2023/24

1. Introduction

1.1. The Council invests its money for three broad purposes:

- Because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- To support local public services by lending to or buying shares in other organisations (**service investments**), and
- To earn investment income (**Commercial investments**). It is important to stress that the primary goal of the commercial investments held by the Council and discussed in this report is not generation of profit but instead supporting local growth, local regeneration and the efficient use of local assets. Investment income is a secondary objective which is reinvested in local services.

1.2 Although not classed as a category of investment the Council also invests its own funds to finance capital expenditure funded through borrowing. This is known as internal borrowing.

1.3 This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.

2. Treasury Management Investments

2.1 The Council typically receives its income in cash (e.g., from taxes and grants) before it pays for its expenditure in cash (e.g., through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £20.7 million and £40.1 million during the 2023/24 financial year.

2.2 **Contribution:** The contribution that these investments make to the objectives of the Council is to support effective treasury management activities.

2.3 **Further details:** Full details of the Council's policies and its plan for 2023/24 for treasury management investments are covered in a separate document, the Treasury Management Strategy Statement 2023/24.

3. Service Investments: Loans

3.1 **Contribution:** The Council does not currently, but may in the future, lend money to various organisations including its subsidiaries or trading companies, suppliers, local businesses, local charities, housing associations, local residents and its employees to support local public services and stimulate local economic growth.

3.2 **Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Council, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for service purposes in £ millions

Category of borrower	31.3.2022 actual		2023/24	
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Subsidiaries	Nil	Nil	Nil	Nil
Suppliers	Nil	Nil	Nil	Nil
Parish councils	Nil	Nil	Nil	Nil
Local businesses	Nil	Nil	Nil	Nil
Local charities	Nil	Nil	Nil	Nil
Housing associations	Nil	Nil	Nil	Nil
TOTAL	**Nil**	**Nil**	**Nil**	**Nil**

3.3 Loans made for service purposes will be undertaken on a case-by-case basis and require approval by Full Council. Therefore, there is no approved limit for these loans outlined in the above table, but the option is available following a proper risk and benefit review.

3.4 Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council's statement of accounts are shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

3.5 **Risk assessment:** The Council assesses the risk of loss before entering into and whilst holding service loans by:

- Requesting a business case to support the service loan and reviewing the business case for validity and robustness;
- Completing a financial appraisal of the business case;
- Seeking external advice where necessary to ensure compliance with for example state aid/subsidy law and creditworthiness of the counterparty seeking a service loan;

- Monitoring and undertaking regular reviews of counterparties for credit risk.

4. Service Investments: Shares

4.1 **Contribution:** The Council does not currently, but may in the future, invest in the shares of its subsidiaries or trading companies, its suppliers, and local businesses to support local public services and stimulate local economic growth.

4.2 **Security:** One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. In order to limit this risk, upper limits on the sum invested in each category of shares have been set as follows:

Table 2: Shares held for service purposes in £ millions

Category of company	31.3.2022 actual		2023/24	
	Amounts invested	Gains or losses	Value in accounts	Approved Limit
Subsidiaries	Nil	Nil	Nil	Nil
Suppliers	Nil	Nil	Nil	Nil
Local businesses	Nil	Nil	Nil	Nil
TOTAL	Nil	Nil	Nil	Nil
	Nil	**Nil**	**Nil**	**Nil**

4.3 As in Table 1 there are no approved limits for investments of this kind. Applications will be dealt with on a case-by-case basis and require approval by Full Council following a comprehensive review.

4.4 **Risk assessment:** The Council assesses the risk of loss before entering into and whilst holding shares by:

- Requesting a business case to support the investment and reviewing the business case for validity and robustness;
- Completing a financial appraisal of the investment;
- Seeking external advice where necessary to ensure the creditworthiness of the counterparty; and
- Monitoring and maintain regular review of counterparties for credit risk.

4.5 **Liquidity:** To maintain liquidity, the council determines the maximum period for which funds may be prudently committed through financial planning in the Medium-Term Financial Strategy and the Treasury Management Strategy Statement. The Council's cash flow is monitored and reviewed to inform these strategies.

4.6 **Non-specified Investments:** Shares are the only investment type that the Council has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Council's upper limits on non-specified investments. The Council has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

5. Commercial Investments: Property

5.1 **Contribution:** The Council invests in local commercial property with the primary aim of supporting local growth, regeneration and efficient use of local assets. The secondary aim is investment income that will be spent on local public services. Currently the Council only holds commercial investments within the district boundaries in line with these aims.

5.2 The following table uses information from the unaudited 2020/21 accounts and valuations for 2022/23 where these exist. More up to date information will be provided once the 2021/22 accounts have been finalised.

Table 3: Property held for investment purposes in £ millions

Property	31.3.2021 actual		31.3.2022 expected	
	Gains or (losses)	Value in accounts	Gains or (losses)	Value in accounts
Industrial Units	106,000	6,373,700	421,100	6,794,800.00
Market Hall	-1,245,600	185,100	0	185,100.00*
Whitwick Business Centre	21,300	1,850,000	-27,100	1,822,900.00
Land	38,900	5,403,300	-2,336,334	260,300.00**
TOTAL	**1,079,400**	**13,812,100**	**-1,942,434**	**9,063,100**

*Valuation unavailable for 2021/22

**Cropston Drive land sold in 2021/22

5.3 **Security:** In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs. An assessment of the council's investment property portfolio is undertaken each year in the Final Accounts year-end process.

- Where the value in the accounts is at or above purchase cost: the property investment is deemed to be secure as the property could be sold to cover the purchase cost.
- Where the value in the accounts is below the purchase cost: the investment property portfolio is no longer sufficient to provide security against loss.

5.4 **Risk assessment:** The Council assesses the risk of loss before entering into and whilst holding property investments by:

- Assessment of the business case on a case by case basis, reviewing for validity and robustness;
- Financial appraisal of the business case;
- Seeking external expertise and advice where necessary; and

- Assessing the market competition including barriers to entry or exit; market needs; nature and level of competition; ongoing investments required;
- The council will also take into consideration any impact on local businesses before entering into new investments. This is to protect local business's interest in the local market.

5.5 **Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Council has minimised this risk by holding a minimal investment portfolio.

6. Proportionality

6.1 The Council generates a small amount of income from investment activity to achieve a balanced revenue budget. Table 4 below shows the extent to which the expenditure planned to meet the service delivery objectives and/or place making role of the Council is dependent on achieving the expected net profit from investments over the lifecycle of the Medium-Term Financial Plan.

6.2 The below table outlines the investment income from commercial investments against the net service expenditure. A more appropriate measure would be the gross service expenditure as that figure would not already be adjusted for income and show a truer reflection of the extent to which income from these commercial investments support the Council's overall revenue expenditure. The gross expenditure figures are not currently available for this report. The below uses net service expenditure to give the reader an idea of the overall scale.

Table 4: Proportionality of Investments £'000

	2021/22 Actual	2022/23 Forecast	2023/24 Budget	2024/25 Budget	2025/26 Budget
Investment income	662	709	859	865	868
Net service expenditure	17,604	16,374	15,810	15,810	15,810
Proportion	4%	4%	5%	5%	5%

7. Borrowing in Advance of Need

7.1 Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Council does not have any plans to borrowing in advance of need in 2023/24.

8. Capacity, Skills and Culture

8.1 **Elected members and statutory officers**: The Council recognises the importance of ensuring that all Elected Members and Officers involved in investment decisions are fully equipped to undertake the duties and responsibilities allocated to them and have the appropriate capacity, skills and information to enable them to make informed decisions e.g. as to whether to enter into a specific investment. There is a requirement to understand:

- The context of the Council's corporate objectives;
- The Council's risk appetite and risk assessment framework;
- The Prudential Framework;
- The regulatory regime within local authorities operations.

8.2 The Council will, therefore, seek to appoint individuals who are both capable and experienced and provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The following measures are in place:

- Identification of officer training needs on commercial investment related issues through the reflection process;
- Attendance at relevant training events, seminars and workshops; and
- Support from the Council's treasury management advisors, Arlingclose.

8.3 Elected members' training needs are assessed through the Member Development Group. The Council will also specifically address this important issue by:

- Periodically facilitating workshops or other training for members on commercial investment issues; and
- Interim reporting and advice to members.

8.4 Where necessary the Council will engage external advisers for investment advice, property surveys and due diligence checks. The cost of any such advice will be taken into account when developing business cases and when assessing the overall viability of projects.

8.5 **Commercial deals:** The Council has a decision-making framework which is aligned to the requirements of the Statutory Guidance relating to Local Authority Investments. A Commercial Board would be constituted if the requirement arises. The Commercial Board will consider any future commercial opportunities. The guiding principles that will be used will require future commercial projects to:

- Meet the Council's corporate priorities;
- Deliver community benefit
- Require minimum investment for maximum return;
- Be primarily within the District boundaries, consideration will be given to opportunities outside these boundaries if the benefit to the Council or North West Leicestershire is significant;

- Grow the business base;
- Deliver a diversified portfolio of projects that balance risk and return.

8.6 The Commercial Board will assess future commercial investment against the Investment Strategy. All investments will be subject to rigorous scrutiny and successful schemes will result in the provision of a report to Council for approval. Schemes will be considered for investment against the following criteria;

- Economic Impact – in particular; jobs, business growth and new housing;
- Impact on Market Towns – in terms of vibrancy, footfall and heritage;
- Financial Implications – value for money, affordability and return of investment; and
- Deliverability – the ability to deliver the proposals and the associated risks.

8.7 **Corporate governance:** It is important that the Council has sound arrangements in place to ensure accountability, responsibility and authority for decision making on investment activities within the context of the Council's values. In terms of governance, the Commercial Board will consider all new commercial investment proposals. The Commercial Board may determine an application under delegated powers or may recommend a project to Council for approval. Full Council is responsible for the approval of the Investment Strategy and for monitoring performance against it.

8.8 The Council's values include transparency in decision-making. To facilitate that, the following arrangements are in place:

- This Corporate Investment Strategy will be made available on the Council's website;
- Meetings of the Full Council will be open to the public and the agendas and minutes from such meetings will be shown on the Council's website.

9. <u>Investment Indicators</u>

9.1 The Council has set the following quantitative indicators to allow elected members and the public to assess the Council's total risk exposure as a result of its investment decisions.

9.2 **Total risk exposure:** The first indicator shows the Council's total exposure to potential investment losses. This includes amounts the Council is contractually committed to lend but have yet to be drawn down and guarantees the Council has issued over third-party loans.

Table 5: Total investment exposure in £millions

Total investment exposure	31.03.2022 Actual £m	31.03.2023 Forecast £m	31.03.2024 Forecast £m
Treasury management investments	49.0	40.0	23.3
Commercial investments: Property	9.0	9.0	9.0
TOTAL INVESTMENTS	**58.0**	**49.0**	**32.3**
Commitments to lend	0	0	0
Guarantees issued on loans	0	0	0
TOTAL EXPOSURE	**58.0**	**49**	**32.3**

9.3 **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Council's investments are funded by usable reserves and income received in advance of expenditure.

9.4 These figures have been worked out by using the actual and forecast percentage of the overall capital financing requirement (CFR) that is funded by external borrowing and applying that to the value of the investments in Table 5.

Table 6: Investments funded by borrowing in £millions

Investments funded by borrowing	31.03.2022 Actual	31.03.2023 Forecast	31.03.2024 Forecast
Treasury management investments	33.6	25.3	13.7
Service investments: Loans	0	0	0
Service investments: Shares	0	0	0
Commercial investments: Property	6.2	5.7	5.3
Total Funded by Borrowing	**39.8**	**31.0**	**19.0**

9.5 **Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 7: Investment rate of return (net of all costs)

Investments net rate of return	2021/22 Actual	2022/23 Forecast	2023/24 Forecast
Treasury management investments	0.10%	1.87%	3.41%
Commercial investments: Property	2.69%	4.28%	4.36%

This page is intentionally left blank

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 31 JANUARY 2023

Title of Report	**GENERAL FUND BUDGET AND COUNCIL TAX 2023/24**	
Presented by	Councillor Nicholas Rushton Corporate Portfolio Holder PH Briefed Y	
Background Papers	Draft General Fund Budget and Council Tax 2023/24 - Corporate Scrutiny Minutes - 4 January 2023 Draft General Fund Budget and Council Tax 2023/24 - Cabinet 10 January 2023 Coalville Special Expenses Working Party - Minutes - 3 January 2023	**Public Report:** Yes **Key Decision:** Yes
Financial Implications	This report sets out the General Fund, Special Expenses Revenue and Capital Programme for 2023/24 to 2027/28, which are needed for the Council to continue to deliver its services to residents, tenants and businesses. It also seeks approval for a wide range of fees and charges for 2023/24 which are set out in Appendix 3(a) to (c) and approval for the updated Corporate Charging Policy at Appendix 3(d). **Signed off by the Section 151 Officer**: Yes	
Legal Implications	No direct legal implications arising from this report. **Signed off by the Deputy Monitoring Officer**: Yes	
Staffing and Corporate Implications	**Signed off by the Head of Paid Service:** Yes	
Purpose of Report	For Cabinet to review the General Fund and Council Tax 2023/24 report and recommend to Council for approval.	
Reason for Decision	To allow the Council to approve the 2023/24 budget.	
Recommendations	**THAT CABINET:** **1. ENDORSES THE ATTACHED COUNCIL REPORT (APPENDIX A) AND RECOMMENDS IT TO COUNCIL FOR APPROVAL AT ITS MEETING ON 23 FEBRUARY 2023.**	

	2. DELEGATES AUTHORITY TO THE SECTION 151 OFFICER, IN CONSULTATION WITH THE CORPORATE PORTFOLIO HOLDER, TO MAKE AMENDMENTS TO THE REPORT TO IMPROVE ITS ACCURACY PRIOR TO CONSIDERATION AT COUNCIL ON 23 FEBRUARY 2023.

1.0 BACKGROUND

1.1 The General Fund and Council Tax 2023/24 report is due to be approved by Council on the 23 February 2023.

1.2 Cabinet is requested to review the Council Report General Fund and Council Tax 2023/24 report (Appendix A) and recommend it to Council for approval.

1.3 Delegation is also sought to enable the Section 151 Officer, in conjunction with the Corporate Portfolio Holder, to make amendments to the Council report to improve its accuracy or any required technical adjustments prior to consideration at Council on 23 February 2023.

Policies and other considerations, as appropriate	
Council Priorities:	The budget provides funding for the Council to deliver against all its priorities.
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	There have been equality impact assessments conducted by services on relevant proposals during this period.
Customer Impact:	Customers are likely to be impacted by the changes to fees and charges and special expenses precepts set out in this report.
Economic and Social Impact:	The General Fund capital programme allocates £9.6 million to investing in Coalville Regeneration Projects over five years.
Environment and Climate Change:	The budget sees substantial new investment of £7.1m in the replacement of council vehicles and reducing our carbon emissions. There's £1m investment in bins and recycling containers to increase recycling from households. On revenue the Climate Change Programme Manager post has been funded for the next five years from reserves.
Consultation/Community/Tenant Engagement:	Corporate Scrutiny Committee 4 January 2023 Public consultation - 11 January to 27 January 2023 Parish and town councils, trade unions and the Federation of Small Businesses - 12 January to 27 January 2023 The results of the above consultations are detailed

	in this report.
Risks:	The budgets will be monitored throughout the year to ensure the Council remains within its funding envelope and planned budget savings are delivered. Key risks to the budget are discussed in further detail in section 5 of the report.
Officer Contact	Glenn Hammons Head of Finance and Section 151 Officer glenn.hammons@nwleicestershire.gov.uk

This page is intentionally left blank

APPENDIX A

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

COUNCIL – THURSDAY 23 FEBRUARY 2023

Title of Report	**GENERAL FUND BUDGET AND COUNCIL TAX 2023/24**	
Presented by	Councillor Nick Rushton Corporate Portfolio Holder	
Background Papers	Draft General Fund Budget and Council Tax 2023/24 - Corporate Scrutiny Minutes - 4 January 2023 Draft General Fund Budget and Council Tax 2023/24 - Cabinet 10 January 2023 Coalville Special Expenses Working Party - Minutes - 3 January 2023	**Public Report:** Yes
Financial Implications	This report sets out the General Fund, Special Expenses Revenue and Capital Programme for 2023/24 to 2027/28, which are needed for the Council to continue to deliver its services to residents, tenants and businesses. It also seeks approval for a wide range of fees and charges for 2023/24 which are set out in Appendix 3(a) to (c) and approval for the updated Corporate Charging Policy at Appendix 3(d).	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	No direct legal implications arising	
	Signed off by the Deputy Monitoring Officer: Yes	
Staffing and Corporate Implications		
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	To allow the Council to approve the 2023/24 budgets.	
Recommendations	**COUNCIL IS RECOMMENDED:** **1. TO APPROVE THE GENERAL FUND REVENUE BUDGET FOR 2023/24 AS SUMMARISED IN SECTION 2 OF THIS REPORT. THIS INCLUDES:** **a. FREEZING THE DISTRICT COUNCIL'S SHARE OF COUNCIL TAX IN 2023/24** **b. CHANGES TO THE FEES AND CHARGES AS DETAILED IN APPENDIX 3(A) TO 3(C), EFFECTIVE FROM 1 APRIL 2023**	

	c. DELEGATING AUTHORITY TO THE HEAD OF COMMUNITY SERVICES TO CONSIDER ANY OBJECTIONS RECEIVED IN RELATION TO THE PROPOSED VARIATION OF FEES FOR VEHICLE AND OPERATORS' LICENCES UNDER S.70 OF THE LOCAL GOVERNMENT (MISCELLANEOUS PROVISIONS) ACT 1976, TO DETERMINE WHETHER IN LIGHT OF ANY OBJECTIONS THE VARIATION IN FEES SHOULD BE MODIFIED AND TO SET ANOTHER DATE ON WHICH THE VARIATION IN FEES WILL COME INTO FORCE, WITH OR WITHOUT MODIFICATION, AFTER CONSIDERATION OF THE SAID OBJECTIONS. **2. TO NOTE THE GENERAL FUND REVENUE BUDGET FOR 2024/25 TO 2027/28 (APPENDIX 1).** **3. TO APPROVE THE CORPORATE CHARGING POLICY 2023-2026 (APPENDIX 3D)** **4. TO APPROVE THE PROPOSED GENERAL FUND CAPITAL PROGRAMME (APPENDIX 4) FOR 2023/24 AND PLANNED FINANCING, AS SET OUT IN SECTION 3 OF THIS REPORT.** **5. TO NOTE THE REMAINING ELEMENTS OF THE GENERAL FUND CAPITAL PROGRAMME 2024/25 – 2027/28.** **6. TO APPROVE THE FLEET REPLACEMENT PROGRAMME FOR 2024/25, TO ALLOW VEHICLES TO BE ORDERED IN ADVANCE ONCE APPROVAL HAS BEEN GIVEN TO MOVE THIS FROM THE DEVELOPMENT TO THE ACTIVE POOL (APPENDIX 4).** **7. TO APPROVE THE SPECIAL EXPENSES REVENUE BUDGET FOR 2023/24 (APPENDIX 6) AS SUMMARISED IN SECTION 4. THIS INCLUDES:** **a. SETTING THE SPECIAL EXPENSE BAND D COUNCIL TAX AT THE LEVELS DETAILED IN TABLE 4 OF THIS REPORT.** **8. TO APPROVE THE CONTINUATION OF NWLDC IN THE LEICESTER AND LEICESTERSHIRE ENTERPRISE PARTNERSHIP (LLEP) BUSINESS RATES POOL IN 2023/24.** **9. TO APPROVE THE DRAWDOWN FROM RESERVES TO FUND THE ONE OFF BUDGET PROPOSALS AS DETAILED IN THE GENERAL FUND BUDGET SUMMARY 2023/24 TO 2027/28 (APPENDIX 1).** **10. TO APPROVE THE CONTRIBUTION TO RESERVES AS DETAILED IN THE GENERAL FUND BUDGET SUMMARY 2023/24 TO 2027/28 (APPENDIX 1).**

	11. TO DELEGATE AUTHORITY TO THE S151 OFFICER IN CONJUNCTION WITH THE PORTFOLIO HOLDER TO ACTION A VIREMENT ON GROUNDS MAINTENANCE TO REALIGN THE BUDGETS ON SPECIAL EXPENSES.

1.0 BACKGROUND AND DISCUSSION

1.0.1 The Medium Term Financial Plan (MTFP) sets out the financial strategic direction for the Council and is updated as it evolves and develops throughout the year, to form the framework for the Council's financial planning.

1.0.2 The purpose of the MTFP is to set out the key financial management principles, budget assumptions and service issues. It is then used as the framework for the detailed budget setting process to ensure that resources are effectively managed and are able to deliver the aspirations of the Council, as set out in the Council Plan, over the medium term.

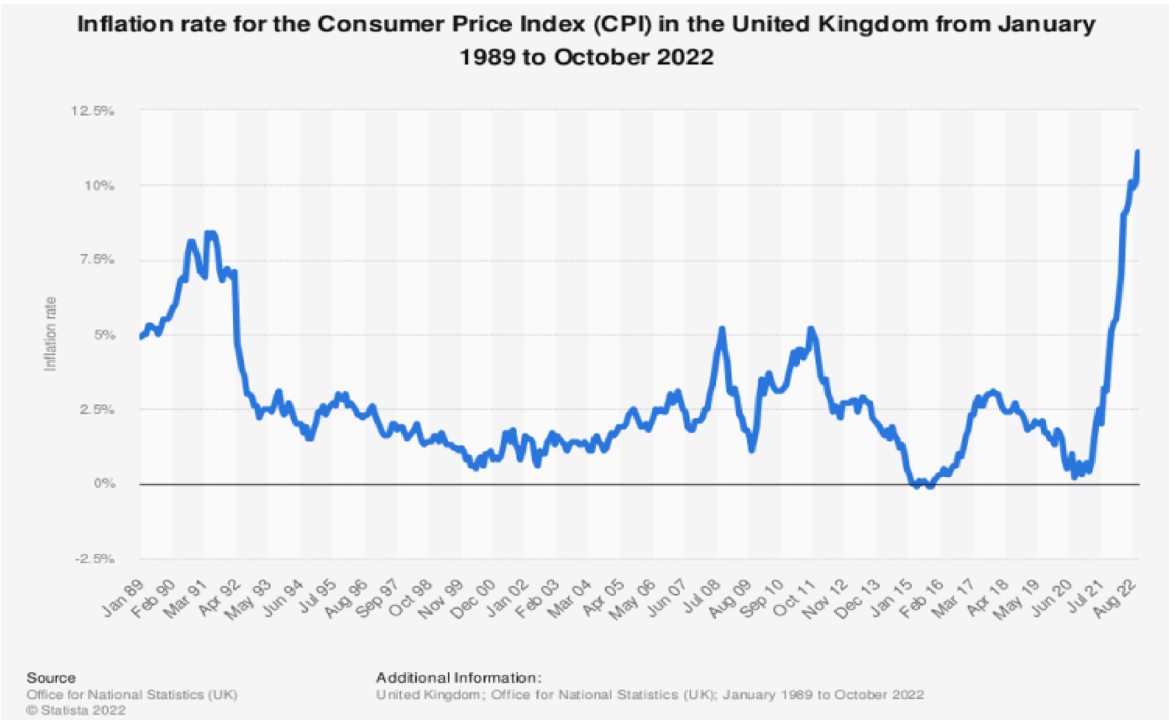
1.1 Context

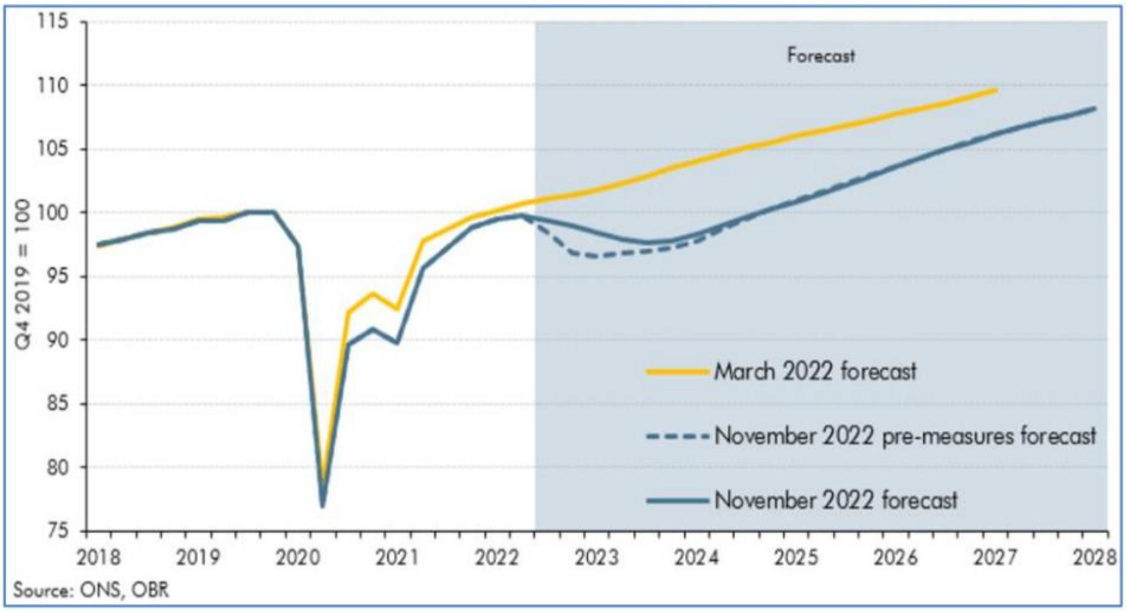
1.1.1 The Council is setting its budget at a time when it faces a range of issues to contend with. In broad terms these can be split into three categories; economic, local government and locally in North West Leicestershire. Each of these is explored below:

1.2 <u>Economic</u>

1.2.2 The national economic position has been influenced by a number of factors in recent years including the Covid-19 pandemic, Brexit, Russian invasion of Ukraine and the cost-of-living crisis. The government has provided unprecedented support through these events.

1.2.3 The key economic challenges faced are inflation, lower economic growth and a potential recession. The graphs below show the current level of consumer price inflation (CPI) and the forecast level of gross domestic product (GDP) for the UK as provided by the Office for Budget Responsibility.





1.3 Local Government

1.3.1 The pressures facing the national economy are also having an impact on the local government sector. The cost of providing services is increasing due to the inflationary pressures being experienced in the wider economy, the demand for services growing and the need to respond to government policy initiatives, such as zero carbon.

1.3.2 The Autumn Statement in November 2022, announced additional funding in local government for social care, provided increased flexibilities by increasing the level at which a referendum would be required to increase council tax, announced the cap on social rents for 2023/24 would be 7% and confirmed commitments to fund the Levelling Up agenda.

1.3.3 The service with the most pressure in local government continues to be social care. Whilst the Council does not provide social care services directly its budget is impacted upon with these pressures. Firstly, by government funding being targeted at councils with social care responsibilities and away from district councils as seen through reductions in New Homes Bonus funding in recent years. Secondly, through increased ‘knock on’ pressures on district council services supporting the vulnerable and their local communities.

1.3.4 The Provisional Local Finance Settlement was announced on 19 December 2022 and has been incorporated in the budget position for 2023/24. Whilst no specific funding allocations for 2024/25 have been made the Local Government Finance Policy Statement announced on 9 December 2022 stated they would be in line with 2023/24. There is currently little certainty of government funding streams for 2025/26 and the remainder of the medium term period.

1.4 Local – North West Leicestershire

1.4.1 North West Leicestershire District Council, just like the rest of the UK, is experiencing the impact of the cost-of-living crisis. The costs of running services and the demand for services has increased in the past 12 months and is expected to continue to increase over the coming year.

1.4.2 In the last 5-10 years the Council has seen growth in its business rates income as new companies have moved into the area due to its location and excellent communication links. This has led to the Council being the largest beneficiary in England from the business rates growth retention scheme. The business rates growth has enabled the Council to fund services without increasing council tax.

1.4.3 However, this also presents the Council's highest financial risk as government has indicated that it is looking to reset the business rates growth baseline and redistribute resources to councils across the country with a fair funding review.

1.4.4 Recognising the wider context within which the budget is being set the Council has used a new process to develop its proposed budget plans for 2023/24 and over the medium term. This recognises the greater focus within the organisation on its finances. The new process, coupled with that used in previous years, has involved:

- Services completing budget proposal forms to justify the need for any changes to the budget.
- Budget challenge sessions, with follow ups as required, between the Chief Finance Officer and Heads of Service.
- Regular reporting to the Corporate Leadership Team of the Council's overall budget position.
- Engagement with councillors through Portfolio Holder briefings, Strategy Group and an all councillor budget briefing prior to the draft budget being proposed for consultation.
- Further engagement has taken place through Corporate Scrutiny, consultation with the public and the HRA tenants forum.

1.5 Principles Underpinning the Budget Strategy

1.5.1 The Council has a number of agreed principles as a basis for financial management and budget planning as follows:

Guiding Principles	Key Strategies for Developing Budget 2023/24 and MTFP 2023-28
Financial Stability and Sustainability	• Plan ahead for potential Government funding changes (including Business Rates Reset) • Do not become overly reliant on Business Rates funding for on-going service provision • Use future surpluses in Business Rates funding for future one off investment in district to reduce revenue costs and/or increase income
Resources Focussed on Priorities	• Resources allocated to council objectives
Maximising Our Sources of Income	• Fees and Charges maximised (increased by minimum of inflation)
Managing our Risks	• Acceptable level of risk tolerance • Review of reserves strategy and position

1.6 Budget Assumptions

1.6.1 The following budget assumptions have been built into the forecast:

- Pay award – 5% in 2022/23 (actual pay award equated to 7% but the Council already had 2% included within its 2022/23 budgets), 4% in 2023/24, 3% in 2024/25 and 2% thereafter
- Contracts have been linked to the CPI/RPI as per individual agreements
- Inflation – fuel has been increased by 30%, gas by 86% and electricity by 100%
- Fees and charges – there have been some fees and charges increased by inflation and where appropriate these have been taken into account where demand has changed (please see section 2.3 for more detailed information on fees and charges)

- In broad terms other expenditure has not had any inflationary factor applied with a few exceptions where material costs have had to be increased to keep up with rising prices (e.g. Grounds Maintenance).

2.0 GENERAL FUND BUDGET 2023/24

2.1 General Fund Budget Summary

2.1.1 Appendix 1 shows the general fund budget position for 2022/23 and the proposed budget for 2023/24 to 2027/28.

2.1.2 Table 1 below highlights that in 2023/24 the net revenue expenditure has increased by £648k compared to 2022/23 and the anticipated funding has increased by just 81k.

Table 1: Changes to the General Fund budget from the previous year

	2022/23 £'000	2023/24 £'000	Movement £'000
Total Funding	(17,006)	(17,087)	(81)
Net Revenue Expenditure	16,705	17,353	648
Funding (surplus)/deficit	**(301)**	**266**	**567**
Targeted J2SS savings	(895)	-	895
Contributions to/(from) reserves	1,196	(266)	(1,462)

2.1.3 Also shown in the table is the Journey to Self Sufficiency (J2SS) budgeted savings for 2022/23 which if achieved would have been allocated to reserves. This is unlikely to be achieved in 2022/23 so due to this the Council has had to reset its strategy. In line with the guiding principles set out in paragraph 1.5 savings targets have not been built into budget forecasts. Instead, the focus is on developing a robust MTFP.

2.1.4 To balance the budget in 2023/24, there is a net transfer from reserves of £266k. This amount reflects £290k which is an amount being met from reserves to fund one-off budget expenditure proposals and a contribution to MTFP earmarked reserve of £24k.

2.1.5 The forecast financial position for the medium term is set out in Appendix 1, although the Council currently has a balanced budget for 2023/24, there is uncertainty for the future as the budget gap for 2024/25 is £1.6m increasing to £3.9m in 2027/28. This is a cumulative budget gap over the medium term of £10.2m.

2.1.6 A robust corporate and financial plan is required to bridge the funding gap and ensure the Council can balance its budget for 2024/25 and over the medium term. This plan should initially focus on being more efficient with the aim of having the same service outcomes at a lower cost. However, it needs to be flexible enough to adapt to potential national changes to local government funding which may require reductions in service levels in the future.

2.2 Budget Proposals

2.2.1 Appendix 2 sets out the most significant planned changes to the general fund budgets for 2023/24 to 2027/28.

<u>Budget Proposal by Type</u>

2.2.2 Looking at 2023/24 specifically, the total budget proposals of £647k include:

- **Cost pressures totalling £2.5m.** The most significant cost pressures relate to:
  - pay related costs which are due to increase by £1.4m, due to a combination of funding the unbudgeted balance of the pay award for 2022/23 and a forecast pay award of 4% for 2023/24
  - inflation pressures of £547k largely due to energy costs £172k and fuel increases £131k
  - service pressures of £543k which include £147k on bed and breakfast due to increased costs towards emergency accommodation and external audit fees and audit of grants of £75k.

- **Changes to income, which see a net income increase of £845k.** The most significant changes include higher income from the sale of recycling materials (£193k), an increase in Leisure Contractor income (£270k), additional income from an increase in Planning Applications (£185k) and income from investments (£330k). This is offset by the reduction in income on the introduction of fees for additional garden waste bin collections of £174k which has had a lower take up than anticipated and a reduction in the income budget of £58k on Newmarket as a result in the delay of the opening of Marlborough Square Project and therefore the inability to hold regular outdoor markets.

- **Budget savings/efficiencies totalling £320k.** This is where the Council has identified areas where budgets can be decreased. The largest area of saving is by changing the way in which refuse and recycling bins and boxes are purchased, through capital, saving £155k per annum on the revenue budget in 2023/24.

- **Service Developments totalling £271k.** Service developments are where there are planned improvements to a service which bring additional costs. Considering the funding position, these developments have been sought to keep to a minimum. The main areas of development are the Coalville Regeneration Programme £50k, increase in legal salaries to bring salaries in line with market rates £47k and a restructure of the Audit Team £35k.

Budget Proposals by Service

Community Services

2.2.3 As a front facing function within the Council incorporating waste, parks, car parks, toilets, leisure, markets and fleet, the service continues to be affected by significant inflationary pressures related to contracts, fuel, materials, vehicle costs and utilities. Income proposals for 2023/24 are seeking to cover the same inflationary pressures and are in the main at a 10% level of increase. The government announced in the 2022 autumn statement that the full costs of rolling out a food waste collection scheme would be paid for by government. It was also announced that licencing fees would be based on full cost recovery rather than being set centrally. Further details are awaited on these initiatives through legislation. Another key income potential for the Council is the new responsibility in 2023 for producers to contribute towards the Council's costs incurred in the processing discarded packaging.

2.2.4 Inflation will continue to be a challenge over the medium term, but it is anticipated that in the longer term the opening of a new outdoor market in Coalville and a new 150 space car park in Ashby will assist in the Council's ability to provide effective services, meet demand but importantly increase levels of income.

2.2.5 Work continues on zero carbon across the Council and new schemes will be rolled out as business cases are developed for the Council's fleet and buildings particularly in order that the Council can meet its aspiration to be zero carbon by 2030 for its operations.

Planning & Infrastructure

2.2.6 The key service issue for the Planning Policy team is to continue to progress the Local Plan Review. There are associated risks with this work including an unanticipated requirement for additional evidential work for example on transport modelling, especially in view of potential large-scale proposals in the north of the district in connection with the Freeport and new settlement at Isley Walton. In addition, if the joint working agreement (statement of common ground) between the Leicester and Leicestershire authorities breaks down, this could cause delay which in turn means completed evidence becomes out of date and might need to be recommissioned. In the mid-term, these risks could mean the Local Plan Examination is likely to be lengthier and more contentious and as such more expensive with the increased risk of the plan being found unsound.

2.2.7 The key service issue for the Planning and Development Team is to maintain the high level of performance in meeting government targets for the determination of planning applications and to ensure the Planning Enforcement Team is effective. There is a risk that planning fee income drops significantly during 2023/24 as a result of the current and forecast economic situation and cost of living crisis and this will be closely monitored throughout the year.

Corporate

2.2.8 A key service issue and priority for the Returning Officer and Democratic Services Team will be managing the local elections in May 2023. Resources have been put in place to manage a recent change in staffing and some upcoming changes to the arrangements for elections (for example introduction of voter ID). Strong project management is in place and the project is already in progress.

2.2.9 In terms of Legal Service and Internal Audit, a key risk is recruitment and retention. Work is ongoing with the Head of Human Resources and Organisational Development to examine the approach to recruitment and retention within the services. For example, the Council has recently appointed an Audit Apprentice.

2.2.10 The utility budgets have been estimated using historic consumption data modified where assets are not expected to remain in use throughout the forthcoming year. Rates per unit consumed are based upon the best available information from the market. Due to significant increases in the projected unit charges budgets need to increase significantly.

2.2.11 A key financial pressure from a workforce perspective will be the discussions at national level around cost-of-living increases for 2023/24. If inflation continues to be high this will increase the pressure on the pay negotiations and while we have budgeted for an estimated 4% increase in 2023/24 to plan for the anticipated increase, there are risks around potential industrial unrest, with the associated disruption to Council services if settlement cannot be reached. The negotiations for the pay increase will commence in February 2023 with regional pay briefings with employers and the Local Government Association (LGA) negotiating team.

Property Services

2.2.12 Inflationary pressures place increasing challenge on the team to maintain the Council's stock of property to the desired standard and within available budget. For the commercial portfolio, a greater contribution from tenants towards repair costs will be sought. This can only be implemented, however, where new tenancies are being granted or existing tenancies renewed. There will be a lag before these increased charges are seen in budgets. Some properties will require investment before these funds become available, in order to remain safe or attractive to tenants. Additional budget is being sought to facilitate this investment.

Economic Regeneration

2.2.13 The service operates with a relatively modest budget. Its primary budgetary challenge (other than those issues linked to staffing costs) is the lack of funding for feasibility and preparatory work for Regeneration projects (which are likely to come forward in future years as capital proposals or will form the basis of bids for grant funding). A new budget of £50,000 is being sought for this work.

Housing

2.2.14 The General Fund aspect of the Housing Service stems from the Council's statutory Homelessness Service. Like many services Covid has increased the workload in this area. The restrictions on human resources has now caused a high demand for the availability of Supported Housing specialists. The Council is having to pay for these skills that are in high demand all over the country.

2.2.15 Supply chains have delayed reletting of properties which has extended the time spent in bed and breakfast and temporary accommodation on the whole. The Council has a statutory duty to provide temporary accommodation following stringent assessments.

2.2.16 The demand of housing via the Ukraine Scheme continues to rise together with the much publicised cost of living.

2.2.17 The introduction of a new IT housing system is being embedded which created a backlog of housing applications due to a six-month register closure. The demand for skilled officers to remain in the team has been challenging and been agreed by the Corporate Leadership Team (CLT).

2.2.18 The cost of temporary accommodation continues to increase and has had an impact on this year's budget in 2022/23 and it is not expected to reduce in the near future.

2.2.19 In order to recruit, retain and repurpose skilled staff to address the demands of the service a new restructure will be required. The proposal of this should be in place by 1 April 2023 at a cost.

2.3 Fees and Charges

2.3.1 The Council provides a large number of services to local residents that incur a fee. Appendix 3(a) to 3(c) sets out key changes to fees and charges for 2023/24.

2.3.2 There have been some changes to the income targets for 2023/24 which are detailed in section 2.2 above but the main changes due to increases in fees and charges are detailed below:

- Waste Services – trade refuse and recycling have increased their fees by 10% generating an additional £74k income.
- Environmental Protection – Private Sector Housing increase in licences by 10% generating an additional income of £13k.
- Environmental Protection – removal of early payment discount on fines for fly tipping, littering etc which will generate an estimated additional income of £3k.
- Electric vehicle charging points – increase of 133% from 30p per kwh to 70p per kwh due to the increased cost of electricity. There will also be an increase in vehicle charging points across the district in six locations which will generate an estimated additional income of £13k.

2.3.3 As part of the budget process a review of the fees and charges for the Bereavement Service has been undertaken. The review has ensured that the fees and charges align to the government's children's funeral fund guidance and a new fee structure for child burials is proposed for 2023/24. The fee structure is an indicative charge, there are no costs to the families. All fees associated with the burial of a child from the age of 24 weeks' gestation up until 17 years old will be claimed by the Council from the Children's Funeral Fund.

2.3.4 The Corporate Charging Policy has been refreshed and updated to reflect the Council's financial strategy and provide greater clarity for service users on the rational for future changes in levels of fees and charges. A copy of the policy can be found at Appendix 3(d). The proposed budget includes a range of proposed amendments to fees and charges in line with the policy, reflecting both the costs of providing charged for services and estimated levels of demand.

2.3.5 Taxi licensing - S.70 of the Local Government (Miscellaneous Provisions) Act 1976 enables the Council to charge fees for the grant of vehicle and operators' licences. The Act sets out statutory maximums, though enables the Council to vary this charge provided it publishes a notice and considers any objections. If objections are received the Council is to set another date on which the variation will come into force with or without modification as decided by the Council after consideration of the objections. The proposed variation in fees is set out in Appendix 3(b). The publication requirements will be complied with and the report recommends that authority be delegated to the Head of Community Services to consider any objections received and to set another date on which the fee variation will come into force with or without modification after consideration of any objections.

2.4 Grants

2.4.1 There are a number of grants received by the authority and these are detailed in Appendix 7 of this report.

2.4.2 The appendix provides the detail of the £7.5m we have received in grants as at 31st December 2022 against a budget of £1.3m in 2022/23. The budget for 2023/24 is showing a similar £1.2m in anticipated grant income.

2.4.3 There is clearly a large disparity between the amount which we budget for and the actual income we are receiving. This has historically been due to the fact that there is a nil impact on the bottom line as all the grant we have received is either spent, returned or transferred to reserves. This is being addressed as part of the implementation of the new financial system and improvements to financial management in 2023/24 to ensure grants are correctly reflected in the budgets.

2.5 Funding

2.5.1 The funding position for the general fund is based on the provisional Local Government Finance Settlement (LGFS) announced in December. The key funding changes are:

- **Reduction in New Homes Bonus.** Removal of the final legacy payment has resulted in a reduction in funding from £2.2m in 2022/23 to £1.2m in 2023/24.

- **Reduction in the Lower Tier Service Grants**. This grant was introduced in 2021/22 to effectively provide transitional support and ensure no authority received a reduction in Spending Power. This grant will cease in 2023/24 and instead the Council will receive 3% Funding Guarantee

- **Minimum Funding Guarantee** - this is an additional grant of £1.2m in 2023/24 and expected £1.1m in 2024/25. This grant is to ensure the Council is not significantly affected by the reduced New Homes Bonus Grant and the loss of the Lower Tier Services Grant.

- **Increase in Business rates**. Growth in the district is expected to result in a significant increase in business rate income, from £8.6m currently forecast for this year to £9.9m for

2023/24. It is recommended that the additional £1.3m is not used to fund ongoing revenue spend and instead, is set aside within the business rates reserve to fund the capital programme. This is due to the risk North West Leicestershire faces from a potential business rates reset which could happen in 2025/26. North West Leicestershire has seen the biggest growth above its business rates baseline in all local authorities in England and therefore, could face a significant reduction in funding if and when such a policy is implemented.

The Council is also expecting around £2.5m to be allocated from the balance held by the Leicestershire Business Rates Pool for the period 2020-2023 and a further £0.8m Pool allocation for 2023/24. The Council is also expecting a Freeport Equalisation allocation of £0.3m in 2023/24. Both the Pool and Freeport allocations can also be used to fund the capital programme.

- **Reduction in Services Grant.** This grant will reduce from £166k in 2022/23 to £93k in 2023/24 and is forecast to cease after 2024/25.

- **Council Tax income is assumed to increase by £129k.** This is caused by growth in the district. This has been set based on the council tax base calculated for 2023/24. For more information see the Council Tax Base report on the same agenda.

2.5.2 The proposed budget assumes the value of the district's share of council tax remains frozen. Had the council tax been increased by the maximum amount, which is assumed to be £5 on a band D property, then the Council would receive an additional £173k in council tax.

2.5.3 The net impact is an increase in anticipated funding of £0.2 million based on the provisional local government finance settlement (LGFS) in December 2022.

2.5.4 The key points from the Local Government finance policy statement 2023-24 to 2024-25 announcement on 12 December 2022 are:

- A 3% Minimum Funding Guarantee - this new feature ensures every authority has a 3% increase in government funding (this essentially measures the change in Core Spending Power excluding Band D). It will be funded from "a proportion of" NHB legacy payments and the current Lower Tier Services Grant.
- The New Homes Bonus (NHB) will continue in 2023-24 and will be paid on the same basis as in 2022-23 (with the possibility that there will be a further year in 2024-25).
- Services Grant will continue to operate in the same way in 2023-24 (with £200m top-sliced from the Services Grant to claw-back funding for the National Insurance Contributions increase that was reversed).
- Local Government Funding Reforms to be delayed for at least another two years. Ministers say that they are still committed to reforming local government funding but these reforms are not now going to be implemented until at least 2025-26.
- Extended Producer Responsibility for Packaging Scheme (EPRP) will have an impact on funding in 2024-25. Potentially the new scheme will generate an additional income stream for local authorities, as well as change demand for waste collection services. These implications are still unformed at the moment.
- The government has also made clear that it envisages councils using reserves to fund services in the face of cost inflation.
- The Government specifically mentioned the importance of recognising the potential impact of any potential funding and new burden changes in 2024/25 and over the medium term on lower tier (district) councils in the following statement:

  The government recognises that the position of the lower tier must be understood in the round, therefore we will review the 2024-25 position of funding for lower tier authorities particularly given the possible interactions with the pEPR scheme. We also recognise the need to help councils plan and we will therefore set out the future position of New Homes Bonus ahead of the 2024-25 local government finance settlement.

2.5.5 The provisional final settlement has been received and the figures have been factored into the proposed budget. The final settlement is due to be announced in February 2023, if the figures are different to the provisional settlement, the figures will be updated between the Cabinet and Council meetings.

2.6 General Fund Reserves

2.6.1 The Medium-Term Financial Plan reserve (previously Journey to Self-Sufficiency reserve) is to help manage deficits and funding volatility. The value of this reserve is forecast to be £5.2 million as at 31 March 2023.

2.6.2 In addition to these reserves, the Council also has earmarked reserves estimated to be £3.1m as at 31 March 2023, falling to £2.5m by 31 March 2024 and general balances of £1.5m. A summary of these reserves can be found in table 2 below.

Table 2: Summary of estimated reserves 2023/24 – 2027/28

Reserve Name	Estimated Balance as at 1/4/23 £	Commitments & Budget Proposals 23/24 £	Estimated balance as at 31/3/24 £	Future commitment incl budget proposals 24/25 to 27/28 £	Estimated Balance 31/3/28 £
Earmarked reserves - General Fund	3,147,465	(693,337)	2,454,128	(436,390)	2,017,738
MTFP Reserve	5,165,188	0	5,165,188	0	5,165,188
Business Rates Reserve	369,093	1,994,307	2,363,400	(2,363,400)	0
General Balance (minimum level of reserves) - General Fund	1,544,493	0	1,544,493	0	1,544,493
Special Expenses	102,010	-102,010	0	0	0
TOTAL ALL RESERVES - GENERAL FUND	**10,328,250**	**1,198,960**	**11,527,209**	**(2,799,790)**	**8,727,419**

2.6.3 Earmarked reserves are those reserves that have been earmarked for a specific purpose. The estimated balances include items currently committed and also £0.7m used to fund one off budget proposals over the 5 years from 2023/24 to 2027/28. A table showing details by service can be found in Appendix 5.

2.6.4 The MTFP reserve, previously called the Journey to Self-Sufficiency reserve, is expected to be £5.2m after taking into account the projected deficit for 2022/23. It will be used to mitigate unbudgeted pressures (including anticipated Government funding reduction), pump-priming invest to save opportunities and funding the capacity to deliver a medium term financial plan.

2.6.5 Contributions into the business rates reserve are expected to be £7m in 2023/24 and £3.9m in 2024/25. This is due to Business Rates growth, Leicestershire Business Rates Pool allocations and Freeport allocations. It is proposed to use this reserve to fund part of the capital programme, this leaves the balance in this reserve at £2.4m at 31 March 2024 and fully spent by 31 March 2028.

2.6.6 General balances are the minimum level of reserves that is prudent to hold.

3.0 CAPITAL PROGRAMME 2023/24 TO 2027/28

3.1 General Fund and Special Expenses Capital Programme

3.1.1 Capital Strategy

3.1.2 The Capital Strategy includes a number of key changes and improvements for the 2023/24 and future years' programme.

3.1.3 A key change is the reduction in the use of external borrowing to fund programmes. This will minimise the Council's exposure to increases in interest rates. Schemes would be funded from internal sources such as reserves, (mainly the MTFP and the Business Rates Reserves), capital receipts and revenue contributions. External grant applications would be made for schemes which qualify for such funding.

3.1.4 The capital programme is proposed to be divided into two parts – active projects and schemes in a development pool. The active projects are schemes which have been approved by Council (in-year or in previous years) and currently being delivered. Some new schemes have been added to the active pool as part of the budget process and these are proposed to be approved by Council when the budget is considered in February 2023.

3.1.5 Projects in the development pool are subject to a full business case being developed before moving to the active category. The business case is scrutinised by the newly formed Capital Strategy and Investment Group before going onto Cabinet or Council for full approval in line with the Constitution.

3.1.6 These planned improvements to managing schemes through their project lifecycle will contribute towards better financial management and governance.

3.1.7 The Capital Strategy is available within the Capital Strategy, Treasury Strategy and Prudential Indicators report on the same agenda.

3.2.1 2023/24-2027/28 Capital Programme

3.2.2 The proposed General Fund capital programme is outlined in Appendix 4. The five-year programme totals £16.9 million, which is similar to the previous five-year programme. The Programme is made of some large projects such as;

- **Coalville Regeneration Programme:** This multi-year investment will be used for regeneration projects for Coalville. These projects will be subject to the approval of full business cases for the individual projects. A new budget of £0.5m has been added to this programme bringing the total planned investment in Coalville to £8.8 million over the next five years.

- **Accommodation programme:** A new budget of £0.335m has been added to this programme. This additional budget is due to taking the opportunity to increase the scope of the works to include non-essential but related works over and above the original business case which makes sense to undertake at the same time.

- **Fleet replacement programme:** This is the rolling programme to renew Council vehicles. This project is subject to annual review and approval. Part of the scheme is the disposal of old existing vehicles and the capital receipts from this is re-invested in the programme.

- **ICT Investment:** Investment is being made to upgrade and acquire various ICT systems and equipment over the five-year programme. Some of this include the replacement of laptops, server upgrades and implementing new storage systems.

- **Supply of Bins and Recycling Containers:** As reported to Cabinet in July 2022, a new contract for the supply of bins and recycling containers has been awarded. Prior to the award of the contract, the purchase of wheeled bins and recycling containers was undertaken on an ad-hoc basis and the budget included within the general fund revenue budget. Due to the value of the contract and the life of the assets (between three and seven years), this expenditure meets the definition of capital expenditure and has now been added to the capital programme.

3.3 Funding the Capital Programme

3.3.1 Each capital programme is funded from a variety of sources, including revenue, reserves, grants and borrowing. Table 3 below summarises the current identified funding sources for each year of the general fund capital programme.

Table 3: Sources of funding for the General Fund capital programme

	2022/23 Forecast c/f £'000	2023/24 Budget £'000	2024/25 Indicative £'000	2025/26 Indicative £'000	2026/27 Indicative £'000	2027/28 Indicative £'000
Capital Receipts	74	295	0	0	0	0
Government Grants	170	1,170	670	670	670	670
Reserves	2,437	4,167	1,804	3,906	1,724	801
Section 106 contributions	0	0	0	0	0	0
Revenue contributions	0	10	0	0	0	0
Prudential Borrowing	5,746	292	0	0	0	0
General Fund Total	**8,427**	**5,935**	**2,475**	**4,576**	**2,394**	**1,471**

3.3.2 The monies set out in the Reserves line in the table above from 2023/24 onwards will be drawn down from the Business Rates Reserve. As per paragraph 2.5.5, there is forecast to be sufficient monies in the reserve to finance the capital programme commitments in both 2023/24 and 2024/25.

4.0 SPECIAL EXPENSES 2023/24

4.1 Background

4.1.1 The Council operates ten special expense accounts where it provides additional services specific to some areas of the district. The Council's Special Expense Policy sets out the criteria and services that are classified as special expenses.

4.1.2 Eight out of the ten special expense areas included a provision for Planned and Preventative Maintenance (PPM) in the draft budget to provide sufficient funding to cover future planned maintenance along with a programme for play equipment replacement (where applicable). The PPM programme has been reviewed and updated as part of the budget preparation.

4.1.3 The budget also allows for the phasing out of the Localisation of Council Tax Support Grant which commenced in 2021/22 over four years.

4.1.4 The Council Tax Base has been calculated for 2023/24 and agreed by Cabinet at its meeting on 10 January 2023.

4.1.5 To provide guidance in developing special expense budgets and the Coalville Special Expenses Working Party the Cabinet resolved at its meeting on 10 January that:

A balanced budget from the Coalville Special Expenses Working Party without any increase in precept be expected.

4.1.6 It should be noted any increases in council tax for special expense areas are considered as part of the District Council's proportion of the council tax when calculating and considering the Referendum Principles for increases in Council Tax.

4.1.7 As part of the budget process the net expenditure requirements for each special expense area have been reviewed against the level of funding available through precepts, grants, S106 Funding and earmarked reserves. In line with statutory requirements for the Council it is important that each special expense area produces a balanced budget and is financially sustainable. A key element of good practice financial sustainability is to have a minimum level of balances for each special expense area, which is recommended at circa 10% of reoccurring expenditure.

4.2 Special Expense Precepts and Budgets 2023/24

4.2.1 Table 4 below summarises the Band D Council Tax, Taxbase and Annual Precept available for each special expense area:

Table 4: Band D Council Tax, Taxbase and Annual Precept for Each Special Expense Area

Special Expense Area	Council Tax Band D £	Taxbase (Band D Equivalents)	Annual Precept 2023/24 £
Coalville	73.81	6,743	497,701
Whitwick	9.55	2,741	26,177
Hugglescote/Donnington Le Heath	15.27	2,429	37,091
Coleorton	10.63	583	6,197
Lockington-cum-Hemington	13.72	245	2,261
Measham	1.87	1,706	3,190
Oakthorpe, Donisthorpe & Acresford	6.10	915	5,582
Ravenstone with Snibston	1.29	1,053	1,358
Stretton	73.11	19	1,389
Appleby Magna	7.08	539	3,816
Notes: The table excludes funding from localised council tax support grant, Section 106 contributions, income (e.g. event or rents) and earmarked reserves.			

4.2.2 The special expense budgets for 2023/24 have been developed on the basis of no increase in the level of council tax precept, minimising Planned and Preventative Maintenance (PPM) expenditure and maintaining a minimum 10% reserve balance.

4.2.3 Special expense budgets, just like all council budgets, are subject to the inflationary pressures of the current economic environment. The increased costs from inflation and a freeze in council tax precept levels have created funding gaps in some special expense areas for 2023/24.

4.2.4 To mitigate these funding gaps, action has been taken to minimise PPM expenditure and reduce budgets on services such as grounds maintenance and events. As well as seeking to increase income from Section 106 contributions and fees & charges to users of open spaces.

4.2.5 There are potential risks in these mitigating actions. For example, minimising PPM expenditure in 2023/24 by deferring non-essential spend to future years, may lead to higher routine maintenance in the short term. This may take time to implement the impact of reductions in service levels which could lead to short term cost pressure on the wider general fund.

4.3 Medium Term Financial Sustainability and Review of Special Expense Policy

4.3.1 Once the Special Expense Budget and Precepts are approved by Council for 2023/24 focus will turn to considering the medium term financial position for special expense budget to ensure their financial sustainability. This work will involve balancing the pressures arising from inflation, the PPM programme and service levels against the resources available. A review of the Special Expense Policy will be undertaken alongside this work to identify if any improvements are required to promote financial stability and sustainability for the special expense areas.

5.0 KEY RISKS TO THE BUDGET

5.1 Table 4 below provides an assessment of the key risk areas to determine the robustness of the estimates and adequacy of reserves included in the General Fund budgets:

Table 4: Key Risks to the Budget

<table>
<tr><th>Area</th><th>Comments</th></tr>
<tr><td>The reasonableness of the underlying budget assumptions</td><td>All budget proposals have been justified by service managers, reviewed by finance and subject to budget challenge sessions in the new process.
External review has also been undertaken by the treasury advisers, Arlingclose, on the treasury strategy.</td></tr>
<tr><td>The availability of un-earmarked reserves to meet unforeseen cost pressures</td><td>The Council has a minimum level of reserves for General Fund of £1.5m.
The General Fund position has been risk assessed to take account of potential unforeseen pressures.</td></tr>
<tr><td>Have realistic income targets been set and ‘at risk’ external funding been identified?</td><td>An assessment of income targets has been undertaken as part of the development of the budget.
The income areas which have the greatest risk (including business rates, council tax, planning and leisure) have had greater focus for this work and focus in the budget challenge sessions.</td></tr>
<tr><td>Has a reasonable estimate of demand cost pressures been made?</td><td rowspan="2">The enhanced budget process used in the development of the budget has improved the reasonableness of estimates. The budget proposals were required to be justified/assessed using a form, then were reviewed by finance and subject to budget challenge sessions.</td></tr>
<tr><td>Has a reasonable estimate of future income been made?</td></tr>
<tr><td>Have one-off cost pressures been identified?</td><td>All pressures have been reviewed to assess if they are one-off or ongoing in nature. One-off proposals are to be funded from reserves. Services will need to ensure exit plans exist for one off expenditure.</td></tr>
<tr><td>Is there a reasonable contingency available to cover the financial risks faced by the council?</td><td>The Council has incorporated estimates for pay award, inflationary and demand pressures into its budget. It has also made provisions for key income streams not materialising for business rates and council tax.</td></tr>
</table>

Area	Comments
Is there a reasonable level of reserves, which could be used to mitigate any issues arising and are they reducing as the risks decrease?	The Council has a range of earmarked, MTFP and minimum levels of reserves to ensure its financial stability.
Has there been a degree and quality of engagement with colleagues and councillors in the process to develop and construct the budget?	There has been a fundamental step change in the approach to engaging the organisation during this budget process. This has included a series of budget challenge sessions between the CFO and Heads of Service, as well as engagement with Corporate Leadership Team, Portfolio Holders, Strategy Group and an all-councillor briefing.

6.0 CONSULTATION

6.1 Consultation with Members

6.1.1 The Corporate Scrutiny Committee considered the proposals within this report at its meeting on 4 January 2023. Members asked a number of questions around the proposals, and more detail can be seen in the minutes for the meeting, which are included as a background paper to this report.

6.1.2 There were also further questions which were taken away by officers to answer following the meeting which are detailed in Appendix 8 of this report.

6.1.3 The Coalville Special Expenses Working Party discussed the planned special expenses budgets for Coalville in their meeting on 3 January 2023. There is a further meeting on 24 January 2023 where more discussions will be taking place, the minutes of which will be available for the Cabinet and Council meetings.

6.2 Public Consultation

6.2.1 As part of the budget consultation, the Council launched an online survey on 12 January 2023 to seek the views of residents and businesses on the main changes within the budget. The survey was promoted via social media and set out the key changes to the budget and asked responders to state the extent to which they supported the proposed changes. Residents could also provide additional comments if they wanted to.

6.2.2 Appendix 10 provides a summary of the responses received. In total, as at 16 January 2023, 17 people have expressed their views on the general fund and special expenses budgets. This is a small proportion of businesses and residents within North West Leicestershire, so care should be taken when drawing inferences from the data. The key themes from the survey are:

- 82% of respondents were positive about the proposal to spend £195k increasing the solar panels at Whitwick and Ashby Leisure Centre
- 76% of respondents looked favourably on the plan to freeze the District Council's portion of the Council Tax
- By far the strongest negative reaction was to the proposal to spend £50k on a professional assessment of regeneration plans for Coalville with 53% in disagreement.

6.2.3 As part of the budget consultation, officers also wrote to representatives of the trade unions, parish and town councils and the federation of small businesses. These groups were asked to provide written comments or to complete the online survey. No responses have yet been received.

6.2.4 It should be noted that the consultation period does not end until 27 January 2023 at which point Appendix 10 will be reissued with a full set of responses for both Cabinet and Council.

7.0 CONCLUSIONS

6.1 Based on the assumptions made in the Budget 2023/24 and MTFS 2023-28 for income and expenditure, the Council can set a balanced proposed budget for 2023/24.

6.2 Further work will need to be carried out going forward on balancing the budget gap for future years from 2024/25 onwards.

6.3 There has been equality impact assessments conducted by services on relevant proposals during this period.

Policies and other considerations, as appropriate	
Council Priorities:	The budget provides funding for the Council to deliver against all its priorities.
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	There have been equality impact assessments conducted by services on relevant proposals during this period.
Customer Impact:	Customers are likely to be impacted by the changes to fees and charges and special expenses precepts set out in this report.
Economic and Social Impact:	The General Fund capital programme allocates £9.6 million to investing in Coalville Regeneration Projects over five years.
Environment and Climate Change:	The budget sees substantial new investment of £7.1m in the replacement of council vehicles and reducing our carbon emissions. There's £1m investment in bins and recycling containers to increase recycling from households. On revenue the Climate Change Programme Manager post has been funded for the next five years from reserves.
Consultation/Community Engagement:	Corporate Scrutiny Committee 4 January 2023 Public consultation - 11 January to 27 January 2023 Parish and town councils, trade unions and the Federation of Small Businesses - 12 January to 27 January 2023 The results of the above consultations are detailed in this report.
Risks:	The budgets will be monitored throughout the year to ensure the Council remains within its funding envelope and planned budget savings are delivered. Key risks to the budget are discussed in further detail in section 5 of the report.

Policies and other considerations, as appropriate	
Officer Contact	Glenn Hammons Head of Finance and Section 151 Officer glenn.hammons@nwleicestershire.gov.uk

This page is intentionally left blank

Appendix 1

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL GENERAL FUND SUMMARY BUDGET 2023/24 to 2027/28

2022/23 Budget £	Service	2023/24 Indicative £	2024/25 Indicative £	2025/26 Indicative £	2026/27 Indicative £	2027/28 Indicative £
282,310	Chief Executive	401,840	401,840	331,030	331,030	331,030
724,900	Human Resources	740,310	742,140	744,220	746,710	749,370
1,486,570	Legal & Support Services	1,654,930	1,683,780	1,691,180	1,697,700	1,703,320
2,493,780	**Total Chief Executive's Department**	**2,797,080**	**2,827,760**	**2,766,430**	**2,775,440**	**2,783,720**
347,920	Strategic Director of Place	340,600	340,600	340,600	340,600	340,600
6,776,570	Community Services	6,321,690	5,913,920	5,746,040	5,598,480	5,407,000
1,031,610	Planning & Infrastructure	985,399	1,018,399	1,018,399	1,018,399	1,018,399
893,070	Economic Regeneration	897,140	897,140	897,140	897,140	897,140
12,420	Joint Strategic Planning	9,080	6,460	4,660	2,820	950
9,061,590	**Total Director of Services**	**8,553,908**	**8,176,519**	**8,006,839**	**7,857,439**	**7,664,089**
560,010	Strategic Housing	797,733	797,733	797,733	797,733	797,733
1,199,820	ICT	1,208,970	1,226,470	1,226,470	1,226,470	1,236,470
213,930	Property Services	245,660	230,780	232,400	234,050	235,730
951,330	Revenues & Benefits	1,131,260	1,139,590	1,160,360	1,181,970	1,204,450
898,150	Customer Services	958,060	950,790	952,210	953,660	955,140
1,094,790	Finance	1,147,750	1,015,890	1,017,710	1,019,240	1,020,840
4,918,030	**Total Director of Housing & Customer Services**	**5,489,433**	**5,361,253**	**5,386,883**	**5,413,123**	**5,450,363**
0	Estimated Pay Award and Inflation Contingency	651,230	1,165,990	1,519,460	1,889,370	2,259,190
16,040	Non Distributed - Revenue Expenditure on Surplus Assets	107,530	109,410	110,390	111,390	112,410
70,690	Non Distributed - Retirement Benefits	67,380	69,980	71,330	72,710	74,120
40,750	Corporate & Democratic Core	70,410	70,410	70,410	70,410	70,410
16,600,880	**NET COST OF SERVICES**	**17,736,972**	**17,781,322**	**17,931,742**	**18,189,882**	**18,414,302**
(1,684,570)	Net Recharges from General Fund	(1,827,750)	(1,827,750)	(1,827,750)	(1,827,750)	(1,827,750)
14,916,310	**NET COST OF SERVICES AFTER RECHARGES**	**15,909,222**	**15,953,572**	**16,103,992**	**16,362,132**	**16,586,552**
	CORPORATE ITEMS AND FINANCING					
	Corporate Income and Expenditure					
1,762,293	Net Financing Costs	1,763,264	2,925,844	2,925,844	2,925,844	2,925,844
(4,895)	Investment Income	(335,200)	(135,200)	(125,200)	(125,200)	(125,200)
31,741	Localisation of CT Support Grant - Parish & Special Expenses	15,871	0	0	0	0
0	Revenue Contribution to Capital	0	0	0	0	0
16,705,449	**NET REVENUE EXPENDITURE**	**17,353,157**	**18,744,216**	**18,904,636**	**19,162,776**	**19,387,196**
(895,000)	Targeted savings in relation to J2SS	0	0	0	0	0
	Budget Proposals Funded from Reserves - One-Off	(290,195)	(161,905)	(92,590)	(94,100)	(87,795)
1,196,055	Contribution to/(from) Balances/Reserves	24,116	0	0	0	0
17,006,504	**MET FROM GOVT GRANT & COUNCIL TAX**	**17,087,078**	**18,582,311**	**18,812,046**	**19,068,676**	**19,299,401**
	ANTICIPATED BASELINE FUNDING GAP	**0**	**1,628,302**	**2,208,001**	**2,468,737**	**3,905,009**

2022/23 Budget £	Service	2023/24 Indicative £	2024/25 Indicative £	2025/26 Indicative £	2026/27 Indicative £	2027/28 Indicative £
	Financed By					
2,218,274	New Homes Bonus	1,219,692	1,194,745	-	-	-
153,126	Transfer from/(to) Collection Fund - CT Prev Yrs Surplus/(Deficit)	25,056	-	-	-	-
5,642,435	Council Tax	5,771,361	5,951,887	6,091,161	6,233,694	6,379,562
2,403,617	National Non-Domestic Rates Baseline	2,493,566	2,499,955	2,548,123	2,601,109	2,654,094
6,222,377	Business Rates Retained Growth & Renewables Disregard	6,222,377	6,126,039	2,002,389	2,028,000	2,053,596
0	Business Rates Reserve	-	-	-	-	-
200,977	Lower Tier Services Grant	-	-	-	-	-
165,699	2022/23 Services Grant	93,369	125,383	-	-	-
0	Minimum Funding Guarantee	1,171,479	1,056,000	-	-	-
0	Revenue Support Grant	90,178	-	737,491	717,217	697,289
0	Other Grants from Government	-	-	-	-	-
0	Transitional Relief	-	-	5,224,881	5,019,919	3,609,851
17,006,504	**TOTAL FUNDING AVAILABLE**	**17,087,078**	**16,954,009**	**16,604,045**	**16,599,939**	**15,394,392**

This page is intentionally left blank

Appendix 2

North West Leicestershire District Council
General Fund Budget Proposals 2023/24 to 2027/28

Proposal Title	Proposal Description & Service Impact	Directorate	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Payaward 22/23	Including NI savings	Various	672,830	0	0	0	0
Payaward Future Years	Including NI & Pension & other minor amendments	Various	730,230	514,760	353,470	369,910	369,820
Vacancy Allowance Increase	Applied a consistent 2% across the general fund	Various	(151,190)	0	0	0	0
Finance Team Agency Budget	Agency contracted until the end of September 2023 to fulfil the vacant Finance Team Manager & Head of Finance	Housing & Customer Services	97,630	(97,630)	0	0	0
Members Allowances	Members Allowances Payaward 22/23 & Future Years	Chief Executive Directorate	32,950	9,820	6,700	6,790	6,920
Enforcement Team Leader post	To upgrade the vacant Senior Planning Enforcement Officer role to a Team Leader position	Place Services	17,940	0	0	0	0
Minor Adjustments across all areas	9 budget proposals individually less than £15k	Various	12,580	2,170	2,320	2,490	2,660
Total Pay Related Costs			**1,412,970**	**429,120**	**362,490**	**379,190**	**379,400**
Corporate Licences increase in cost	Microsoft licences increased in cost due to inflation increase as well as Microsoft increasing prices	Housing & Customer Services	40,000	9,730	0	0	10,000
Fuel Increases of 30%	Increase to fuel costs on Grounds Maintenance, Cleansing and Refuse & Recycling	Place Services	131,480	0	0	0	0
General Fund Energy Costs	Additional budget to cover increase in energy costs for properties within the General Fund Portfolio	Housing & Customer Services	171,850	0	0	0	0
Business Rates - General Fund	Business Rates for Council owned properties future years inflation	Housing & Customer Services	0	12,330	6,420	6,530	6,670
Insurance	Budget increase to cover the increase in the insurance provision contract.	Various	143,780	0	0	0	0
Building Control Statutory Non-Fee Earning budget	Increase in hourly rates for Charnwood's building control service	Place Services	28,000	0	0	0	0
Minor Adjustments across all areas	7 budget proposals individually less than £15k	Various	31,740	2,410	2,040	2,590	1,660
Total Inflation Increases			**546,850**	**24,470**	**8,460**	**9,120**	**18,330**
CCTV Camera Replacement Programme - ongoing maintenance	Year 2 of CCTV camera replacement programme - Capital CCTV Maintenance Programme - Revenue	Place Services	0	0	15,000	0	0
Coalville Regeneration Programme	Continuation of funding for Coalville Regeneration Programme activities to be used to fund: feasibility, initial design, preparatory and legal and other due diligence work associated with: Coalville Cinema, Coalville Railway Station, council depot relocation, Stenson Square, Memorial Square workspace, Coalville public toilets and changing places other town centre regeneration projects.	Place Services	50,000	0	0	0	0
Business Change Resource	Costed at Team Manager Level	Chief Executive Directorate	70,805	0	0	0	0

Proposal Title	Proposal Description & Service Impact	Directorate	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Service Management Restructure	Service Management Restructure	Chief Executive Directorate	54,000	0	0	0	0
Increase in legal salaries	Increase in legal salaries to bring in line with market rates	Chief Executive Directorate	47,140	1,410	970	990	1,010
Minor Adjustments across all areas	6 budget proposals individually less than £15k	Various	14,110	13,500	2,190	260	260
Audit Restructure	Audit Restructure net of income from Blaby District Council and Charnwood Borough Council	Chief Executive Directorate	35,370	1,050	740	740	760
Total Service Developments			**271,425**	**15,960**	**18,900**	**1,990**	**2,030**
District Election 23/24	District Election 23/24	Chief Executive Directorate	29,000	11,000	0	0	0
External Audit fees and audit of grants	Increase in audit costs due to PSAA procurement of audit services.	Housing & Customer Services	74,850	0	0	0	0
Credit & debit card charges - GF	Increase in credit & debit card charges - GF	Various	16,070	0	0	0	0
External Contractor Payments - Fencing HRA	To meet the increase in work demands	Place Services	88,060	0	0	0	0
Strategic Growth Plan	NWLDC contribution to work in connection with Strategic Growth Plan.	Place Services	39,000	33,000	0	0	0
Contribution to Revs & Benefits Partnership	Our share of the costs of the Revenues & Benefits Partnership	Housing & Customer Services	72,660	41,530	42,780	44,060	45,390
Bed and Breakfast Pressure	a recognition of the increasing costs toward emergency accommodation to fulfil our statutory homelessness duties	Housing & Customer Services	146,710	0	0	0	0
Industrial Units	Essential property repairs	Housing & Customer Services	18,000	(18,000)	0	0	0
Net Financing Costs	Changes to the net financing costs following the budget proposals for capital and the forecast carried forwards for 22/23.	Corporate	971	1,162,580	0	0	0
Cost Increase from disposal location changes to new facility	Resdiual waste to be taken to Newhurst Energy Recovery facility located near Shepshed.	Place Services	17,000	0	0	0	0
Minor Adjustments across all areas	7 budget proposals individually less than £15k	Various	40,687	9,750	11,150	11,470	11,790
Total Service Pressures			**543,008**	**1,239,860**	**53,930**	**55,530**	**57,180**
Newmarket income reduction	Result of the delay in the opening of the Marlborough Square Project and therefore the inability to hold regular outdoor markets.	Place Services	57,580	(8,792)	(9,212)	(9,422)	(9,632)
Leisure Contractor Income	An increase in income	Place Services	(269,550)	(332,080)	(163,940)	(107,820)	(188,040)
Refuse & Recycling - Additional Garden Bin	Introduction of Charge for Collection of 2nd Bin - Scheme income reduced to reflect lower take up than anticipated	Place Services	174,350	0	0	0	0
Refuse and recycling - recycling scheme income	Resale of recyclable materials from collections	Place Services	(193,020)	0	0	0	0
Trade Refuse & Recycling Collection	General Fees for Trade Refuse & Recycling Collections	Place Services	(73,460)	(22,720)	(18,620)	(19,170)	(19,750)
Income - Planning apps	Planning app charges	Place Services	(185,500)	0	0	0	0
Increased income from the partnership	Increased income from the Revenues & Benefits Partnership	Housing & Customer Services	(81,120)	(32,150)	(22,070)	(22,510)	(22,970)
Housing Benefits	Increase budget for Rent Allowances (Private Tenants), Rent Rebates (Council Tenants) and Modified Schemes	Housing & Customer Services	96,350	0	0	0	0
Investment Income	Income forecasts for treasury management investments	Corporate	(330,305)	200,000	10,000	0	0
Minor Adjustments across all areas	14 budget proposals individually less than £15k	Various	(40,080)	(51,061)	(8,709)	(28,768)	7,867

Proposal Title	Proposal Description & Service Impact	Directorate	2023/24	2024/25	2025/26	2026/27	2027/28
			£	£	£	£	£
Total Changes In Income			**(844,755)**	**(246,803)**	**(212,551)**	**(187,690)**	**(232,525)**
Removal of One-off 22-23 budgets	Agreed by Cabinet & Council as part of Budget Setting 22-23	Various	(438,420)	0	0	0	0
LCTS Grant - to Special Expenses	Phasing out of LCTS grant to Special Expenses	Corporate	(15,870)	(15,871)	0	0	0
Housing Revenue Account (HRA) & Special Expenses Income	Recharges from General Fund to HRA & Special Expenses	Various	(592,100)	0	0	0	0
Local Council Tax Support Grant (LCTS)	LCTS Grant now included in total funding so needs to be removed from Revs & Bens Service	Housing & Customer Services	83,760	0	0	0	0
Total Technical Adjustments			**(962,630)**	**(15,871)**	**0**	**0**	**0**
Asset Protection Fund	Asset Protection Fund	Housing & Customer Services	(56,730)	0	0	0	0
Reduction in Market Towns Support programme	Reduce the Market Towns Support programme	Place Services	(15,000)	0	0	0	0
Refuse & Recycling general materials	Purchase of bags and removal of bins and boxes budget (now funded from capital)	Place Services	(155,230)	0	0	0	0
Vehicle Maintenance	MOT Testing and Operational Equipment	Place Services	(12,850)	0	0	0	0
EE Mobile phones budget reduction saving	Renewal of our EE mobile phone contract to a more sustainable and cheaper data shared tariff.	Various	(16,410)	0	0	0	0
ICT Vodaphone & Canon MFD Contract efficiencies	Removal of Vodafone contract and reduced number of printers due to accommodation project	Housing & Customer Services	(17,800)	0	0	0	0
Finance System Licence & Maintenance	Efficiency savings for finance system licences and maintenance for Total and Unit 4.	Housing & Customer Services	15,000	(37,470)	0	0	0
Community Leisure - Castle Donington College	A budget saving due to change the way the scheme provision is managed	Place Services	0	(17,590)	0	0	0
Business Rates - General Fund	Adjustments to budgets to match current costs and efficiencies due to Accommodation project.	Various	(14,880)	0	0	0	0
Deletion of Admin Assistant Post	Deletion of the Admin Assistant Post in Leisure Services	Place Services	(16,970)	0	0	0	0
Business Change Resource	Efficiency savings from service reviews to fund Business Change Resource	Chief Executive Directorate	0	0	(70,805)	0	0
Minor Adjustments across all areas	3 budget proposals individually less than £15k	Various	(28,930)	0	0	0	0
Total Efficiencies			**(319,800)**	**(55,060)**	**(70,805)**	**0**	**0**
	Total Budget Proposals		**647,068**	**1,391,676**	**160,424**	**258,140**	**224,415**

This page is intentionally left blank

Appendix 3(a)

North West Leicestershire District Council
Proposed Fees & Charges 2023/24 - Housing & Customer Services

Service	Fee/Charge	Charging Policy	2022/23 Fees	2023/24 Proposed Fees	Percentage Change in Fees	Basis for Change
Property	Rent of Commercial Property	Rent agreement	Negotiated with tenant dependant on size of building and market rates		0	
Property	Maintenance Charge for Commercial Property	% of rent	Currently 5% of rent, increasing to 10% on extension of lease and for new tenants.		5%	Where new lease negotiated.
Property	Service Charges for Commercial Property	Actual cost	As per actual costs incurred		0	
ICT	Print Room Sales	Cost plus 25%	Mono 6p + paper and finishing Colour 7.5p + paper and finishing +25% for external customers		0	
Finance - Fin Planning	External charges (Insurance)	Cost			0	
Strategic Housing	Caravan site rental	£36.19 per week from April 2022 on anniversary of individual rental agreement, an increase of £1.09 per week from 5 remaining residents	£36.19	£39.84	10.1%	Sept CPI increase

Appendix 3(b)

North West Leicestershire District Council
Proposed Fees & Charges 2023/24 - Place Services

Service	Fee/Charge	Charging Policy	2022/23 Fees	2023/24 Proposed Fees	Percentage Change in Fees	Basis for Change
Waste Services	Bulky Collections	Full Cost Recovery	£27 For 1-3 items, £5.50 for each additional item	£28 For 1-3 items, £5.80 for each additional item	3.70% & 5.45%	increase in line with previous years, £1 increase for 1 - 3 items. Any higher may lead to increased fly tipping
Waste Services	Trade Refuse	Full Cost Recovery	between £8.50 to £18.00 for 240l, 360l, 770l, 1100l bins (per bin per collection)	between £9.35 to £19.80 for 240l, 360l, 770l, 1100l bins (per bin per collection)	10%	inflationary increase based on cpi
Waste Services	Trade Sacks	Full Cost Recovery	£2.90 per sack (min 50 sacks)	£3.20 per sack (min 50 sacks)	10.34%	inflationary increase based on cpi
Waste Services	Trade Recycling	Full Cost Recovery	between £3.70 to £6.20 for 240l, 360l, 1100l bins (per bin per collection)	between £4.00 to £6.80 for 240l, 360l, 1100l bins (per bin per collection)	between 8.11% to 9.68%	inflationary increase based on cpi
Waste Services	Additional Garden Waste bin collection	Subsidised/Full Cost Recovery	£45.00	£45.00	0%	22/23 was the first year of charging with lower uptake than budgeted. Therefore fee to remain the same for 23/24 in order to try and get increased uptake
Waste Services	Emptying of litter bins	Full Cost Recovery	between £3.17 to £5.74 (per bin per wk)	between £3.50 to £6.30 (per bin per wk)	between 9.76% to 10.41%	inflationary increase based on cpi
Waste Services	MOT's - Staff vehicles	Subsidised	£34.00	£37.00	8.82%	inflationary increase based on cpi
Waste Services	Air Con Service - Staff vehicles	Full Cost Recovery	£36.00	£40.00	11.11%	inflationary increase based on cpi
Leisure Services	3G Pitch fees (Hermitage Rec Grd)	Subsidised/Full Cost Recovery	between £28.85 to £72.10 depending on pitch size and Adult/Junior	between £31.75 to £79.30 depending on pitch size and Adult/Junior	between 9.99% to 10.06%	inflationary increase based on cpi
Environmental Protection	Public Conveniences - Ashby	Full Cost Recovery	from no charge for children to £0.10p per adult	flat rate of £0.30p	from 200% to 500%	Hasn't charged since covid started. Increase to bring charge in line with other authorities
Environmental Protection	EV	Profit Generating	30p kwh	70p kwh	133%	Increase is due to an increase in electricity and additional EVC points
Environmental protection	New Market	Full Cost Recovery	Fees vary from £17.50 to £60	Fees vary from £17.50 to £60	0	no change in fees
Environmental protection	Private Sector Housing	Full Cost Recovery	From £97 to £432	From £106 to £432	10%	increase due to inflation and the number of licenses due (renewable every 5 years)
Environmental protection	Scrap Metal Dealers - Licenses	Full Cost Recovery	Fees vary from £35 to £503	Fees vary from £38 to £553	average 9.3%	increase due to inflation
Environmental protection	High Hedges	Full Cost Recovery	£530.00	£553.00	4.3%	increase due to inflation
Environmental protection	Noise surveys	Full Cost Recovery	£410.00	£451.00	10%	increase due to inflation
Environmental protection	Caravans/Mobile Homes	Full Cost Recovery	Fees vary from £72 to £375	Fees vary from £79 to £412	average 9.7%	increase due to inflation

Service	Fee/Charge	Charging Policy	2022/23 Fees	2023/24 Proposed Fees	Percentage Change in Fees	Basis for Change
Environmental Health	Licensing	Subsidised/Full Cost Recovery	Fees vary between £3 and £64,000	Fees vary between £3 and £64,000	average 3.49%	Reduced number of taxi licenses, LA2003 (pubs and clubs)and Gambling licenses
Environmental Health	Vehicle Licence (up to 6 years old)		£260	£268	3.08%	increase due to inflation
Environmental Health	Vehicle Licence - 6 years and older (2 tests per year required)		£313	£323	3.19%	increase due to inflation
Environmental Health	Vehicle Licence - Stretch Limousines (2 tests per year required)		£366	£323	-11.75%	decrease due to reducing the number of vehicle examination from 3 to 2 per year
Environmental Health	Vehicle Licence - Ultra Low Emission Vehicle vehicles (15% discount applied)		£221	£228	3.17%	increase due to inflation
Environmental Health	Vehicle Accidental damage replacement (8weeks)	Subsidised/Full Cost Recovery	£148	£153	3.38%	increase due to inflation
Environmental Health	Private Hire Operators Licence - 1 year		£255	£264	3.53%	increase due to inflation
Environmental Health	Private Hire Operators Licence - 2 years		£474	£490	3.38%	increase due to inflation
Environmental Health	Private Hire Operators Licence - 3 years		£647	£670	3.55%	increase due to inflation
Environmental Health	Private Hire Operators Licence - 4 years		£820	£850	3.66%	increase due to inflation
Environmental Health	Private Hire Operators Licence - 5 years		£994	£1,030	3.62%	increase due to inflation
Environmental Health	Health and Food Safety	Full Cost Recovery	Fees vary between £4 and £155	Fees vary between £5 and £160	average 3.2%	Reduced income export certificates/food hygiene inspections
Environmental Health	Border Inspection Post	Full Cost Recovery	Fees vary between £25.50 and £192	Fees vary between £26.00 and £196	average 3.2%	Due to EU imports not being introduced
Environmental Health	Pest Control	Subsidised/Full Cost Recovery	Fees vary between £16 and £200	Fees vary between £18 and £200	average 4.5%	increase due to inflation
Planning & Infrastructure	Copy Planning/ Planning App Documents		£2.50 to £100		0%	
Planning & Infrastructure	Search fees LLC1	Trfd to Land Registry	£1 to £6	£ -	-100%	Transferred to Land Registry
Planning & Infrastructure	Search fees CON29		£0 to £128	No change	0%	
Planning & Infrastructure	Planning Application Fees	Set Nationally	Various	No change	0%	Set Nationally
Planning & Infrastructure	Planning Conditions Discharge	Set Nationally	Various	No change	0%	Set Nationally
Planning & Infrastructure	Pre-application fees	Individually determined	Various	Various	0%	

Appendix 3(c)

North West Leicestershire District Council
Proposed Fees & Charges 2023/24 - Chief Executive

Service	Fee/Charge	Charging Policy	2022/23 Fees	2023/24 Proposed Fees	Percentage Change in Fees	Basis for Change
Legal	Legal fees various		Various hourly rates depending on grade of person doing the work		0	No Change
Democratic Services	Electoral Registration sale of register	Statutory	Data - per 1000 electors or part thereof £1.50 + handling fee £20 Printed copy per 1000 electors or part thereof £5 + handling fee £10 Certificate of Registration (subject to review) £10.		0	No Change
Democratic Services	Address Management		Renaming existing property £42.25 Naming/numbering existing property £42.25 Naming/numbering a development of up to 5 plots £42.25 per Plot Naming/numbering a development of more than 5 plots £211.25 + £22.25 for each plot from 6 onwards Naming a street £158 Change to development after notification: Admin £55.50 plus £28.25 per plot Street re-naming at residents request £276.50 plus all compensation met by applicant Confirmation of postal address details £28.25 Number a new flat complex £28.25 per flat	Renaming existing Property £43.50. Naming/numbering existing property £43.50. Naming/numbering a development of up to 5 plots £43.50 per plot. Naming/numbering a development of more than 5 plots £217.50 + £23 for each plot from 6 onwards. Naming a street £162.75. Change to development after notification: Admin £57.25 plus £29 per plot Street re-naming at residents request £284.75 plus all compensation met by applicant Confirmation of postal address details £29 Number a new flat complex £29 per flat.	3%	

CORPORATE CHARGING POLICY

2023 - 2026

Version: 1.2 January 2023

1.0 INTRODUCTION

1.1 The Council provides a wide range of services to local residents, businesses and visitors for which it is able to make a charge either under statutory powers set by the Government or discretionary powers where charges are set by the Council. In 2022/23 the Council budgeted to collect over £27m in local income.

1.2 In the current local government funding environment, local income generation, when done in the right way, presents the Council with an opportunity to maximise its financial position and be more self-sufficient. Charging for services can also present opportunities to achieve policy objectives, for example by encouraging or discouraging the use of a service or altering the behaviour patterns of residents or businesses.

1.3 Decisions around charging for services are taken in reference to the Council's public sector ethos. As a public sector body, the Council needs to work within legislation, regulation and a political framework and this can sometimes limit the scope of what the Council can do. Adopting a commercial approach will provide opportunities to bring in additional external income to protect front line services whilst benefitting the locality.

1.4 This charging policy outlines the key principles to be considered in charging for services in a transparent and consistent manner. The purpose of this Policy is not to be over-prescriptive, but rather to provide a framework for how the Council approaches charging for its services. The application of this Policy should bring greater clarity to the process for setting charges and will, therefore, assist the Council in achieving its Corporate Objectives. It is also intended to help guide the process of reviewing charges for existing services and setting charges for any new services that may be introduced in the future.

2.0 LOCAL AUTHORITY POWERS TO TRADE COMMERCIALLY – THE STATUTORY BACKGROUND

2.1 The Local Government Act 2000 gave local authorities wide powers to act for the economic, social and environmental well-being of their areas. The general power to charge for discretionary services was included in the Local Government Act 2003.

2.2 The Council is permitted under the general power of competence to charge individuals for discretionary services. No additional legal structure is needed for this but, the Council is only permitted to recover its costs of delivering the relevant service – it cannot make profits.

2.3 If the Council intends to carry out commercial activities with individuals and private organisations, then section 4 of the Localism Act 2011 and section 95 of the Local Government Act 2003 require those commercial activities to be carried out through a company. Such activities must relate to the Council's discretionary functions only. A business case must be prepared and approved by the Council before the activities are carried out. The cost of support provided to the company by the Council must be recovered from the company.

2.4 The Council may trade with public bodies listed under the Local Authorities (Goods and Services) Act 1970 and its subsequent statutory instruments. It may also make its staff available to work for certain type of public body under section 113 Local Government Act 1972. The Council may make a profit on its activities under these Acts. No additional legal structures are required to trade under these powers although these activities do need to be identifiable in the Council's accounts.

2.5 The decision on whether to make a charge (and its level) is not always within the control of the Council and so it is critical that officers considering implementing or revising charges are aware of the statutory context in which they are delivering services

2.6 Services that the Council charges for are split into two areas:

a) **Chargeable Statutory Services -** These are statutory services that the Council must provide but is able to charge for – either the methodology in determining charges or the charges themselves are prescribed. These charges can still contribute to the financial position of the Council.
b) **Discretionary Services -** Discretionary services are generally that an authority can provide but is not obliged to provide. Local authorities can make their own decisions on setting charges for discretionary services.

2.7 It is recognised that in some circumstances (such as Building Control) the approach to the use of surplus income may also be influenced by central government guidance.

3.0 HOW WILL CHARGES BE DETERMINED

3.1 It is critical that the implications of the charging decisions being taken are fully understood and that the officers to whom charge setting powers have been delegated have the appropriate information they need to make informed choices.

3.2 Charges may be set differentially, so that different people are charged different amounts. Authorities are not required to charge for discretionary services and may provide them for free if they so decide.

3.3 Charges will not be limited to a level that covers the costs of providing that service, but rather levels will be set based on market conditions with reference to the Council's policy objectives, the statutory constraints surrounding the ability for all Local Authorities to make profits and the alternative models for delivery available.

3.4 Assessing the impact of charging decisions to customers is a fundamental aspect of the decision making process. Where it is appropriate to do so (for example, when a charge is payable by an individual), an Equality Impact Assessment (EIA) for a charge introduction or variation must be completed to demonstrate the impact to customers and this must be presented alongside the financial information to decision makers. Where the customer is a corporate or public sector body an EIA may not be necessary but work to evidence the impact of proposed charges to these customers should be fully considered and presented to decision makers.

3.5 In some circumstances it may be appropriate to consider offering a subsidy to all users or certain key groups where it is consistent with achieving the Council's Corporate Priorities. Please see section 7 of this policy for further considerations around subsidising charges.

3.6 Charges should be set at levels that, as far as possible, do not preclude members of the public from using or benefiting from a service. Consideration should be given to the ability of individuals, including those of limited means, to meet the charges and benefit from the service available.

3.7 There are four fundamental principles to the Council's Corporate Charging Policy:

a) Services should raise income wherever there is a power or duty to do so and are best placed to determine the charge level based on the impact to customers and the fulfilment of corporate priorities;

b) The income raised should seek to generate profit if it is effective and lawful to do so within the appropriate trading structure or seek to sustain a full cost recovery position when it is not appropriate for profits to be generated. Subsidising of charges should be considered where it is necessary and in line with the Council's public sector ethos;

c) The impact to customers in determining charges must be fully considered and an Equality Impact Assessment (EIA) (or other impact assessment for corporate or public sector bodies as necessary) must be completed; and

d) Any departures from this policy must be justified in a transparent manner with reference to the relevant charging strategy and how the charge promotes financial sustainability, manages the impact on customers and/or meets the Council's priorities.

3.8 Adoption of these principles will be undertaken on both new and current charges. Where there is a disparity between the current charging position and the desired charging strategy (see Table 1), steps will be taken as outlined in section 4 as part of the annual review of charges.

3.9 Effective charging decisions require a solid market knowledge, benchmarking of costs against other public sector bodies and sometimes the private sector, and also an understanding of the impact such charges have on the use and in some circumstances, the delivery of a service.

3.10 There are situations where the Council may decide not to raise income when it is empowered to do so or not to recover the full cost of providing a particular service. Members or Officers must be supplied with the information to allow them to make these decisions in a structured manner in line with the charging strategies contained within this policy. A decision to forego income or to subsidise a service is a policy decision having regard to resources and is significant as any decision made in the budget setting process.

3.11 Charges should recover the actual cost of providing the service, including the recovery of organisational overheads apportioned to the charging service area. Discretion around the recovery of organisational overheads will be allowed to ensure that charges are not disproportionate with the actual level of corporate or directorate support likely to be consumed in delivering a chargeable service.

3.12 It is recognised that it will not be appropriate to recover the full costs in all circumstances and the actual amount of charge proposed could mean that a subsidised charging strategy is adopted as a result of:

- Any relevant Council strategies or policies and any subsidy or concessions given (concessionary groups and levels are explained in Section 7);

- Market conditions and prices charged by competitors and/or other local authorities;

- The need to avoid any potential distortion of the market which might otherwise occur from pricing services below the levels charged by private sector concerns for similar services;

- The desirability of increasing usage of a given service; and/or

- The possibility of increasing savings for the Council The need to be competitive and not recover organisational overheads.

3.13 All charges will be set in line with this policy and should fall into one of the categories set out in the following table which expands on different charging strategies of for discretionary services.

Table 1 – Charging Strategies

Charging Strategy		Objective
Statutory		Charges are set nationally and local authorities have little or no opportunity to control such charges. Charges are set through either of the following scenarios: a) A statutory charge determined by central government; or b) Where there is a statutory framework for setting charges. Under b) it is still possible for charges to fall under the subsidised or full cost recovery strategies.
Free		The Council chooses to make the service available at no charge to meet a service objective
Subsidised	**Corporate Priority**	The Council wishes users of the service to make a contribution to the costs of providing the service in order to meet a corporate priority.
	Concession	The Council wishes all users of the service to make a contribution to the costs of providing the service, in order to meet a service objective, but recognises that the service users will not be able to contribute in full.
	Business Development	The Council wishes users of the service to make a contribution to the costs of providing the service in order to: - allow competition with other providers/secure market share whilst the service is established; or - as part of a wider business strategy that sustains a better financial position with a product/service sold at a loss.
Full Cost Recovery		The Council aims to recover the costs of providing the service from those who use it, including recovering service management time and an allowance (based on a corporate percentage) for the recovery of organisational overheads.
Profit Generating		The Council aims to recover the cost of providing the service and make a surplus. (Where the customer is NOT a public body, trading for a profit must be via a trading company).

3.14 Consideration should be given in all cases as to whether VAT is applicable and appropriate advice from the Council's insurers with regards to additional insurances required should be obtained. Advice on both of these matters can be provided by the Finance Team.

3.15 Income that is derived from charging for services must be used to offset the cost of providing the service. Any surplus must be paid to the General Fund/Housing Revenue Account, as applicable, but must be considered in reviewing charges.

3.16 Under the Full Cost Recovery methodology, where a surplus has been generated, the estimated cost of providing the services for the next year must be assessed to ensure that a surplus is not generated over a the five year period of the Medium Term Financial Plan.

4.0 ANNUAL REVIEW OF EXISTING CHARGES

4.1 All charges within the Council's control should be reviewed at least annually as part of setting the following year's annual budget and charge increases should be set to take effect from April. All the factors set out above should be taken into consideration in order that officers may make informed choices on the level of charge to be set.

4.2 The baseline assumption is that all charges within the Council's control should be increased annually by an agreed inflationary percentage. The inflationary percentage will be based on the September CPI unless exceptional circumstances occur. Before applying this annual uplift, however, a review of existing charges will be undertaken to identify any discretionary charges for which such an increase would not be considered appropriate. In addition, application of an inflationary uplift should not be seen as removing the need to review the efficiency of all services on an on-going basis.

4.3 The Council must calculate how much it needs to spend to provide services and how much income it can expect from charges and the amounts from specific government grants it will receive. This policy does not prescribe the format in which officers will review charges, but it is recommended that updating the service snapshot trading accounts will be the most effective format for reviewing the current and future service costs associated with providing a service.

4.4 Officers reviewing charges must consider the impact to customers and complete an Equality Impact Assessment (EIA) (or other impact assessment for corporate or public sector bodies as necessary), as outlined in paragraph 3.4 above.

4.5 Budget holders must communicate the effective percentage change of proposed revised charges to Finance to be included in the proposed budget for approval. The proposed changes to charges will be submitted to Cabinet as part of the draft budget ahead of the statutory consultation period and will be approved by Council in the February/March. The key considerations of the EIA will be conveyed within the budget reports for member consideration.

4.6 The review will not preclude the continuous monitoring of budgets having regard to take- up of the service, market forces and achieving target income levels.

4.7 It is considered to be good practice that, where possible, a minimum of one month's notice should be given to customers before any new or revised charges are implemented.

5.0 VARYING CHARGES IN-YEAR

5.1 Where there is a strong case for amendment of charges in-year, Team Managers should discuss with their Head of Service who will consult with the relevant Director, Portfolio Holder and Head of Finance for decision.

5.2 Proposals for short term promotions / sales in-year and/or the introduction of a concession or an amendment to an existing concession, should be discussed with the Head of Service and approved by the Director, Portfolio Holder and Head of Finance for decision unless otherwise delegated. The Portfolio Holder, for reasons of a political nature, may refer the decision to Cabinet even if it falls outside of the 'financial key decision' definition.

5.3 Proposals must consider the impact to customers and complete an Equality Impact Assessment (or other impact assessment for corporate or public sector bodies as necessary), as outlined in paragraph 3.4 above. This assessment must be presented alongside financial and other relevant information to the Director, Portfolio Holder and Head of Finance as part of the decision making so that the impact to customers is fully considered.

5.4 It is considered to be good practice that, where possible, a minimum of one month's notice should be given to customers before any new or revised charges are implemented.

5.5 Appropriate records must be retained in line with section 8 of this policy.

5.6 Officers must have regard to what may constitute a 'financial key decision' and act in accordance with the requirements of the Council's Constitution.

6.0 INTRODUCING NEW CHARGES

6.1 Before a new charge is introduced the financial and legal context for charging must be determined. A careful calculation of the costs of provision, utilising the snapshot trading account for the service area, and appropriate level of charge alongside anticipated demand must be undertaken. Financial and Legal advice must be sought and the legal authority for levying the charge must be established.

6.2 As above, the Council must calculate how much it needs to spend to provide services and how much income it can expect from charges and the amounts from specific government grants it will receive. This policy does not prescribe the format in which officers will review charges but it is recommended that updating the service snapshot trading accounts will be the most effective format for reviewing the current and future service costs associated with providing a service.

6.3 Proposals must carefully consider the impact to customers and an Equality Impact Assessment must be completed to demonstrate this (or other impact assessment for corporate or public sector bodies as necessary), as outlined in paragraph 3.4 above. This assessment must be presented alongside financial and other relevant information to officers or members as appropriate as part of the decision making process so that the impact to customers is fully considered.

6.4 Where a proposal exists to introduce a new charge for a discretionary service that may constitute a 'financial key decision' it is a matter for consideration by Cabinet.

6.5 Where a proposal exists to introduce a new charge for a discretionary service that does not constitute a 'financial key decision' it is a matter for consideration by the relevant Head of

Service and Director in consultation with the relevant Portfolio Holder and Head of Finance. The Portfolio Holder, for reasons of a political nature, may refer the decision to Cabinet even if it falls outside of the 'financial key decision' definition.

7.0 KEY PRINCIPLES – WHICH CUSTOMERS SHOULD RECEIVE A SUBSIDY?

7.1 In some circumstances it may be appropriate to consider offering a subsidy to all users or certain key groups where it is consistent with achieving the Council's corporate priorities.

7.2 Recognising this, it is Council policy that when charges are reviewed, concessions where appropriate should be considered for certain groups of customer. In some circumstances concessions may not be appropriate and it will be necessary to consider the impact on income levels before introducing the concession.

7.3 It is the policy of the Council that when charges are reviewed concessions should be considered for different groups of customers. Included in Appendix 1 are details of the current customer groups that should be considered. This policy delegates the maintenance of this list of different customer groups to the Head of Finance so that different customer groups who are not known at the time of writing this policy are not disadvantaged.

7.4 This policy retains discretion in respect of the level of concession - concession of between 25% and 100% of the full charge may be appropriate in some cases.

7.5 Concessions may not be appropriate in all circumstances and it will be necessary to consider the impact on income levels before introducing a concession. An assessment of the desirability of offering a concession will form a part of the process of reviewing charges.

7.6 However, it is recognised that there will be important exceptions that will make charging inappropriate in a number of cases. The following examples are not intended to be exhaustive list:

- Circumstances where the service in question is delivered to all residents or householders equally and which could therefore be considered to be funded from Council Tax;

- Circumstances where the administration costs associated with making a charge could outweigh any potential income;

- Circumstances where making a charge would be directly contrary to achieving one of the Council's Corporate Priorities;

- Circumstances where charging would be counterproductive (i.e. it may result in a substantial reduction in use of the service); and

- Circumstances where the Council incurs extra charges to enable people to have fair access to services.

8.0 ADMINISTRATION

8.1 The principles for administering charges are:

- The financial data used to set charges should be maintained on an ongoing basis and charges should be set with reference to the snapshot trading account for the relevant service area to evidence the current/proposed charging strategy;

- Documentation confirming Director of Service, Portfolio Holder and Head of Finance approval of in year changes to charges should be maintained.

- Charges should be simple to understand and administer;

- Charges should be well promoted so that customers can clearly understand the charging structure and methods of payment before they become liable to be paid;

- Where possible methods of payment should be flexible, convenient and take into account the needs of disadvantaged groups in the community (the easier it is to pay, the more likely it is that payment will be made);

- Wherever possible and practicable, payment should be made prior to the service being received or at the point of delivery; and

- The Council's preferred payment method is Direct Debit, BACS or direct payment through the Council's website followed by PayPoint and telephone payments.

9.0 HOW WILL THIS POLICY BE IMPLEMENTED?

9.1 All charges are subject to annual review as part of the Council's budget setting process. The review of existing charges and consideration given to the introduction of new charges will be undertaken having regard to the guidelines and Charging Strategies set out within this Policy.

Appendix A

Customer Groups for whom concessions should be considered

Customer Group	**Service Category**
Persons in receipt of an approved means tested benefit	Public Health related services e.g. Environmental Health – public health pests (rats and mice), housing standards Waste Services – bulky waste collection Leisure / Healthy lifestyle
Young people under 16 years of age	Leisure / Healthy lifestyle
Full time students	Leisure / Healthy lifestyle
Registered Carers	Leisure / Healthy lifestyle
Senior citizens over state pensionable age	Leisure / Healthy lifestyle
People with a disability	Car parking and public conveniences Leisure / Healthy lifestyle
Care Leavers	Leisure / Healthy lifestyle
Armed Forces Covenant	Leisure / Healthy lifestyle

An approved means tested benefit means the following benefits only:

- Carer's Allowance
- Council Tax
- Universal Credit
- Employment and Support Allowance (Income Based)
- Housing Benefit
- Income Support
- Jobseeker's allowance (Income based)
- Working Tax Credit

GENERAL FUND CAPITAL PROGRAMME 2023/24-2027/28

Appendix 4

PROJECT	2022/23 C/fwd £	2023/24 For Approval £	2024/25 Indicative £	2025/26 Indicative £	2026/27 Indicative £	2027/28 Indicative £	Funding Source

ACTIVE PROJECTS

Coalville Regeneration Projects

Accommodation Project	873,803	420,000					Reserves and Prudential Borrowing
Marlborough Square Improvements	2,393,008						
Marlborough Centre Purchase and Renovation	3,257,172						
Total Coalville Regeneration Projects	**6,523,983**	**420,000**	-	-	-	-	

Systems / ICT Schemes

Car Parking Machines - Modem Upgrade		13,300					Prudential Borrowing
Total Systems / ICT Schemes	-	**13,300**	-	-	-	-	

Fleet Replacement and Infrastructure Programme

Refuse Vehicles	633,109						Capital Receipts and Prudential Borrowing
Total Fleet Replacement and Infrastructure Programme	**633,109**	-	-	-	-	-	

Other Capital Schemes

Disabled Facility Grants		670,310					Grants
Market Street Car Park - Resurfacing	7,000						Prudential Borrowing
Appleby Magna Caravan Site - redevelopment -other	135,218						
New Garage Roof at Coalville Park	5,596						
Hermitage Recreational Ground Demolishing	170,000						
Refuse Bins & Recycling Containers	11,148	194,000					
UK Shared Prosperity Investment Plan Programme	165,060						Grants
Air Quality	5,240						
Total Other Capital Schemes	**499,262**	**864,310**	-	-	-	-	
TOTAL ACTIVE PROJECTS - MAIN PROGRAMME	**7,656,354**	**1,297,610**	-	-	-	-	

PROJECT	2022/23 C/fwd	2023/24 For Approval	2024/25 Indicative	2025/26 Indicative	2026/27 Indicative	2027/28 Indicative	Funding Source

DEVELOPMENT POOL

Coalville Regeneration Projects

PROJECT	2022/23 C/fwd	2023/24 For Approval	2024/25 Indicative	2025/26 Indicative	2026/27 Indicative	2027/28 Indicative	Funding Source
Coalville Regeneration Framework	324,818	500,000	500,000	500,000	500,000	500,000	Reserves
Demolition of Council Offices		300,000					
Total Coalville Regeneration Projects	**324,818**	**800,000**	**500,000**	**500,000**	**500,000**	**500,000**	

Systems / ICT Schemes

PROJECT	2022/23 C/fwd	2023/24 For Approval	2024/25 Indicative	2025/26 Indicative	2026/27 Indicative	2027/28 Indicative	Funding Source
Laptop Replacements	-	68,000	49,000	92,000	49,000	49,000	Reserves
Server and storage additional capacity		70,000					
Firewall Replacement						50,000	
Cloud Back-up Solution		10,000					
Hosted SBC to Cloud			15,000				
Replacement of NetApp Storage Solution			70,000				
SharePoint Intranet Upgrade		10,000					
Car Parking Machines - Modem Upgrade		13,288					
Total Systems / ICT Schemes	**-**	**171,288**	**134,000**	**92,000**	**49,000**	**99,000**	

Fleet Replacement and Infrastructure Programme

PROJECT	2022/23 C/fwd	2023/24 For Approval	2024/25 Indicative	2025/26 Indicative	2026/27 Indicative	2027/28 Indicative	Funding Source
Fleet Replacement Programme		2,186,230	846,330	3,114,040	974,950		Capital Receipts and Reserves
MOT Lane Upgrade		50,000					
Kempower Mobile DC Charging Unit		15,860					
Solar Panels - Ashby Leisure Centre/Coalville Leisure Centre		195,000					
Total Fleet Replacement and Infrastructure Programme	**-**	**2,447,090**	**846,330**	**3,114,040**	**974,950**	**-**	

Other Capital Schemes

PROJECT	2022/23 C/fwd	2023/24 For Approval	2024/25 Indicative	2025/26 Indicative	2026/27 Indicative	2027/28 Indicative	Funding Source
Disabled Facility Grants			670,310	670,310	670,310	670,310	Grants
Driver ID Fobs and Tachograph download	11,035						Reserves
Moira Furnace - Masonry & Drainage Masonry/Drainage/Upgrades to furnace and Bridge & further remedial works	280,000						
Whitwick Business Centre - Installation of Solar Power	40,000						
Market Hall -Demolish and make good	75,000						

PROJECT	2022/23 C/fwd	2023/24 For Approval	2024/25 Indicative	2025/26 Indicative	2026/27 Indicative	2027/28 Indicative	Funding Source
Whitwick Business Centre - Upgrade CCTV	10,000						
Memorial Clock Tower	30,000						
The Courtyard Roof repair		200,000					
CCTV Cameras replacement		100,500					
Hermitage Recreational Ground 3G Pitch			130,000				Reserves
Refuse Bins & Recycling Containers			194,000	200,000	200,000	202,000	
Kegworth Public Realm Works		907,905					Grant and Reserves
Total Other Capital Schemes	**446,035**	**1,208,405**	**994,310**	**870,310**	**870,310**	**872,310**	
TOTAL DEVELOPMENT POOL - MAIN PROGRAMME	**770,853**	**4,626,783**	**2,474,640**	**4,576,350**	**2,394,260**	**1,471,310**	

SPECIAL EXPENSES PROGRAMME

DEVELOPMENT POOL

Play Areas

Staples Drive - Replacement Fencing		10,340					Revenue
Total Play Areas	**-**	**10,340**	**-**	**-**	**-**	**-**	
TOTAL DEVELOPMENT POOL	**-**	**10,340**	**-**	**-**	**-**	**-**	
TOTAL CAPITAL PROGRAMME	**8,427,207**	**5,934,733**	**2,474,640**	**4,576,350**	**2,394,260**	**1,471,310**	

This page is intentionally left blank

North West Leicestershire District Council
Estimated Reserves 2023/24 to 2027/28

TEAM	Estimated Balance as at 1/4/23 £	Commitments & Budget Proposals 23/24 £	Estimated balance as at 31/3/24 £	Future commitment incl budget proposals 24/25 to 27/28 £	Estimated Balance 31/3/28 £
Earmarked Reserves:					
Chief Exec	308,610	- 237,805	70,805	- 70,805	-
Human Resources	30,000	-	30,000	-	30,000
Legal & Support Services	132,070	- 132,070	-	-	-
Community Services	802,283	- 204,198	598,084	- 324,440	273,644
Planning	599,859	- 12,250	587,609	- 41,145	546,464
Economic Regen	182,698	-	182,698	-	182,698
Joint Strategic Planning	97,019	-	97,019	-	97,019
Strategic Housing	353,786	-	353,786	-	353,786
ICT	5,500	- 5,500	-	-	-
Property	30,000	- 18,000	12,000	-	12,000
Revenues & Benefits	235,992	-	235,992	-	235,992
Customer Services	10,000	- 10,000	-	-	-
Finance	186,804	- 97,630	89,174	-	89,174
Other reserves	172,845	24,116	196,961	-	196,961
MTFP Reserve	5,165,188	-	5,165,188	-	5,165,188
Business Rates Reserve	369,093	1,994,307	2,363,400	- 2,363,400	0
Total earmarked reserves - General Fund	**8,681,747**	**1,300,970**	**9,982,716**	**- 2,799,790**	**7,182,926**
Total earmarked reserves - Special Expenses	**102,010**	- 102,010	**-**	**-**	**-**
TOTAL EARMARKED RESERVES	**8,783,757**	**1,198,960**	**9,982,716**	**- 2,799,790**	**7,182,926**
Other reserves General Fund:					
General Balance (minimum level of reserves)	1,544,493	-	1,544,493	-	1,544,493
Total other Reserves - General Fund	**1,544,493**	**-**	**1,544,493**	**-**	**1,544,493**
Other reserves Special Expenses:					
General Balance	-	-	-	-	-
Total other Reserves - Special Expenses	**-**	**-**	**-**	**-**	**-**
TOTAL ALL RESERVES - GENERAL FUND & SPECIAL EXPENSES	**10,328,250**	**1,198,960**	**11,527,209**	**- 2,799,790**	**8,727,419**

This page is intentionally left blank

SPECIAL EXPENSES BUDGET SUMMARY

SPECIAL EXPENSES	2022/23		2023/24
	Budget	Forecast Outturn @ Q3	Budget
	£	£	£
COALVILLE			
Parks, Recreation Grounds & Open Spaces	396,380	401,901	TBC*
Broomley's Cemetery & Closed Churchyard	74,660	26,162	TBC*
One Off Grants	2,000	2,000	TBC*
Coalville in Bloom (Other Expenses)	5,000	5,000	TBC*
Coalville Events	78,050	86,730	TBC*
External Grant Funding (play equipment)	0	(26,355)	-
EMR's no longer required	0	(9,271)	-
	556,090	**486,167**	**388,540**
WHITWICK			
Cemetery & Closed Churchyard	10,690	9,324	9,710
Cademan Wood car park & Open Spaces	4,160	3,647	4,220
	14,850	**12,971**	**13,930**
HUGGLESCOTE			
Cemetery & Closed Churchyard	17,920	23,215	18,760
	17,920	**23,215**	**18,760**
PLAY AREAS/CLOSED CHURCHYARDS			
GROUNDS MAINTENANCE & PPM:			
COLEORTON	8,770	5,972	4,650
RAVENSTONE	5,050	1,860	480
MEASHAM	6,490	3,302	2,550
LOCKINGTON-CUM-HEMINGTON	2,590	2,586	2,500
OAKTHORPE & DONISTHORPE	13,410	13,777	4,320
STRETTON	1,560	2,905	1,440
APPLEBY MAGNA	2,950	2,950	2,190
OTHER SPECIAL EXPENSES	**40,820**	**33,352**	**18,130**
SPECIAL EXPENSES (NET COST OF SERVICE)	**629,680**	**555,705**	**439,360**
Service Management recharges/Admin Buildings	157,020	157,020	149,510
NET COST OF SERVICES AFTER RECHARGES	**786,700**	**712,725**	**588,870**
Contribution to/(from) Balances/Reserves	(179,323)	(105,348)	12,863
MET FROM GOVT GRANT & COUNCIL TAX (Budget Requirement)	**607,377**	**607,377**	**601,733**
FUNDED BY:			
Precept	575,635	575,635	585,862
Localisation of Council Tax Support Grant	31,742	31,742	15,871
	607,377	**607,377**	**601,733**

* An updated Appendix 6 will be issued following the meeting of the Special Expenses Working Party on the 24 January 2023

This page is intentionally left blank

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL
GRANT INCOME 2022/23 AND 2023/24

Cost Code Description	Grant details	2022/23 Actual to P9	2022/23 Budget	2023/24 Budget
LICENSING	DLUHC - Pavement Licensing Year 2	(3,501)	0	0
BORDER INSPECTION	DEFRA - EU Transition Grant	(52,233)	(36,110)	(40,500)
COMMUNITY SAFETY	DLUHC - Domestic Abuse Act New Burdens	(32,598)	0	(34,000)
DISCRETIONARY HOUSING	DWP - Discretionary Housing Payments	(52,012)	(104,000)	(104,000)
COUNCIL TAX BENEFITS	DLUHC - Energy Rebate grant	(5,874,000)	0	0
COUNCIL TAX BENEFITS	DLUHC - Energy Rebate Support grant	(58,011)	0	0
COUNCIL TAX BENEFIT ADMIN	DLUHC - Local Council Tax Support Grant	(80,729)	(83,760)	0
COUNCIL TAX BENEFIT ADMIN	DWP - Various Housing Benefit grants	(4,202)	0	0
RENT ALL/RENT REBATE ADMIN	DWP - Various Housing Benefit grants	(8,403)	0	0
RENT ALL/RENT REBATE ADMIN	DWP - Housing Benefit Admin Grant	(123,448)	(185,170)	(185,170)
HOUSING GRANTS	DLUHC - Domestic Abuse Act New Burdens	(5,399)	0	0
HOUSING GRANTS	DLUHC - Various Homelessness/Rough Sleeping	(469,027)	0	0
DISTRICT ELECTIONS	DLUHC - Electoral Integrity New Burdens	(17,971)	0	0
LOCAL LAND CHARGES	DLUHC - Local Land Charges New Burdens	(17,843)	0	0
CIVIL CONTINGENCY AC	DEFRA - Flooding	(4,984)	0	0
UKRAINE	LCC - Homes for Ukraine	(71,190)	0	0
UK SHARED PROSPERITY*	DLUHC - UK Shared Prosperity Fund	0	0	0
PUBLIC PROTECTION	LCC - Disabled Facilities Grant	(547,431)	(649,470)	(649,470)
PUBLIC PROTECTION	DEFRA - Air Quality	(6,000)	0	0
PLANNING POLICY	DLUHC - Neighbourhood Planning Grant	(20,000)	0	0
COUNCIL TAX	ONS - Council Tax Submission New Burdens	(445)	0	0
BUSINESS RATES	DLUHC - Cost of Collection Allowance	0	(161,640)	(166,040)
PCC EARLY INTERVENTION FUND	CSP funding and Early Intervention funding	(45,074)	(35,000)	(45,074)
Non-Specific Grant Income				
Taxation and Non-Specific Grant Income	BEIS - Covid New Burdens	(12,400)	0	0
TOTAL		**(7,506,900)**	**(1,255,150)**	**(1,224,254)**

* UK Shared Propserity - In 22/23 the Council are expecting £128,00 revenue and £165,060 capital. Indicative allocation for 23/24 is £586,121. The confirmation of this grant was received too late to include in the budget, but a virement will be done in year to correct the income and expenditure budgets to reflect this grant.

This page is intentionally left blank

Appendix 8

Responses to Questions Raised by Corporate Scrutiny Committee 4 January 2023

Question Raised	Cabinet Response
Enforcement Service A member wished to formally express the proposal that Cabinet be requested to assess what is required to deliver a full spectrum, proactive enforcement service and set out a plan to address any shortfall in staffing levels.	**Private Sector Housing** Community Services currently has 1.2 full time officers for private sector housing enforcement functions. This level of resource allows the Council to deliver an effective reactive service which is mainly complaint driven. In the last two years the team has been proactive in terms of changes to the Houses in Multiple Occupation (HMOs) legislation and has commenced proactive Minimum Energy Efficiency Standards Regulations compliance which forms part of the Council's Zero Carbon Roadmap and Fuel Poverty Task and Finish Group. A series of Private Sector Housing Enforcement Policies are scheduled to go through Scrutiny and Cabinet in 2023. To support this additional work and move to a more proactive service, Cabinet is to be asked to approve the recruitment of two additional posts utilising funding for this from the Government's Disabled Facilities Grant at its meeting on 31 January 2023. **Antisocial Behaviour** The current level of resource in Community Services allocated to reports of antisocial behaviour is one full-time officer. The resource enables the Council to provide a good level of service particularly relating to the highest risk cases of antisocial behaviour. Work is underway to explore ways of increasing resources through the Leicestershire Police and Crime Commissioners Office and such a resource would add further capacity for the investigation of lower risk reports of antisocial behaviour. In the Council's Housing Service there are two staff members managing cases that relate solely to the Council's own tenants. **Planning Enforcement** With regard to more proactive planning enforcement, the budget contains a bid for a new Planning Enforcement Team Leader. Officers have already reported to Community Scrutiny on the effectiveness of Planning Enforcement and advised that a further report would be presented in the autumn this year.

<table>
<tr><th>Question Raised</th><th>Cabinet Response</th></tr>
<tr><td></td><td>With the above current resource status combined with the related planned increase in officer posts, officers consider that there are sufficient resources in place to effectively manage these functions.</td></tr>
<tr><td>Property Services Budget
A member noted that the Property Services budget had been increased by around £800,000 and questioned why such a large increase would be occurring.</td><td>It was identified that there was an error on Appendix 1 and the Property Services figures and the Revenues & Benefits figures were on the wrong lines. The overall budget figures were correct. This was corrected in an addendum report to Cabinet on 10 January 2023.</td></tr>
<tr><td>Coalville Regeneration Programme
A member noted that the Coalville Regeneration Programme featured work associated with a Coalville railway station and expressed a wish to see similar works carried out at Ashby de la Zouch and at other locations throughout the district. Concerns were also raised at the marked increase in the cost of using public conveniences in Ashby de la Zouch, but officers confirmed that these increased costs had been in line with inflation</td><td>Officers have developed a strong working relationship with CRiL and are involved in discussions about passenger infrastructure at all planned halts along the line through NWL.</td></tr>
<tr><td>Council Tax
Members asked how much income would have been generated had there not been a freeze on council tax, and officers advised that this is something which would have to be worked out and brought back to members, however it was noted that this freeze had created some element of income which would have been foregone if the council tax had increased.</td><td>If the Council increased the council tax by the maximum amount allowed in 2023/24 without the need for a referendum from the 2022-23 rate of £158.58 Band D, it would generate an additional £173,000 council tax in 2023/24.

If the Council had increased the council tax by the maximum amount allowed each year since 2010/11 without the need for a referendum, the rate of Band D Council Tax would be £228.20 and generate an additional £2.5m in 2023/24.

The income foregone over the 14-year period that the council tax has been frozen (assuming the maximum increase of 2.99% /£5 each year is:

<table>
<tr><td>District Council Tax Income Foregone</td><td>£17.3m</td></tr>
<tr><td>Less Council Tax Freeze Grant Received</td><td>£0.5m</td></tr>
<tr><td>Total</td><td>£16.8m</td></tr>
</table></td></tr>
<tr><td>Sale of Council Offices and Car Park
A member enquired where the receipt for the sale of the Council offices and the car park appeared in the budget and if it had been included as capital receipt. Officers advised that it had not been factored in at present and</td><td>No disposal of the Whitwick Road Council offices and car park has been agreed at this time, so it would be inappropriate to report or account for a capital receipt at present. Once any sale has been negotiated the relevant figures will be reported.</td></tr>
</table>

Question Raised	Cabinet Response
offered clarification around the separate issues of the business case for the accommodation changes and plans for the future site, and what the future income stream might be.	
Asset Management Team A member requested clarification on the large investment proposed to restructure the asset management team and asked for more information on exactly what the £350,000 would be spent on. Officers advised that this was still in process but would primarily be staff focussed and at the time of the meeting was dependant on various factors such as staff changes, which could be discussed outside of the public meeting.	Noted

This page is intentionally left blank

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL
GENERAL FUND SUMMARY BUDGET RECONCILIATION
REVISED DRAFT BUDGET 2023/24 TO PROPOSED BUDGET 20232/4

Service	2023/24 Revised Draft £	2023/24 Proposed £	2023/24 Variance £	Reason for Change
Chief Executive	402,500	401,840	(660)	
Human Resources	748,750	740,310	(8,440)	Saving on software
Legal & Support Services	1,567,540	1,654,930	87,390	Internal Audit restructure and legal market supplements on salaries
Total Chief Executive's Department	**2,718,790**	**2,797,080**	**78,290**	
Strategic Director of Place	342,410	340,600	(1,810)	
Community Services	6,341,790	6,321,690	(20,100)	Additional income elecric vehicle charging points, increase costs on waste disposal, minor recharge adjustments to HRA & Special Expenses
Planning & Infrastructure	977,119	985,399	8,280	Recharge adjustments
Economic Regeneration	891,210	897,140	5,930	Recharge adjustments
Joint Strategic Planning	9,120	9,080	(40)	
Total Director of Services	**8,561,649**	**8,553,908**	**(7,741)**	
Strategic Housing	796,453	797,733	1,280	
ICT	1,240,780	1,208,970	(31,810)	Recharge adjustments
Property Services	263,260	245,660	(17,600)	Recharge adjustments
Revenues & Benefits	1,033,790	1,131,260	97,470	Grants rolled in to RSG & loss of Local Council Tax Support Grant
Customer Services	958,570	958,060	(510)	
Finance	1,244,370	1,147,750	(96,620)	Recharge adjustments
Total Director of Housing & Customer Services	**5,537,223**	**5,489,433**	**(47,790)**	
Estimated Pay Award and Inflation Contingency	679,545	651,230	(28,315)	Removal of corporate contingency
Non Distributed - Revenue Expenditure on Surplus Assets	97,140	107,530	10,390	Recharge adjustments
Non Distributed - Retirement Benefits	67,380	67,380	0	
Corporate & Democratic Core	81,970	70,410	(11,560)	Recharge adjustments
Grants rolled in to RSG	90,000	0	(90,000)	£90k allocated correctly against Revs & Bens above
NET COST OF SERVICES	**17,833,697**	**17,736,972**	**(96,725)**	
Net Recharges from General Fund	(1,784,060)	(1,827,750)	(43,690)	Recharge adjustments
NET COST OF SERVICES AFTER RECHARGES	**16,049,637**	**15,909,222**	**(140,415)**	
CORPORATE ITEMS AND FINANCING				
Corporate Income and Expenditure				
Net Financing Costs	1,478,797	1,763,264	284,467	Change in our MRP strategy and updating of forecast expendture for 2022/23
Investment Income	(250,300)	(335,200)	(84,900)	Higher interest rate and higher level of monies to invest
Localisation of CT Support Grant - Parish & Special Expenses	15,871	15,871	0	
NET REVENUE EXPENDITURE	**17,294,005**	**17,353,157**	**59,152**	
Budget Proposals Funded from Reserves - One-Off	(290,195)	(290,195)	0	
Contributions to Reserves	0	24,116	24,116	Contribution to MTFP earmarked reserve
MET FROM GOVT GRANT & COUNCIL TAX	**17,003,810**	**17,087,078**	**83,268**	
ANTICIPATED BASELINE FUNDING VARIANCE	**(198,539)**	**0**	**198,539**	

Service	2023/24 Revised Draft £	2023/24 Proposed £	2023/24 Variance £	Reason for Change
Financed By				
New Homes Bonus	1,219,692	1,219,692	0	
Transfer from/(to) Collection Fund - CT Prev Yrs Surplus/(Deficit)	140,327	25,056	115,271	Actual Council Tax surplus lower than anticipated in draft budget
Council Tax	5,771,361	5,771,361	0	
National Non-Domestic Rates Baseline	2,493,566	2,493,566	0	
Business Rates Retained Growth & Renewables Disregard	6,222,377	6,222,377	0	
Business Rates Reserve	0	0	0	
Lower Tier Services Grant	0	0	0	
2022/23 Services Grant	93,369	93,369	0	
Minimum Funding Guarantee	1,171,479	1,171,479	0	
Revenue Support Grant	90,178	90,178	0	
TOTAL FUNDING AVAILABLE	**17,202,349**	**17,087,078**	**115,271**	

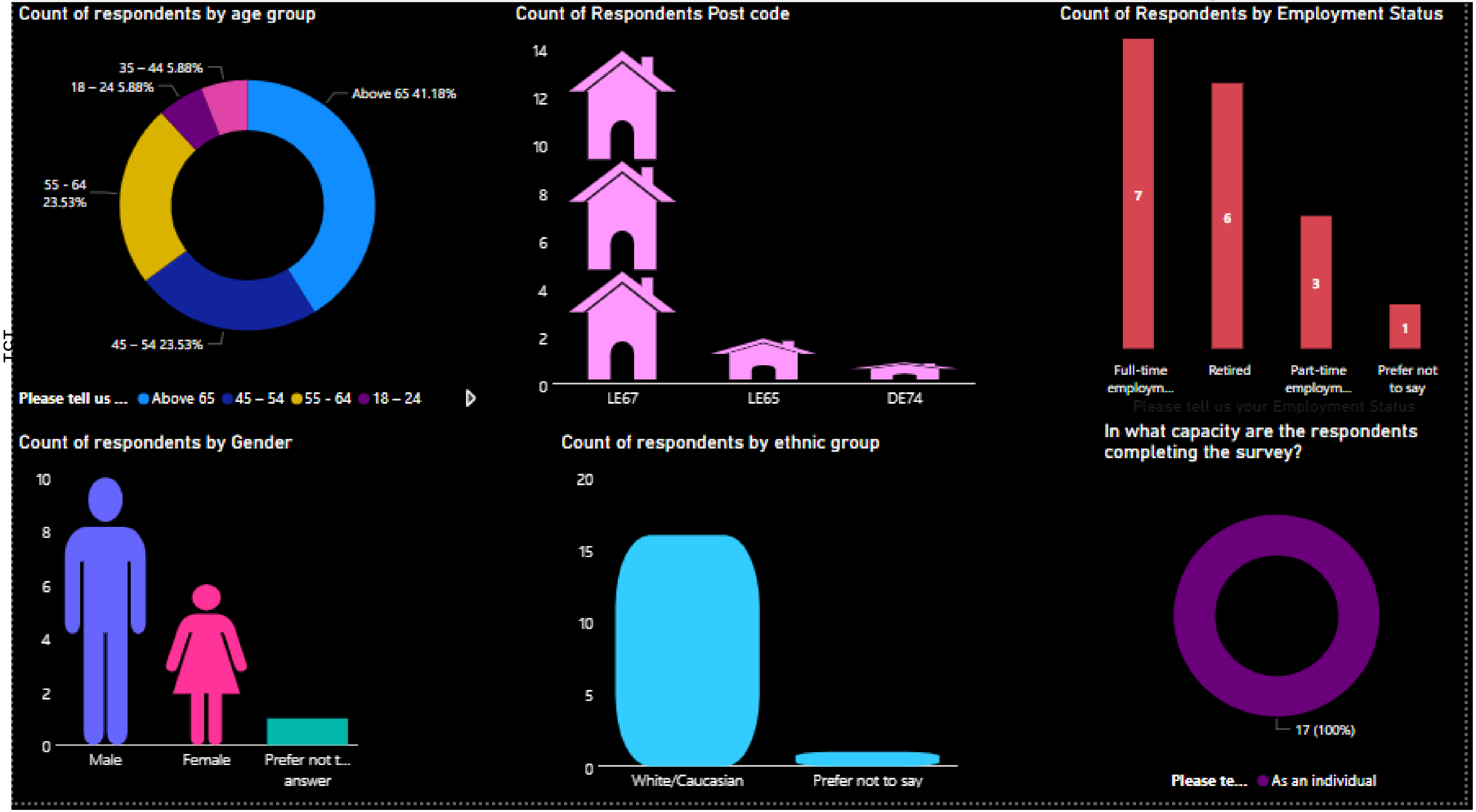
This page is intentionally left blank

Appendix 10

Budget Consultation Survey - Responses as at 16/1/23

Demographics

There have been 17 responses so far, how does this breakdown in terms of demographics?



In terms of age breakdown of respondents, the majority (7 respondents, equating to 41%) were aged 65 or above.

There has been little response from the younger age groups - (in the 18-24 age group and the 35-44 age group there was one respondent from each group - and amongst the 25-34 age group, there was no response at all). It may be that the younger age groups who are working, have less time to fill in surveys like this one or it could be that we may need to explore other ways to reach these groups, for example how the survey is advertised, if we want to obtain their views.

In terms of Postcode, the majority of respondents (14 equating to 82.35%) were residents in the LE67 postcode area, which covers the Whitwick and Coalville area with two respondents from the LE65 postcode area (which covers Ashby-de-la-Zouch, Calke, Smisby, Willesley and Worthington) and one respondent residing in a DE74 Postcode (Which covers Castle Donington, Kegworth, Diseworth, Hemington, Lockington and East Midlands Airport).

In terms of employment status, the majority of respondents (10 respondents equating to 58.82%) stating that they are in employment - either Part time or Full time, with the next largest group (6 respondents, equating to 35.29 %) telling us they are retired and only one respondent preferring not to answer.

When responding to a question about gender, the majority of respondents (ten respondents equating to 58.82%) identified as male, with the next largest group (six respondents, equating to 35.29 %) telling us they are female and only one respondent preferring not to answer.

In terms of race, the overwhelming majority of respondents (94.11%), told us they from a White/Caucasian background, with the remaining respondent preferring not to answer)

All the respondents were filling in the survey in the capacity as an individual.

<u>Responses to focussed budget questions</u>

The majority of respondents (82.35%) were positive about the proposal to spend £195,000 increasing the Solar Panels at the Whitwick and Ashby Leisure Centre with only 17.65% responding negatively to the concept

In respect of the plan to allocate £650,000 for improvements to sheltered housing schemes over the next 5 years, again the response was predominantly positive - with 15 respondents (88.2%) in agreement with the proposal. Only one respondent was in disagreement, and one was neutral towards the concept.

Opinion was much more divided over the proposal to allocate £130,000 in 2024/25 on a new surface and new fencing for the 3G sports pitches at Hermitage Recreation Ground - 7 respondents (41.18%) disagreed with this proposal, 6 respondents (35.29%) were in agreement, with the remaining 4 respondents being neutral about the plan.

By far the strongest negative reaction was to the proposal to spend £50,000 on a professional assessment of regeneration plans for Coalville. 9 respondents (52.94%) were in disagreement with the proposal, with only 6 respondents (35.29%) responding positively. The remaining 2 respondents were neutral about the proposal.

A proposal looked on far more favourably was the plan to freeze the District Council's portion of the Council tax bill - 13 out of 17 respondents (76.47%) were in favour of this plan, with only 4 people reacting negatively to the idea.

The proposal in respect of allocating £100,000 to replace CCTV cameras in Coalville was another popular proposal- 58.82% were in support of this plan with 23.25% responding negatively.

There was support amongst the majority for allocating £2.2 million in 2023/24 upgrading the Council's fleet of vehicles to electric vehicles, making them zero carbon - 58.82% were in support of this plan with 35.29% responding negatively and the remainder choosing to remain neutral.

The proposal of a below-inflation increase to council home rents of 7% and investment of the money into council homes to maintain a decent standard was also viewed positively - 70.58% of the responses being positive and only 23.52% of the responses being negative.

A further proposal in respect of council housing pertained to the plan to spend £3.1 million in 2023/24 on retro-fitting sustainable energy measures on our council housing which will be partly funded by £1.4 million in Government grant funding - again this was widely supported by the respondents with 76.46% in agreement with the proposal and 17.65% against, with the remainder being neutral on the issue.

We had six individual pieces of feedback on the budget proposals overall:

> Freezing Council Tax for 14 years has led to funding shortfalls elsewhere. With inflation at ~10% what is hidden in this survey are the real (and possibly otherwise unnecessary) cuts to services. Council Tax is quite a fair tax, albeit that there maybe should be an extra Band for Mansions. For most people's incomes it is not a particularly significant Tax, this "zero increase" has become a NWL Conservative Party mantra, which now appears to be more about ego than care in the community. As for the zero carbon vehicle upgrades, this should only be done when the vehicles NEED replacing as any new vehicle even if it is electric will have a larger environmental cost (in its manufacturing) than using old ones until they can go no more. Both these policies have a "look at us' vanity air about them.

> Instead of using Homes bonus to prop up your election commitments that you never increase the rates. You should be more honest with the electorate how you do it.

> It is important to install energy saving measures for environmental purposes but you do need to publish the saving made on energy bills so residents can see the cost benefit as well.

> Spending money on consultations then disagreeing with them, aka: the old leisure centre for instance, is a very bad look.

Whilst another freeze in council tax is welcome, the level of council tax is still relatively high compared to other districts in the county/ country, so perhaps you should consider a cut rather than just a freeze, to help hard-pressed residents?

You can spend all the money you like but can't even put the street lights on at night-Disgrace. Need a new bin.... Have to wait 6 weeks. Disgrace. Planning Dept - Disgrace. Pensions you are all on - Disgrace. Dealing with NWLDC is an absolute Public Sector couldn't give a toss nightmare.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 31 JANUARY 2023

Title of Report	**HOUSING REVENUE ACCOUNT BUDGET AND RENTS 2023/24**	
Presented by	Councillor Roger Bayliss Housing, Property & Customer Services Portfolio Holder PH Briefed: Y	
Background Papers	Draft Housing Revenue Account Budget and Rents 2023/24 - Corporate Scrutiny Minutes - 4 January 2023 Draft Housing Revenue Account Budget and Rents 2023/24 - Cabinet 10 January 2023	**Public Report:** Yes **Key Decision:** Yes
Financial Implications	This report sets out the Housing Revenue Account (HRA) budget including both capital and revenue for 2023/24 to 2027/28. It also sets out the proposed increase in rents along with other planned changes to the fees and charges levied by the Council for some services delivered within the scope of the HRA.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	No direct legal implications arising from this report	
	Signed off by the Deputy Monitoring Officer: Yes	
Staffing and Corporate Implications		
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	For Cabinet to review the Housing Revenue Account Budget and Rents for 2023/24 and recommend to Council for approval.	
Reason for Decision	To allow the Council to approve the 2023/24 budget.	
Recommendations	**THAT CABINET:** **1. ENDORSES THE ATTACHED COUNCIL REPORT (APPENDIX A) AND RECOMMENDS IT TO COUNCIL FOR APPROVAL AT ITS MEETING ON 23 FEBRUARY 2023.**	

	2. DELEGATES AUTHORITY TO THE SECTION 151 OFFICER, IN CONSULTATION WITH THE CORPORATE PORTFOLIO HOLDER, TO MAKE AMENDMENTS TO THE REPORT TO IMPROVE ITS ACCURACY PRIOR TO CONSIDERATION AT COUNCIL ON 23 FEBRUARY 2023.

1.0 BACKGROUND

1.1 The Housing Revenue Account Budget and Rents for 2023/24 are due to be approved by Council on the 23 February 2023.

1.2 Cabinet is requested to review the Council Report Housing Revenue Account Budget and Rents 2023/24 (Appendix A) and recommend it to Council for approval.

1.3 Delegation is also sought to enable the Section 151 Officer, in conjunction with the Corporate Portfolio Holder, to make amendments to the Council report to improve its accuracy or any required technical adjustments prior to consideration at Council on 23 February 20233.

Policies and other considerations, as appropriate	
Council Priorities:	The budget provides funding for the Council to deliver against the priorities for the HRA.
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	There have been equality impact assessments conducted by services on relevant proposals during this period.
Customer Impact:	Customers are likely to be impacted by the changes to fees and charges.
Economic and Social Impact:	The HRA capital programme allocates £38.5m over five years to improve homes and in the same period, £13.9m on new homes to give home to more people.
Environment and Climate Change:	The budget includes a capital programme of Zero Carbon works to dwellings worth £13.8m.
Consultation/Community/Tenant Engagement:	Corporate Scrutiny Committee 4 January 2023 Public consultation - 11 January to 27 January 2023 Parish and town councils, trade unions and the Federation of Small Businesses - 12 January to 27 January 2023. Tenants and Leaseholders Consultation Forum - 9 January 2023.
Risks:	The budgets will be monitored throughout the year to ensure the Council remains within its funding

	envelope and planned budget savings are delivered. Key risks to the budget are discussed in further detail in section 5 of the report.
Officer Contact	Glenn Hammons Head of Finance and Section 151 Officer glenn.hammons@nwleicestershire.gov.uk

This page is intentionally left blank

APPENDIX A

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

COUNCIL – THURSDAY 23 FEBRUARY 2023

<table>
<tr><td>Title of Report</td><td colspan="2">HOUSING REVENUE ACCOUNT BUDGET AND RENTS 2023/24</td></tr>
<tr><td>Presented by</td><td colspan="2">Councillor Roger Bayliss
Housing, Property & Customer Services
Portfolio Holder</td></tr>
<tr><td>Background Papers</td><td>Draft Housing Revenue Account Budget and Rents 2023/24 - Corporate Scrutiny Minutes - 4 January 2023

Draft Housing Revenue Account Budget and Rents 2023/24 - Cabinet 10 January 2023</td><td>Public Report: Yes</td></tr>
<tr><td rowspan="2">Financial Implications</td><td colspan="2">This report sets out the Housing Revenue Account (HRA) budget including both capital and revenue for 2023/24 to 2027/28.

It also sets out the proposed increase in rents along with other planned changes to the fees and charges levied by the Council for some services delivered within the scope of the HRA.</td></tr>
<tr><td colspan="2">Signed off by the Section 151 Officer: Yes/No</td></tr>
<tr><td rowspan="2">Legal Implications</td><td colspan="2">No direct legal implications arising</td></tr>
<tr><td colspan="2">Signed off by the Deputy Monitoring Officer: Yes/No</td></tr>
<tr><td rowspan="2">Staffing and Corporate Implications</td><td colspan="2">Insert any staffing and corporate implications to be considered</td></tr>
<tr><td colspan="2">Signed off by the Head of Paid Service: Yes</td></tr>
<tr><td>Purpose of Report</td><td colspan="2">To allow the Council to approve the 2023/24 budgets.</td></tr>
<tr><td>Recommendations</td><td colspan="2">COUNCIL IS RECOMMENDED:

1. TO APPROVE THE HOUSING REVENUE ACCOUNT (HRA) BUDGET FOR 2023/24 (APPENDIX 1) AS SUMMARISED IN SECTION 2 OF THIS REPORT. THIS INCLUDES:</td></tr>
</table>

	a. **INCREASING RENTS BY UP TO 7%** b. **CHANGES TO FEES AND CHARGES AND SERVICES CHARGES, AS DETAILED IN APPENDIX 3** **2. TO NOTE THE HRA BUDGET FOR 2024/25 TO 2027/28 (APPENDIX 1)** **3. TO APPROVE THE PROPOSED HRA CAPITAL PROGRAMME FOR 2023/24 (APPENDIX 4) AND PLANNED FINANCING, AS SET OUT IN SECTION 3 OF THIS REPORT.** **4. TO APPROVE THE FLEET REPLACEMENT PROGRAMME FOR 2024/25 (APPENDIX 4), TO ALLOW VEHICLES TO BE ORDERED IN ADVANCE ONCE APPROVAL HAS BEEN GIVEN TO MOVE THE SCHEME FROM THE DEVELOPMENT TO THE ACTIVE POOL.** **5. TO NOTE THE REMAINING ELEMENTS OF THE HRA CAPITAL PROGRAMMES 2024/25 – 2027/28 AS DETAILED IN APPENDIX 4**

1.0 BACKGROUND AND DISCUSSION

1.0.1 The Housing Revenue Account (HRA) Medium Term Financial Plan (MTFP) sets out the financial strategic direction for the HRA and is updated as it evolves and develops throughout the year, to form the framework for financial planning.

1.0.2 The purpose of the HRA MTFP is to set out the key financial management principles, budget assumptions and service issues. It is then used as the framework for the detailed budget setting process to ensure that resources are effectively managed and are able to deliver the aspirations of the Council, as set out in the Council Plan, over the medium term.

1.1 Context

1.1.1 The Council is setting the HRA budget at a time when it and residents face a range of issues to contend with. In broad terms these can be split into two categories: economic and housing. Each of these is explored below:

1.2 <u>Economic</u>

1.2.2 The national economic position has been influenced by a number of factors in recent years including the Covid-19 pandemic, Brexit, Russian invasion of Ukraine and the cost of living crisis. Nationally this has led to high inflation and increases in borrowing costs.

1.2.3 For the Council this means an increase in the cost of all of its inputs, 100% increase in energy costs, other costs inflating between 9% and 30%. The cost of borrowing to fund capital expenditure has also increased significantly.

1.3 Housing

1.3.1 The government has introduced zero carbon policy initiatives which have implications for housing. In the November 2022 Autumn Statement, the government sought to address affordability of social rent increases by announcing a 7% cap for 2023/24. There has also been media focus on disrepair in rented housing and the high demand for rented housing.

1.3.2 Recognising the wider context within which the budget is being set, the Council has used a new process to develop its budget plans for 2023/24 and over the medium term. This recognises the greater focus within the organisation on its finances. The new process, coupled with that used in previous years, has involved:

- Services completing budget proposal forms to justify the need for any changes to the budget.
- Budget challenge sessions, with follow ups as required, between the Chief Finance Officer and Heads of Service.
- Regular reporting to the Corporate Leadership Team of the Council's overall budget position.
- Engagement with councillors through Portfolio Holder briefings and an all councillor budget briefing.
- Further engagement has taken place through scrutiny, consultation with the public and the Tenant and Leaseholder Consultation Forum

1.4 Budget Assumptions

1.4.1 The following budget assumptions have been built into the forecast:

- Pay award – £1,925 per full time equivalent (FTE) 2022/23 (actual), 4% in 2023/24, 3% in 2024/25 and 2% from 2025/26.
- Contracts have been linked to the CPI/RPI as per individual agreements.
- Inflation – fuel has been increased by 30%, gas by 86% and electricity by 100%.
- Fees and charges – there have been some fees and charges increased by inflation and where appropriate these have been taken into account where demand has changed (please see section 2.4 for more detailed information on fees and charges).
- In broad terms other expenditure has not had any inflationary factor applied with a few exceptions where material costs have had to be increased to keep up with rising prices (e.g. Grounds Maintenance).
- Rent is assumed to increase by 7% in 2023/24 and revert to CPI+1% thereafter.
- Number of properties sold through Right to Buy is assumed to remain steady at 44 per year.
- Future borrowing is assumed to cost 4.5% in interest.

2.0 HOUSING REVENUE ACCOUNT BUDGET AND MTFS 2022/23 to 2027/28

2.1 HRA Budget Summary

2.1.1 Appendix 1 shows the HRA budget position for 2022/23 and the budget for 2023/24 to 2027/28.

2.1.2 Table 1 below highlights that in 2023/24 the net revenue expenditure has increased by £1,842k compared to 2022/23 whilst the anticipated income has increased by £1,615k.

Table 1: Changes to the Housing Revenue Account budget from previous year

	2022/23 £'000	2023/24 £'000	Movement £'000
Income	-18,524	-20,139	-1,615
Operating Expenditure	15,235	17,077	1,842
Operating (surplus)/deficit	**-3,289**	**-3,062**	**227**
Targeted J2SS savings	-325	-	325
Appropriations	3,550	7,541	3,991
Net (surplus)/deficit	**-64**	**4,479**	**4,543**

2.1.3 The table shows the Journey to Self Sufficiency (J2SS) budgeted savings for 2022/23. This is unlikely to be achieved in 2022/23 so due to this the Council has had to reset its strategy. In line with the guiding principles of financial stability and sustainability, savings targets have not been built into budget. Instead, the focus is on a robust Medium Term Financial Plan (MTFP which can be implemented and delivered.

2.1.4 The appropriations in the table is the use of the HRA working balance to fund the capital programme as well as contributing to the loan repayment reserve. These appropriations are significantly higher in 2023/24 in order to set aside £3.7m funding towards repaying debt. In line with best practice the MTFP maintains the working balance at £1m to cater for unforeseen in-year costs which could otherwise cause the HRA to go into deficit.

2.2 Rents

2.2.1 As a self-financing account, the HRA's main source of income is the rents tenants pay for their homes. The Council proposes to increase the rents for 2023/24 by 7% which is in line with the sub-inflation cap set by the Government on social rents for 2023/24. The impact on our most vulnerable tenants will be reduced as the Government's announcements regarding benefit uplifts are in excess of the proposed 7% rental increase. The increase is expected to result in a total rental income of £19.2 million in 2023/24.

2.2.2 The Council will maintain its policy of capping rents for Affordable Rent homes at the level of the relevant Local Housing Allowance. Local Housing Allowance is used as a measure of affordability.

2.2.3 The average weekly rent for the 3,965 Social Rent properties, will increase from £86.92 to £93.05, an average increase of £6.13 per week. For the 133 Affordable Rent properties, the average increase will be £8.45, giving a weekly rent of £129.24 for these properties. Rents for the Affordable Rent properties will continue to be capped at the Local Housing Allowance level to ensure affordability. Both the Social and Affordable rents are based on 50 weeks per year.

2.3 Budget Proposals

2.3.1 Appendix 2 summarises the proposed changes to the HRA budgets that exceed £15k. Looking at 2023/24 specifically, the total budget proposals of £553k include:

- **Changes in income totalling £1,348k.** This is largely due to the increased rental income described in paragraph 2.2.1.

- **Cost pressures totalling £2,634k.** The most significant cost pressures relate to:
  - inflation of £1,770k has impacted across the service but energy costs £529k, general materials £387k, repairs £282k and grounds maintenance £272k are particularly significant.
  - pay related costs are due to increase by £515k, due to a combination of funding the unbudgeted balance of the pay award for 2022/23 and a forecast pay award of 4% for 2023/24
  - service pressures totalling £349k include £113k for Energy Performance Certificates to cover 1,300 surveys required in 2023/24 and £90k additional provision for legal costs to defend disrepair cases.

- **Service developments of £179k.** The planned restructure of the Asset Management team costing £115k will equip the team to effectively deliver the service including the proposed Zero Carbon programme.

- **Corporate proposals totalling £41k.** This is made up of:
  - income of £284k, the bulk of this is a £283k increase in investment income based on projected balances.
  - removal of the £325k savings budget which cannot be delivered due to the acute budget pressures impacting services.

2.4 Fees and charges

2.4.1 In addition to the rental charged for dwellings, there are a number of other fees and charges in relation to services provided within the HRA. Some properties have service charges, on top of the rent, to pay for specific services relevant to their properties. The proposed fees and charges for 2023/24 are listed in Appendix 3. The main changes are listed below:

- Energy Charges for shared/common parts increasing by 20%

- Central Heating – Increasing by 20% due to energy price increases

The 20% increase is lower than the general increase in energy costs as much of the energy requirement for 2023/24 has been purchased in advance.

3.0 HRA CAPITAL PROGRAMME 2023/24 TO 2027/28

3.1.1 The proposed HRA capital programme is outlined in Appendix 4. In 2022/23 there is forecast delivery of less than 50% of the programme and there is potential for further slippage in the 2023/24 programme particularly the £4.5m Home Improvement Programme which has historically underspent. Therefore, with a focus on what programme can be delivered, no carry-over of unspent 2022/23 budgets is assumed in the proposed programme.

3.1.2 Governance improvements are being made via the Capital Strategy for managing capital programmes through their life cycle. The programme has been split into Active Projects and a Development Pool to allow development schemes in early stages to go through further governance before being allocated a full budget and getting into contract. A summary of the capital programme is shown in Table 2.

Table 2: Summary Capital Programme

	2023/24 Budget £'000	2024/25 Indicative £'000	2025/26 Indicative £'000	2026/27 Indicative £'000	2027/28 Indicative £'000	Total £'000
Stock Investment	8,539	8,039	7,400	7,250	7,250	38,478
Estate Improvements	1250	620	720	620	620	3,830
Fleet Replacement	55	211	699	0	0	965
Other Capital	2,382	925	800	650	650	5,407
Total Approved Programme	12,226	9,795	9,619	8,520	8,520	48,680
Total Development Pool	2,948	3,805	2,378	3,750	1,000	13,881
Housing Revenue Account Total	**15,174**	**13,600**	**11,997**	**12,270**	**9,520**	**62,561**

3.1.3 Over the five-year period, the total programme comes to £62.6 million, a reduction of £4.2 million over the previous five-year programme. Which is chiefly a reduction in the Zero Carbon programme partly offset with an increase in the Off-Street Parking budgets.

- **Zero Carbon:** The programme has been reviewed with a focus on deliverability and this process has reduced the budgeted expenditure by £6.3 million. The Council has applied for grant funding to part fund this programme and this grant is assumed in the financing of the programme.

- **Off-Street Parking:** The increase of £1.5 million to improve the parking provision.

3.2 Funding the Capital Programme

3.2.1 The capital programme is funded from a variety of sources, including revenue, grants, capital receipts and borrowing. Table 3 below summarises the funding sources identified for each year of the proposed HRA capital programme.

Table 3: Sources of funding for the capital programme

	2023/24 Budget £'000	2024/25 Indicative £'000	2025/26 Indicative £'000	2026/27 Indicative £'000	2027/28 Indicative £'000
Capital Receipts	6,510	1,804	828	1,500	400
Government Grants	1384	1384	0	0	0
Reserves	3,465	4,899	4,227	3,907	4,085
Revenue contributions	3,815	0	0	0	0
External Borrowing	0	5,513	6,942	6,863	5,035
Housing Revenue Account Total	**15,174**	**13,600**	**11,997**	**12,270**	**9,520**

3.2.2 Table 3 shows a borrowing requirement of £24.4 million over five years to fund the programme. This has increased by £16 million from the five year plan from 2022/23. The increase is due to a combination of reserves being used to fund 2022/23 as well as the impact of inflation and other service pressures on the availability of revenue contributions to capital.

4.0 DEBT

4.1 The loan balance for the HRA is forecast to be £51.9 million at the end of 2022/23. There are annuity loan repayments of approximately £1.3 million to make each year, these repayments are usually funded from working balances but once working balances reach the £1 million minimum, they will be funded from other capital resources.

4.2 There are also loans to be repaid at maturity. The next of these to repay is a £10 million repayment in 2036/37. In accordance with the strategy agreed in 2012 when self-financing for the HRA was introduced, the Council sets aside funding each year in a Debt Repayment Reserve to ensure there is sufficient funding to repay this and later debt. The budget assumes £2.5 million is set aside each year from capital resources in order to make the scheduled repayments.

4.3 The HRA business plan agreed in 2012 planned to repay all self-financing debt by 2042. A full review of the 30 year business plan is required to ensure this strategy remains valid and achievable.

5.0 RESERVES

The Council has a number of reserves for the use of the HRA. Most of the reserves are used for capital financing as shown in 3.2.1. Table 4 shows the projected reserve balances over the MTFS period.

Table 4: Reserve balances

Reserve	01.04.23 £'000	01.04.24 £'000	01.04.25 £'000	01.04.26 £'000	01.04.27 £'000
Major Repairs Reserve	1,540	1,540	408	0	0
Capital Receipts	9,433	4,160	4,615	5,025	4,762
Debt Repayment Reserve	0	2,492	4,985	7,477	9,970
Total Capital Reserves	**10,973**	**8,192**	**10,008**	**12,502**	**14,732**
HRA Reserve	8,499	6,577	2,098	1,000	1,000
Ear Marked Reserves	510	510	510	510	510
Total Revenue Reserves	**9,009**	**7,087**	**2,608**	**1,510**	**1,510**

6.0 KEY RISKS TO THE BUDGET

6.1 Table 5 provides an assessment of the key risk areas to determine the robustness of the estimates and adequacy of reserves included in the HRA budgets:

Table 5: Key Risks to the Budget

Area	Comments
The reasonableness of the underlying budget assumptions	All budget proposals have been justified by service managers, reviewed by finance and subject to budget challenge sessions in the new process.
The availability of un-earmarked reserves to meet unforeseen cost pressures	The HRA has minimum general reserve of £1m which is approximately 5% of the rent debit.
Have realistic income targets been set and 'at risk' external funding been identified?	Rental income is set in accordance with the Rent Standard, other income has been increased at an appropriate rate of inflation. External funding is assumed in the capital programme, however, the programme can be flexed if the bid is unsuccessful.
Has a reasonable estimate of demand cost pressures been made?	The enhanced budget process used in the development of the budget has improved the reasonableness of estimates. The budget proposals were required to be justified/assessed using a form, then were reviewed by finance and subject to budget challenge sessions.
Has a reasonable estimate of future income been made?	
Have one-off cost pressures been identified?	All pressures have been reviewed to assess if they are one-off or ongoing in nature. One-off proposals are to be funded from reserves. The service will need to ensure exit plans exist for one off expenditure.
Is there a reasonable contingency available to cover the financial risks faced by the council?	The Council has incorporated estimates for pay award, inflationary and demand pressures into its budget. It has also made a provision for bad debt on rents.

Area	Comments
Is there a reasonable level of reserves, which could be used to mitigate any issues arising and are they reducing as the risks decrease?	The Council has earmarked, reserves for the HRA as well as minimum working balance to ensure its financial stability.
Has there been a degree and quality of engagement with colleagues and councillors in the process to develop and construct the budget?	There has been a fundamental step change in the approach to engaging the organisation during this budget process. This has included a series of budget challenge sessions between the CFO and Heads of Service, as well as engagement with Corporate Leadership Team, Portfolio Holders and an all- councillor briefing.

7.0 CONSULTATION

7.1 Consultation with Members

7.1.1 The Corporate Scrutiny Committee has already considered the proposals within this report at their meeting on 4 January 2023. Members asked a number of questions around the proposals, and more detail can be seen in the minutes for the meeting, which are included as a background paper to this report.

7.1.2 There were also further questions which were taken away by officers to answer following the meeting which are detailed in Appendix 8 of the General Fund Budget and Council Tax 2023/24 report also presented at this meeting.

7.2 Public Consultation

7.2.1 As part of the budget consultation, the Council launched an online survey on 12 January 2023 to seek the views of residents and businesses on the main changes within the budget. The survey was promoted via social media and set out the key changes to the budget and asked responders to state the extent to which they supported the proposed changes. Residents could also provide additional comments if they wanted to.

7.2.2 Appendix 6 provides a summary of the responses received. In total, 17 people have expressed their views on the housing revenue account budgets. This is a small proportion of residents within North West Leicestershire, so care should be taken when drawing inferences from the data. The key themes from the survey are:

- 88% of respondents were positive about the proposal to spend £650k over five years on improvements to sheltered housing
- The proposed below inflation 7% rent increase for council tenants and investment in council housing were viewed positively by 71% of respondents
- 76% of respondents were in agreement with the proposal to spend £3.1 million on retro-fitting sustainable energy measures in 2023/24 partly funded by £1.4 million grant funding

7.2.3 As part of the budget consultation, officers presented the draft budget to the Tenants and Leaseholders Consultation Forum on 9 January 2023. Officers answered questions and comments received following the presentation. The tenants and leaseholders at the meeting supported the draft budget.

8.0 CONCLUSIONS

8.1 Based on the assumptions made for the HRA in the Budget 2023/24 and MTFS 2023-28 for income and expenditure, the Council can set a balanced HRA budget for 2023/24 and indicative budgets to 2027/28.

8.2 Going forward there will be work on delivering services in a more cost efficient approach to offset the additional cost through inflation and loss of income in real terms.

Policies and other considerations, as appropriate	
Council Priorities:	The budget provides funding for the Council to deliver against the priorities for the HRA.
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	There has been equality impact assessments conducted by services on relevant proposals during this period.
Customer Impact:	Customers are likely to be impacted by the changes to fees and charges and increase in rents.
Economic and Social Impact:	The HRA capital programme allocates £38.5m over five years to improve homes and in the same period, £13.9m on new homes to give home to more people.
Environment and Climate Change:	The budget includes a capital programme of Zero Carbon works to dwellings worth £13.8m and a programme of electrical vehicles to replace current fleet.
Consultation/Community Engagement:	Corporate Scrutiny Committee 4 January 2023 Public consultation - 11 January to 27 January 2023 Parish and town councils, trade unions and the Federation of Small Businesses - 12 January to 27 January 2023. Tenants and Leaseholders Consultation Forum - 9 January 2023. The results of the above consultations are detailed in this report.
Risks:	The budgets will be monitored throughout the year to ensure the Council remains within its funding envelope and planned budget savings are delivered. Key risks to the budget are discussed in further detail in section 6 of the report.
Officer Contact	Glenn Hammons Head of Finance and Section 151 Officer glenn.hammons@nwleicestershire.gov.uk

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL HRA SUMMARY BUDGET 2023/24 to 2027/28

2022/23 Revised Budget	HOUSING REVENUE ACCOUNT SUMMARY	2023/24 Requested Budget	2024/25 Indicative	2025/26 Indicative	2026/27 Indicative	2027/28 Indicative
£		£	£	£	£	£
	Expenditure					
5,913,750	Repairs & Maintenance	7,693,445	8,410,588	8,578,504	8,853,813	9,146,924
2,979,128	Supervision & Management	3,995,193	4,171,142	4,254,565	4,339,656	4,426,449
100,000	Provision for Doubtful Debts	100,000	100,000	100,000	100,000	100,000
3,185,399	Depreciation	3,466,317	3,767,733	3,819,702	3,908,389	4,086,305
3,056,310	Capital Financing & Debt Management	1,822,113	1,918,280	2,178,614	2,487,005	2,781,796
-325,000	J2SS Cost Savings	0	0	0	0	0
14,909,587	**Total Expenditure**	**17,077,068**	**18,367,743**	**18,931,385**	**19,688,863**	**20,541,474**
	Income					
-18,455,670	Rent & Service Charges	-19,791,781	-20,242,275	-20,476,241	-20,773,765	-21,120,893
-45,220	Non-Dwelling Rents	-41,000	-41,000	-41,000	-41,000	-41,000
-20,147	Other Income	-20,147	-20,147	-20,147	-20,147	-20,147
-3,380	Investment Income	-286,000	-217,000	-262,000	-324,000	-379,000
-18,524,417	**Total Income**	**-20,138,928**	**-20,520,422**	**-20,799,388**	**-21,158,912**	**-21,561,040**
-3,614,830	**Net Operating Expenditure/-Surplus**	**-3,061,860**	**-2,152,679**	**-1,868,003**	**-1,470,049**	**-1,019,566**
	Appropriations					
0	Transfer to/from reserves	3,726,138	3,250,423	1,868,002	1,470,049	1,019,565
3,550,000	Revenue Contribution to Capital	3,814,898	0	0	0	0
3,550,000	**Total Appropriations**	**7,541,036**	**3,250,423**	**1,868,002**	**1,470,049**	**1,019,565**
-64,830	**NET (SURPLUS)/DEFICIT**	**4,479,176**	**1,097,744**	**-1**	**0**	**-1**
-6,911,743	Balance brought Forward	-6,576,920	-2,097,744	-1,000,000	-1,000,000	-1,000,000
-64,830	-Surplus/Deficit In Year	4,479,176	1,097,744	-1	0	-1
-6,976,573	Balance Carried Forward	-2,097,744	-1,000,000	-1,000,001	-1,000,000	-1,000,001

This page is intentionally left blank

Appendix 2

North West Leicestershire District Council

Housing Revenue Account- Revenue Budget Proposals 2023/24 to 2027/28

Proposal Title	Proposal Description & Service Impact	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Pay award 22/23	Increase from original 22/23 budget assumption	66,976	0	0	0	0
Pay award Future Years	Including NI & Pension & other minor amendments	447,997	280,681	145,954	148,873	161,871
Total Pay Related Costs		**514,973**	**280,681**	**145,954**	**148,873**	**161,871**
Housing Management Contracts	Inflation on housing management contracts	20,370	0	0	0	0
Grounds Maintenance	Inflationary increase to grounds maintenance charges	271,624	0	0	0	0
Repairs and Maintenance Costs	11% inflation on repairs and maintenance costs	282,133	0	0	0	0
Ombudsman	Increase in cost of ombudsman and subscriptions	20,000	0	0	0	0
Energy Costs	Energy cost inflation for properties within HRA portfolio	528,627	0	0	0	0
General Materials	General materials inflation	386,665	0	0	0	0
Drainage	Drainage works cost inflation	29,730	0	0	0	0
Premises Insurance	Premises Insurance cost inflation	89,710	0	0	0	0
Audit	Audit cost inflation	33,620	0	0	0	0
Corporate Management	Corporate Management cost inflation	55,060		0	0	0
General inflation	General inflation		296,303	275,507	210,479	216,962
Various	Ten proposals below £15,000	52,597	0	0	0	0
Total Inflation Increases		**1,770,136**	**296,303**	**275,507**	**210,479**	**216,962**
Risk management	Additional housing management to manage block inspections and risk.	25,037	96,189	(71,152)	0	0
Tenancy Sustainment	Tenancy sustainment officer. Improving wellbeing and collection rates.	32,063	18,011	1,029	1,049	1,070
Tenants Newsletter	Tenants' newsletters from 4 to 6 per year. Communicate compliance and health and safety information.	7,680	0	0	0	0
Asset Management Restructure	Restructure of Asset management team to effectively deliver programme.	114,670	229,340	0	0	0
Total Service Developments		**179,450**	**343,540**	**(70,123)**	**1,049**	**1,070**

Proposal Title	Proposal Description & Service Impact	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Legal Costs	Legal costs based on increase in cases and costs in 22/23	90,000	0	0	0	0
Estate Roads etc. - Make Safe	No recent inspections - Car parks, footpaths, unadopted roads	47,433	(47,433)	0	0	0
Heating Servicing - Solid Fuel	Based on quantity and price budget is too high	(20,000)	0	0	0	0
Energy Performance Certificates	Energy Performance Certificates	113,032	20,000	(100,000)	0	0
Leaseholder Officer	To manage and recharge leaseholders incl. Sec 20 (Major Works)	22,500	0	0	0	0
Gas Servicing	Increase to match number of properties and servicing cost per property.	17,384	0	0	0	0
Servicing - Water Hygiene	Increase budget to enable full compliance	21,744	0	0	0	0
Various	Four proposals below £15,000	56,463	0	0	0	0
Total Service Pressures		**348,556**	**(27,433)**	**(100,000)**	**0**	**0**
Unallocated savings	J2SS unallocated savings removed	325,000	0	0	0	0
Investment Income	Investment income	(282,620)	69,000	(45,000)	(62,000)	(55,000)
Loan interest	Changes in loan interest due to capital financing requirements	(500)	96,167	260,335	308,390	294,791
	One proposal below £15,000	(500)	0	0	0	0
Total Other Corporate Proposals		**41,380**	**165,167**	**215,335**	**246,390**	**239,791**
Loan interest	Separating the principal repayment of annuity loans from the interest	(1,233,197)	0	0	0	0
Depreciation	Change in depreciation due to changes in assets and inflation	280,918	301,416	51,969	88,686	177,917
Various	Two proposals below £15k	(840)	0	0	0	0
Total Technical Adjustments		**(953,119)**	**301,416**	**51,969**	**88,686**	**177,917**
Dwellings Rents	Dwellings Rent Increase	(1,267,871)	(424,854)	(220,633)	(283,925)	(333,256)
Service Charges	Service Charge Increase	(68,240)	(25,640)	(13,333)	(13,599)	(13,871)
Central Heating	Central Heating	(23,390)	0	0	0	0
Various	Two proposals below £15,000	11,095	0	0	0	0
Total Changes In Income		**(1,348,406)**	**(450,494)**	**(233,966)**	**(297,525)**	**(347,127)**
	Total Budget Proposals	**552,970**	**909,180**	**284,677**	**397,954**	**450,483**

Appendix 3

North West Leicestershire District Council
Proposed Fees & Charges 2023/24 - Housing Revenue Account

Fee/Charge	2022/23 Fees	2023/24 Proposed Fees	Percentage Change in Fees	Basis for Change
Central Heating	0 Bed: £8.58pw 1 Bed: £10.36pw 2 Bed: £11.88pw 3 Bed: £13.68pw	0 Bed: £8.58pw 1 Bed: £10.36pw 2 Bed: £11.88pw 3 Bed: £13.68pw	20%	Energy cost inflation
Garage and Site Rent	Garage: £7.35pw Garage Site: £4.70pw	Garage: £8.09pw Garage Site: £5.18pw	10.1%	Sept CPI
Lifelines for private customers	£4.34pw Basic; £6.54pw Enhanced. 3.1% increase will also apply to all sensors	£4.78pw Basic; £7.20pw Enhanced. 10.1% increase will also apply to all Safe & Well equipment	10.1%	Sept CPI
Lifelines for Registered Providers	Various depending on scheme but range from £1.97 to £3.46 pw	Various depending on scheme but range from £2.18 to £3.81 pw	10.1%	Sept CPI
Service charges:				
Cleaning & Window Cleaning	£0.59 to £9.16 pw	£0.65 to £10.09	10.10%	Sept CPI
Grounds Maintenance	£0.32 to £6.71 pw	£0.35 & £7.38 pw	10.0%	Inflation
Repairs to common parts	£0.02 & £0.39 pw	£0.02 & £0.39 pw	0%	
Repairs/replacement of items in Laundry	£0.09 to £8.01 pw	£0.09 to £8.01 pw	0%	
Admin Fee	15% of chargeable services	15% of chargeable services	0.00%	
Cleaning Blocks £0.87 to £11.55 pw	£0.79 to £10.49	£0.87 to £11.55 pw	10.10%	Sept CPI
Fire Extinguishers	TBA	£0	-100.0%	No charge, majority removed.
Control Centre Link Equipment	£2.89 pw	£3.18 pw	10.10%	Sept CPI
Door Entry Systems	£0.05 to £0.19 pw	£0.03 to £0.12 pw	-36.0%	Lower than anticipated costs for 2021-22, with savings passed on to tenants in 2022-23 and into 2023-24
Heating (Electricity)	£7.15 to £10.93 pw	£8.58 to £13.11 pw	20%	As per cost
Utility Cost of Shared/Common Parts	As per bill	As per bill	20%	As per cost
Older Persons Service Management Fee (incl. 15% management Fee~)	£3.33pw	£3.71pw	12.6%	Sept RPI

This page is intentionally left blank

NORTHWEST LEICESTERSHIRE DISTRICT COUNCIL HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME 2023/24-2027/28 **Appendix 4**

PROJECT	2023/24 For Approval £	2024/25 Indicative £	2025/26 Indicative £	2026/27 Indicative £	2027/28 Indicative £	Funding Source
Stock Investment						
Home Improvement Programme	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000	
Roofs	300,000	250,000	250,000	250,000	250,000	
Commercial Boilers	150,000	150,000	150,000			
Stock Condition Surveys	450,000					Reserves, RCCO, Prudential Borrowing
Zero Carbon	3,138,974	3,138,974	2,500,000	2,500,000	2,500,000	Grant, Receipts, Prudential Borrowing
Total Stock Investments	**8,538,974**	**8,038,974**	**7,400,000**	**7,250,000**	**7,250,000**	
Estate Improvements						
Off-Street Parking	1,000,000	300,000	300,000	300,000	300,000	
Estate Projects	100,000	200,000	300,000	200,000	200,000	
Garage Demolition	100,000	70,000	70,000	70,000	70,000	
Footpaths and Unadopted Roads	50,000	50,000	50,000	50,000	50,000	Receipts, RCCO, Prudential Borrowing
Total Estate Improvement	**1,250,000**	**620,000**	**720,000**	**620,000**	**620,000**	
Fleet Replacement						
Vehicles	55,170	211,200	698,500			Receipts
Total Fleet Replacement	**55,170**	**211,200**	**698,500**	**-**	**-**	
Other Capital						
Sheltered Scheme Improvements	100,000	250,000	200,000	50,000	50,000	
Passive Fire Safety	1,100,000	75,000	75,000	75,000	75,000	
Scheme Lighting	200,000	50,000	50,000	50,000	50,000	
Tunstall System	260,000					
Energy Performance Certificates	130,000	150,000	75,000	75,000	75,000	
Major Aids and Adaptations	400,000	400,000	400,000	400,000	400,000	
Housing Management IT System	192,000					RCCO, Receipts, Prudential Borrowing
Total Other Capital	**2,382,000**	**925,000**	**800,000**	**650,000**	**650,000**	
Total Active Projects	**12,226,144**	**9,795,174**	**9,618,500**	**8,520,000**	**8,520,000**	

PROJECT	2023/24	2024/25	2025/26	2026/27	2027/28	Funding Source
	For Approval	Indicative	Indicative	Indicative	Indicative	

DEVELOPMENT POOL

New Supply	2,948,315	3,804,630	2,378,105	3,750,000	1,000,000	Receipts, Prudential Borrowing
Total Development Pool	**2,948,315**	**3,804,630**	**2,378,105**	**3,750,000**	**1,000,000**	
TOTAL HRA CAPITAL PROGRAMME	**15,174,459**	**13,599,804**	**11,996,605**	**12,270,000**	**9,520,000**	

Appendix 5

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL
HOUSING REVENUE ACCOUNT SUMMARY BUDGET RECONCILIATION
DRAFT BUDGET 2023/24 TO FINAL BUDGET 2023/24

	2023/24			Reason for Change
	Draft £	Final £	Variance £	
Expenditure				
Repairs & Maintenance	7,621,337	7,693,445	72,108	Recharge adjustments.
Supervision & Management	4,005,788	3,995,193	-10,595	Recharges adjustments.
Provision for Doubtful Debts	100,000	100,000	0	
Depreciation	3,466,317	3,466,317	0	
Capital Financing & Debt Management	1,714,832	1,822,113	107,281	Interest on pre- 2008 debt included.
J2SS Cost Savings	0	0	0	
Total Expenditure	**16,908,274**	**17,077,068**	**168,794**	
Income				
Rent & Service Charges	-19,985,223	-19,791,781	193,442	Allowance for voids included.
Non-Dwelling Rents	41,000	-41,000	-82,000	
Other Income	-20,147	-20,147	0	
Investment Income	-3,380	-286,000	-282,620	Estimate based on projected balances.
Total Income	**-19,967,750**	**-20,138,928**	**-171,178**	
Net Operating Expenditure/-Surplus	**-3,059,476**	**-3,061,860**	**-2,384**	
Appropriations				
Transfer to/from reserves	3,233,694	3,726,138	492,444	Increased debt repayment set aside.
Revenue Contribution to Capital	5,484,702	3,814,898	-1,669,804	Increase in receipts used for financing.
Total Appropriations	**8,718,396**	**7,541,036**	**-1,177,360**	
NET (SURPLUS)/DEFICIT	**5,658,920**	**4,479,176**	**-1,179,744**	
Balance brought Forward	-6,576,920	-6,576,920	0	
-Surplus/Deficit In Year	5,658,920	4,479,176	-1,179,744	
Balance Carried Forward	-918,000	-2,097,744	-1,179,744	

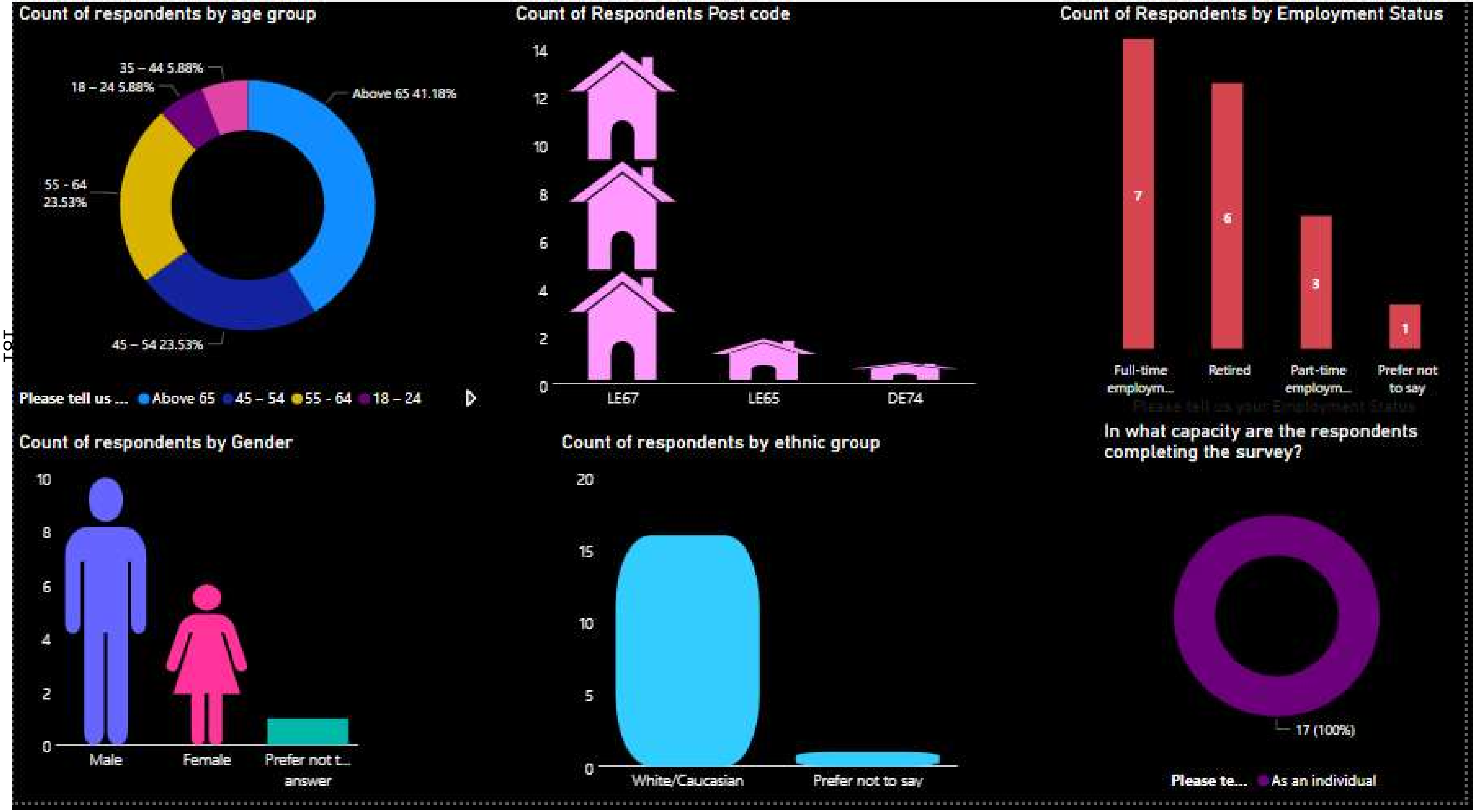
This page is intentionally left blank

Appendix 6

Budget Consultation Survey - Responses as at 16/1/23

Demographics

There have been 17 responses so far, how does this breakdown in terms of demographics?



In terms of age breakdown of respondents, the majority (7 respondents, equating to 41%) were aged 65 or above.

There has been little response from the younger age groups - (in the 18-24 age group and the 35-44 age group there was one respondent from each group - and amongst the 25-34 age group, there was no response at all). It may be that the younger age groups who are working, have less time to fill in surveys like this one or it could be that we may need to explore other ways to reach these groups, for example how the survey is advertised, if we want to obtain their views.

In terms of Postcode, the majority of respondents (14 equating to 82.35%) were residents in the LE67 postcode area, which covers the Whitwick and Coalville area with two respondents from the LE65 postcode area (which covers Ashby-de-la-Zouch, Calke, Smisby, Willesley and Worthington) and one respondent residing in a DE74 Postcode (Which covers Castle Donington, Kegworth, Diseworth, Hemington, Lockington and East Midlands Airport).

In terms of employment status, the majority of respondents (10 respondents equating to 58.82%) stating that they are in employment - either Part time or Full time, with the next largest group (6 respondents, equating to 35.29 %) telling us they are retired and only one respondent preferring not to answer.

When responding to a question about gender, the majority of respondents (ten respondents equating to 58.82%) identified as male, with the next largest group (six respondents, equating to 35.29 %) telling us they are female and only one respondent preferring not to answer.

In terms of race, the overwhelming majority of respondents (94.11%), told us they from a White/Caucasian background, with the remaining respondent preferring not to answer)

All the respondents were filling in the survey in the capacity as an individual.

Responses to focussed budget questions

The majority of respondents (82.35%) were positive about the proposal to spend £195,000 increasing the Solar Panels at the Whitwick and Ashby Leisure Centre with only 17.65% responding negatively to the concept

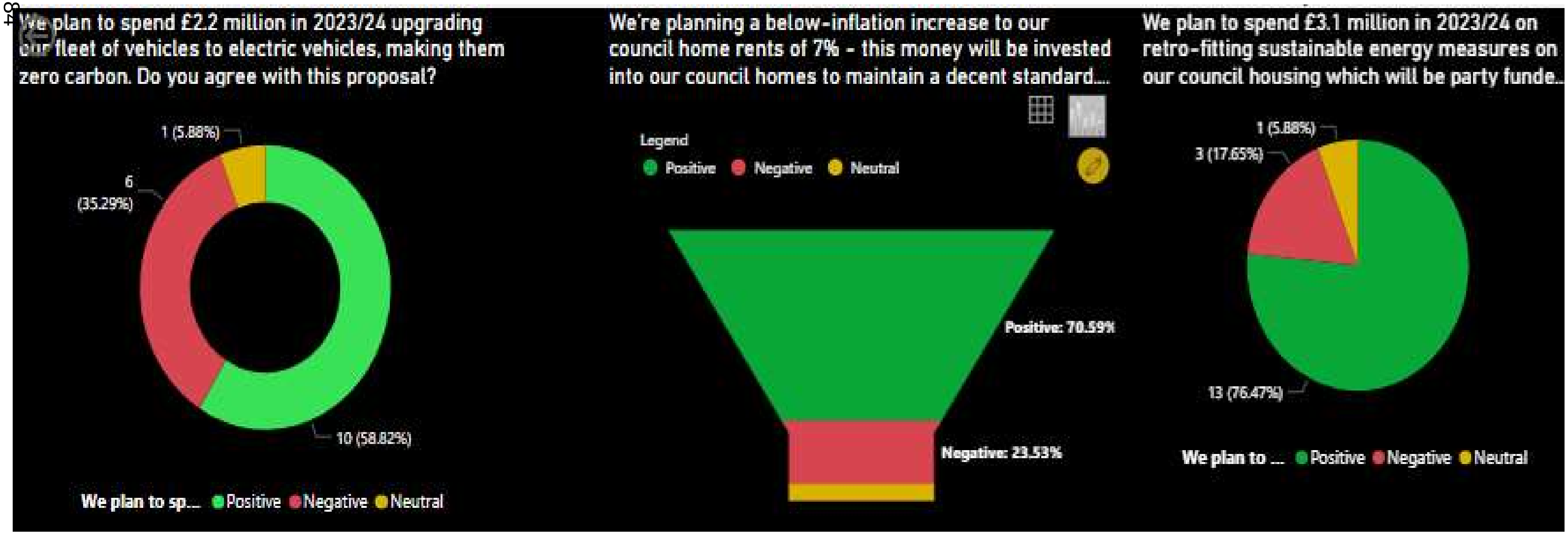
In respect of the plan to allocate £650,000 for improvements to sheltered housing schemes over the next 5 years, again the response was predominantly positive - with 15 respondents (88.2%) in agreement with the proposal. Only one respondent was in disagreement, and one was neutral towards the concept.

Opinion was much more divided over the proposal to allocate £130,000 in 2024/25 on a new surface and new fencing for the 3G sports pitches at Hermitage Recreation Ground - 7 respondents (41.18%) disagreed with this proposal, 6 respondents (35.29%) were in agreement, with the remaining 4 respondents being neutral about the plan.

By far the strongest negative reaction was to the proposal to spend £50,000 on a professional assessment of regeneration plans for Coalville. 9 respondents (52.94%) were in disagreement with the proposal, with only 6 respondents (35.29%) responding positively. The remaining 2 respondents were neutral about the proposal.

A proposal looked on far more favourably was the plan to freeze the District Council's portion of the Council tax bill - 13 out of 17 respondents (76.47%) were in favour of this plan, with only 4 people reacting negatively to the idea.

The proposal in respect of allocating £100,000 to replace CCTV cameras in Coalville was another popular proposal- 58.82% were in support of this plan with 23.25% responding negatively.



There was support amongst the majority for allocating £2.2 million in 2023/24 upgrading the Council's fleet of vehicles to electric vehicles, making them zero carbon - 58.82% were in support of this plan with 35.29% responding negatively and the remainder choosing to remain neutral.

The proposal of a below-inflation increase to council home rents of 7% and investment of the money into council homes to maintain a decent standard was also viewed positively - 70.58% of the responses being positive and only 23.52% of the responses being negative.

A further proposal in respect of council housing pertained to the plan to spend £3.1 million in 2023/24 on retro-fitting sustainable energy measures on our council housing which will be partly funded by £1.4 million in Government grant funding - again this was widely supported by the respondents with 76.46% in agreement with the proposal and 17.65% against, with the remainder being neutral on the issue.

We had six individual pieces of feedback on the budget proposals overall:

> Freezing Council Tax for 14 years has led to funding shortfalls elsewhere. With inflation at ~10% what is hidden in this survey are the real (and possibly otherwise unnecessary) cuts to services. Council Tax is quite a fair tax, albeit that there maybe should be an extra Band for Mansions. For most people's incomes it is not a particularly significant Tax, this "zero increase" has become a NWL Conservative Party mantra, which now appears to be more about ego than care in the community. As for the zero carbon vehicle upgrades, this should only be done when the vehicles NEED replacing as any new vehicle even if it is electric will have a larger environmental cost (in its manufacturing) than using old ones until they can go no more. Both these policies have a "look at us' vanity air about them.

> Instead of using Homes bonus to prop up your election commitments that you never increase the rates. You should be more honest with the electorate how you do it.

> It is important to install energy saving measures for environmental purposes but you do need to publish the saving made on energy bills so residents can see the cost benefit as well.

> Spending money on consultations then disagreeing with them, aka: the old leisure centre for instance, is a very bad look.

Whilst another freeze in council tax is welcome, the level of council tax is still relatively high compared to other districts in the county/ country, so perhaps you should consider a cut rather than just a freeze, to help hard-pressed residents?

You can spend all the money you like but can't even put the street lights on at night-Disgrace. Need a new bin.... Have to wait 6 weeks. Disgrace. Planning Dept - Disgrace. Pensions you are all on - Disgrace. Dealing with NWLDC is an absolute Public Sector couldn't give a toss nightmare.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 31 JANUARY 2023

Title of Report	**COMMUNITY SCRUTINY - FUEL POVERTY TASK & FINISH REPORT**	
Presented by	Cllr R Baylis and Cllr A Woodman Portfolio Holders for Housing, Property & Customer Services and Community Services respectively PH Briefed √	
Background Papers	Community Scrutiny Committee Paper – Nov 22	**Public Report:** Yes **Key Decision:** No
Financial Implications	There financial implications arising from this report are set out in Section 3. In summary the Scrutiny Recommendations will be managed within existing approved budgets and additional external funding. **Signed off by the Section 151 Officer**: Yes	
Legal Implications	There are no direct legal implications arising from this report. **Signed off by the Deputy Monitoring Officer**: Yes	
Staffing and Corporate Implications	**Signed off by the Head of Paid Service:** Yes	
Purpose of Report	**To receive and then decide on actions stemming from the Community Scrutiny Task and Finish Group into Fuel Poverty.**	
Reason for Decision	To accord with the constitution	
Recommendations	**CABINET IS RECOMMENDED TO :** **1. THANK THE TASK AND FINISH GROUP FOR ITS WORK ON THIS ISSUE** **2. AGREE THE ACTIONS FOR EACH SUGGESTED RECOMMENDATION FROM THE WORK AS SET OUT IN THE REPORT**	

1.0 BACKGROUND

1.1 The Task and Finish Group was established by the Community Scrutiny Committee at its meeting on 29 June 2022. The scope of the Group is detailed within the committee report which is listed in the background papers above.

1.2 The Group membership was subsequently agreed as Councillors T Eynon, M Hay, G Hoult, R Morris, J Simmons and M Wyatt. Councillor T Eynon was appointed Chair of the Group.

1.3 The group held four meetings over the period from 15 September 2022 and 3 November 2022, which included attendance from a number of officers and external partners who were invited to give evidence.

2.0 RECOMMENDATIONS OF THE TASK AND FINISH GROUP

2.1 Attached at Appendix A is the final report of the Task and Finish Group which includes a series of recommendations that were agreed at the meeting of the Community Scrutiny Committee on 23 Nov 2022. Appendix B contains a copy of the minute of that meeting.

2.2 Set out below are the recommendations from the Scrutiny Committee to Cabinet alongside a response and suggested approach to each recommendation for Cabinet's consideration and decision. For clarity each scrutiny recommendation is set out in italics with the suggested response set out in plain text.

2.3 *Scrutiny Recommendation 1*

2.4 *The Council should adopt a locally agreed measure and consider individuals or households to be in fuel poverty when after they spend the required amount to heat their home, households are left with a residual income below the official poverty line. A subset of this measure would include those households that reside in a property with an EPC rating of 'D' or below.*

2.5 Response :

2.6 Whilst the narrative in the Task and Finish Group report is fully understood, there are a number of issues in developing a localised definition:

- Government data and funding will be based upon the government's definitions – as such it will only serve to report on at a local level and have no impact on funding or decisions made at governmental level.
- The approach doubles the effort required for any monitoring of fuel poverty indicators as both any local as well as the national definition will need to take place, making any monitoring more onerous and costly to provide.
- The proposed definition will not be comparable with any other collected data sets across other authorities

Recommendation to Cabinet for Scrutiny Recommendation 1 :

Whilst recognising the rationale behind the recommendation of the Scrutiny Report, Cabinet does not support the creation of a local definition due to the reasons set out above.

2.7 _Scrutiny Recommendation 2_

2.8 *The Council is invited to develop and deliver a fuel poverty reduction strategy and associated delivery plan, alongside effective performance management and monitoring arrangements.*

2.9 Response:

In considering this recommendation, the limited role and actions that the Council can take is a key consideration. The largest and most significant actions to address Fuel Poverty are not within the Council's remit and lie at the national and international level.

What is within the control of the Council is limited and falls mainly into three areas – the management of the Council's housing stock; its role in private landlord enforcement; and our role as a signpost directing residents and the community to any helpful information to assist them in reducing fuel costs.

A Strategy as suggested by the scrutiny committee would largely replicate approaches already addressed by the Council :

- Council Housing stock - this is managed through the Housing Asset Management Plan 2020-2024, considered by scrutiny and adopted by Cabinet, The Plan is periodically updated and adaptive to circumstances through its lifetime. A single focus fuel poverty strategy, which in significant part, would be likely to duplicate elements of the existing plan, will not fully consider the complexities of managing our housing stock in a holistic sense.

- The Asset Management Plan looks at the management of the Council's housing stock from a holistic view and balances all the demands and issues facing the authority in managing its housing stock overall. This includes those of a policy nature (such as fuel poverty and carbon reduction) as well as statutory (such as decent homes and stands imposed via Housing legislation and regulation). As such the Housing Asset Management Plan is the correct place for these issues to be addressed.

- Private Rented Sector - the Environmental Protection Team is responsible for the enforcement of housing standards throughout the district in relation to the private rented sector. It works within the remit of the Council's General Enforcement Policy and the legislative framework of the Housing Act 2004 and its subsequent guidance. The legislation provides an aligned and consistent approach to the enforcement of standards within the private rented housing sector and tackles defects within dwellings, which in turn will improve the condition of the private rented housing stock. Invariably better housing stock also leads to improved energy efficiency. The outputs of the inspections and requests for service are all monitored through the Council's back-office system "Uniform". New polices will be brought to Community Scrutiny and Cabinet in 2023 which will focus on housing enforcement, civil penalties, electrical safety and Minimum Energy Efficiency Standards (MEES).

- Communication / Community – there is already an active programme of promotion of fuel poverty and overall cost of living crisis communication in place. This will be considered in light of recommendation 7. A strategy is unlikely to be sufficiently reactive to respond to changes that occur during a period, and the communications plan approach is considered more appropriate for this type of issue.

- Any standalone strategy would need resources to both bring together, regularly monitor and then update. This duplicates resources and actions already taking place across the Council for no real benefit.

Recommendation to Cabinet for Scrutiny Recommendation 2 :

Whilst acknowledging the desire for a standalone strategy, due to the reasons set out above, and the resources required for its management going forward, Cabinet does not support this recommendation.

2.10 *Scrutiny Recommendation* 3

The Council is invited to consider its approach to both its housing investment programme and its commitment to addressing fuel poverty, and specifically a 'fabric first' approach to ensure that all properties in the first instance are brought up to an EPC rating of C or above.

and

Scrutiny Recommendation 4

The Council is invited to evaluate the robustness of its housing stock management, investment and repairs programme and in the delivery of this, consider action to improve its engagement with tenants.

2.11 Response :

The Housing Asset Management Plan and the repairs process that also feeds from this already has a strong fabric first approach. The adopted Asset Plan is already following a fabric first approach and one based around bringing all Council houses to an EPC rating C. Regulations will come into force meaning in 2025 all new tenancies will need to have a minimum EPC rating of a C, followed by in 2028 when all social housing properties will require a minimum rating of a C.

Members are aware of the significant bidding and programming work being undertaken to address these issues, which already includes bringing properties up to an EPC C rating or above, including its obligations regarding EPC levels and letting legislation for landlords. As part of this process, stock management is also considered including disposals and acquisitions of property to improve the Council's overall offer to tenants. This does, however, need to be managed against the length of time properties may be held void and the impact this has on Council waiting lists.

At its next review the Housing Management Plan will make greater reference to the link between fuel poverty and Carbon Reduction, however in practical terms this is already being addressed via the Carbon Reduction measures in progress.

Tenant engagement is a regular feature of the housing services communication and engagement plans, through tenants' forums and tenant scrutiny panels as part of the Council's duties to comply with the Housing Regulator and also as best practise. Fuel poverty, Carbon reduction and management of repairs and programmes will continue to be a significant part of this activity.

Recommendation to Cabinet for Scrutiny Recommendation 3 and 4 :

Whilst noting the approach of these recommendations, the actions suggested are already in place. The next update of the Housing Asset Management Plan will consider the link more clearly between fabric first, fuel poverty and Carbon reduction to provide greater clarity, but the resulting actions are likely to be very similar to those already in place.

Fuel poverty, Carbon reduction and management of repairs and programmes will continue to be a significant part of our tenant activity. The Council's stock management will continue to be proactivity managed including an assessment of the need to achieve EPC level C or above across all Council properties. No specific actions in addition to those already in progress at this point are therefore required, therefore Cabinet does not support these recommendations.

2.12 *Scrutiny Recommendation 5*

The Council is invited to develop a more robust data base to:

- *Support a more comprehensive understanding of the incidence and drivers of local fuel poverty.*
- *Improve understanding of the condition of the local housing base of local authority, social and private rented sector housing.*
- *Inform and support the monitoring of Council interventions and policy decisions.*

Response:

The Environmental Protection (EP) Team already has access to robust data sets which provide information of all EPC ratings for every property in the district. This can also be broken down by tenure. The latest data is accurate as of September 2022 and indicates that there may be up to 430 private rented properties that do not currently meet the Minimum Energy Efficiency Standard Regulations (MEES) due to their Energy Performance Certificates (EPC) rating being at F or G.

The team will be rolling out a programme in early 2023 to further identify these properties and the first phase of correspondence will be sent in January 2023 to letting agents, landlords and tenants of the identified properties.

All of the work in this area will be recorded on the Council's back-office system 'Uniform', which will allow the team to report on progress as well as the number of interventions made.

The Council's housing stock undergoes a cyclical stock condition survey which includes a 10-yearly review of EPC certification of the Council's stock as part of this process. This drives the Housing Asset Management Plan (details of which are set out in above recommendations) and therefore drives the planned upgrades and improvements to Council-owned stock. The Housing Assets team has recently obtained new software which helps to map, plan and target regular maintenance / renewal using this data.

Recommendation to Cabinet for Scrutiny Recommendation 5 :

Cabinet notes and supports the response to work ongoing to develop "a more robust data base" for private and public stock and endorses recommendation 6 below which will provide additional officer capacity to develop and utilise the data available in the private sector specifically. However, Cabinet considers that Council teams have access to robust data sets and systems which can be utilised with the additional capacity proposed.

2.13 *Scrutiny Recommendation 6 :*

In order to better develop capacity to drive the improvement in housing standards and energy efficiency, Members invites the Council to consider the potential to recruit a dedicated private rental sector officer/team. This may be a 'locally owned' resource, or the Council may explore the potential for securing joint arrangements with a neighbouring council(s).

Response:

The Council currently has one Full Time Equivalent (FTE) officer resource for private sector housing enforcement functions within the Environmental Protection Team. This level of resource allows the Council to deliver an effective reactive service which is mainly complaint driven.

In 2021, a bid to the Midlands Energy Hub (now Midland Net Zero Hub) was submitted for additional resources to help proactively tackle compliance and enforcement of the Domestic Minimum Energy Efficiency Standards Regulations (MEES). Unfortunately, this bid was not successful however the Council has been invited to remain on a list waiting to hear about any future funding rounds.

In the meantime, the Council has started MEES Regulations compliance by contacting all landlords on the data set with EPC ratings below F as stated in Recommendation 5 above.

The Council is developing a series of Private Sector Housing Enforcement Policies, and these are scheduled to go through the governance processes in the new year. Alongside these policies officers are proposing additional resource which will enable the delivery of Recommendation 6 from the Task and Finish Group. Some of these initiatives will be part of the Leicestershire Lightbulb Project and Disabled Facilities Grant funding, Better Care Fund (BCF).

These initiatives include but are not limited to:

- Access to help and advice with affordable warmth
- Technology to keep residents safe around the home
- Home adaptations and Occupational Therapy support
- Other help and advice to live well and safely at home

In addition, focus will be on fuel poverty, MEES enforcement, resources to move towards a proactive enforcement service to improve housing standards through targeted proactive campaigns. Initiatives already delivered by the Council through the Lightbulb project include the Home Support Grant, Mandatory and Discretionary Disabled Facilities Grant all of which can be used amongst other things to access help with issues relating to fuel poverty and thermal efficiency of a property, by providing help and assistance to homeowners and tenants (circumstances dependant).

Recommendation to Cabinet for Scrutiny Recommendation 6 :

Cabinet notes the work being done to develop capacity to improve housing standards as well as energy efficiency and in response to Scrutiny Recommendation 6 supports the recruitment of two permanent FTE officers to support this work in the private rented sector. This is to be funded from DFG funding as set out above following due diligence to be carried out by the Council's s151 officer.

2.14 *Scrutiny Recommendation 7*

As part of its work in addressing fuel poverty, the Council is invited to consider the potential for improving its communication on these matters, with communication and engagement seen as a key element of any wider Council led approach. As a *minimum, the Council may wish to ensure that all frontline officers and customer service contacts have access to up to date information and are able to efficiently signpost residents to additional support, advocacy, or referrals.*

2.15 Response :

Since early autumn, the Council has been running a programme of combined Fuel Poverty and Cost of living communication campaigns. These range from the use of social media and a single location on the Council's website setting out the support available and how to access this. These are strongly linked to third party advice and practice due to the limited role the Council has in direct delivery around this area. A number of other related campaigns also make cross references to fuel poverty and the wider cost of living work.

Customer Services staff act as the main triage service for customers and are well trained in the options available to support residents coming forward with issues. Since July, approaching 200 referrals to food banks and around 800 referrals for House Support Funding have been made via the Customer Service team.

The additional resource addressed in recommendation 6 will work to help further targeted communications to particular groups, such as private landlords once they are in place and a programme of activity agreed.

Recommendation to Cabinet for Scrutiny Recommendation 7

Cabinet supports the continued media campaigns and targeting these to the most likely groups requiring support. Cabinet thanks the work of the Customer Services team in supporting the most vulnerable residents and helping them gain assistance that is available.

3.0 FINANCIAL IMPLICATIONS

3.1 There are financial implications for Scrutiny Recommendation 6 set out within this report. The additional resourcing recommended within the response to Scrutiny Recommendation 6 will be met from external funding sources as set out in Paragraph 2.13 above.

3.2 The two new full-time officers to be employed by the Council are to be permanent employees of the Council. One post will be an Environmental Health Officer at Grade F (£56,622) and the other being a Technical Support Officer at Grade D (£36,113).

3.3 All other Scrutiny Recommendations will be met from within existing approved budgets.

Policies and other considerations, as appropriate	
Council Priorities:	

	- Local people live in high quality, affordable homes - Our communities are safe, healthy and connected
Policy Considerations:	None
Safeguarding:	Due to the nature of certain groups suffering fuel poverty there may be overlaps with our safeguarding duties towards vulnerable groups. If so reporting and addressing such issues will be handled in the normal way.
Equalities/Diversity:	None directly
Customer Impact:	Covered in the report
Economic and Social Impact:	Warm homes mean people are likely to live better, stay healthier for longer are more likely to not be admitted to hospital or if they are can be discharged quicker. This has both an economic and social benefit.
Environment and Climate Change:	Covered in the report
Consultation/Community/Tenant Engagement:	Community Scrutiny undertook a wide ranging data gathering exercise which included involvement of a wide group of representatives.
Risks:	No risks identified in this report
Officer Contact	James Arnold/Andy Barton Strategic Directors James.Arnold@nwleicestershire.gov.uk; Andy.Barton@nwleicestershire.gov.uk

This page is intentionally left blank

MINUTES of a meeting of the COMMUNITY SCRUTINY COMMITTEE held in the Council Chamber, Council Offices, Coalville on WEDNESDAY, 23 NOVEMBER 2022

Present: Councillor J Hoult (Chairman)

Councillors R L Morris, C C Benfield, T Eynon, J Geary, M D Hay, G Hoult, J G Simmons and M B Wyatt

In Attendance: Councillors R Johnson

Portfolio Holders: Councillors R D Bayliss and A C Woodman

Officers: Mr J Arnold, K Hiller and Mrs R Wallace

62. APOLOGIES FOR ABSENCE

There were no apologies for absence.

63. DECLARATION OF INTERESTS

There were no declarations of interest.

64. PUBLIC QUESTION AND ANSWER SESSION

None.

65. MINUTES

Consideration was given to the minutes of the meetings held on 7 and 21 September 2022.

It was moved by Councillor J Geary, seconded by Councillor T Eynon and

RESOLVED THAT:

The minutes of the meeting held on 7 and 21 September 2022 be approved as a correct record.

66. ITEMS FOR INCLUSION IN THE FUTURE WORK PROGRAMME

The Chair referred to the Committee’s Work Programme and invited Members to make requests for any additional items.

By affirmation of the meeting, it was

RESOLVED THAT:

The future work programme be noted.

67. RECOMMENDATIONS OF THE FUEL POVERTY TASK AND FINISH GROUP

Councillor T Eynon, addressed the Committee as the Chair of the Fuel Poverty Task and Finish Group to present the recommendations as detailed within the report. She thanked all officers and representatives from Community and Partnership Groups for coming along to give evidence, as well as the Members of the group who had worked well together. The Committee were urged to support the recommendations for Cabinet.

The Committee commended the work of the Group and were in support of the recommendations. During discussions a number of concerns were raised, firstly that the review focused mainly on rented properties, and it was felt that there were also people in the District dealing with fuel poverty who owned their homes, such as elderly people in very old properties. Councillor T Eynon explained that privately owned homes were discussed by the Group, and it was felt that communication was key to inform all residents what support was available. Members were signposted to section eight of the report. A Member requested that the new Customer Service Centre have all the relevant information available, and it be clearly advertised.

The second concern was that if a local measure was adopted, there could be a disconnect of terminology when bidding for national funding which could cause difficulties. Councillor T Eynon explained that the Group did discuss the definition of fuel poverty and it was felt that no matter an individual's background or circumstances, if they could not afford to pay for their fuel then they were fuel poor. It was acknowledged that there were lots of different channels of support available which was why the focus on communication and making sure staff had the right data to support people was very important, particularly when they need to make every contact count.

Members that took part in the review addressed the Committee on how they felt the work undertaken was successful and that it was a good opportunity to highlight potential improvement areas within the Council. It was felt that the review was worthwhile and the recommendations, if supported, were a good start in addressing the areas that the Council could have the most impact.

It was moved by Cllr R Morris, seconded by Cllr T Eynon and

RESOLVED THAT:

The recommendations of the Fuel Poverty Task and Finish Group as detailed within the report be put to Cabinet.

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 6.52 pm

Community Scrutiny Committee

Fuel Poverty Task and Finish Group

Final Report

1. Background

1.1 At its meeting on 29th June 2022, the Community Scrutiny Committee recommended that a task and finish group be established to review the work that the Council is doing to minimise fuel poverty in North West Leicestershire.

1.2 The Fuel Poverty Task and Finish Group met for the first time on 15th September to appoint its chair, to consider and agree its terms of reference, and the principal areas for review. The agreed terms of reference are attached as Appendix 1.

1.3 The Task and Finish Group held 3 formal meetings on 25th, 27th October, and 3rd November 2022, and were supported in the consideration of matters through the attendance of Council partners, and its own officers, to give evidence. Individual briefing notes were also provided by officers against each area of review.

1.4 The following report includes those issues as highlighted by the Fuel Poverty Task and Finish Group that are most relevant to the agreed terms of reference and are within the influence of the Council either through its own activity, or which it is able to shape through its work with partners. To inform this work, a number of recommendations are made to the Communities Scrutiny Committee, for subsequent consideration and decision by Cabinet on how and what to implement. While acknowledging these governance processes, for ease, this report will refer to recommendations to Council.

1.5 Members commend the commitment and professionalism of NWLDC officers in meeting the Council’s responsibilities for supporting local communities in addressing cost of living concerns, of which the rising fuel costs and subsequent fuel poverty are significant elements. In addition, Members are grateful to officers for their helpful advice and support to the Task and Finish Group throughout its review.

2. What is meant by Fuel Poverty?

2.1 Fuel poverty is an accumulation of low incomes, energy inefficient and poor quality housing, and rising energy costs. It is worth noting that fuel poverty in England is measured using the Low Income Low Energy Efficiency (LILEE) indicator. Under this indicator, a household is considered to be fuel poor if:

- They are living in a property with a fuel poverty energy efficiency rating of band D or below, *and*
- When they spend the required amount to heat their home, they are left with a residual income below the official poverty line.

2.2 There are 3 important elements in determining whether a household is fuel poor:

- Household income
- Household energy requirements
- Fuel prices

2.3 These 5 determinants are worthy of consideration when considering the efficacy of the Council's approach.

2.4 The Government publishes an Annual Fuel Poverty Statistics Report, available here. Partial regional and local analysis is available here. However, the local analysis lacks any real depth, and the most recent report is based on 2020 data – and this lag, not least in its failure to reflect events of the past 12 months, means the report offers little contribution to the consideration of this issue. Perhaps a more useful reference document is the House of Commons Library publication 'Fuel Poverty in the UK', dated 9th May 2022, available here.

2.5 Of course, the wider national and international dimension to the current cost of living crisis, and its resulting fuel poverty, is outside the influence of North West Leicestershire District Council. Nevertheless, there remain a number of areas within the influence of the Council where further action may go some way to easing the pressure on local communities, and so this constructive challenge and review of these actions, and ambition, is worthwhile.

2.6 Notwithstanding this, Members expressed dissatisfaction with the national definition of fuel poverty, as measured using the Low Income Low Energy Efficiency (LILEE) indicator. While there was agreement as to the 3 important elements in determining whether a household is fuel poor; i.e., household income, household energy requirements and fuel prices – the qualifying criteria of households needing to be *both* 'living in a property with an EPC of band D or below', *and* 'when they spend the required amount to heat their home, they are left with a residual income below the official poverty line', was deemed to be too limiting and so risks significantly underestimating the true incidence of fuel poverty in the local area, and thereby limiting support to those in most need.

2.7 Accordingly, Members recommend that the Council should adopt a locally agreed measure and consider individuals or households to be in fuel poverty as solely defined by the 2nd criterion, i.e., when they spend the required amount to heat their home, they are left with a residual income below the official poverty line. A subset of this measure, those in greatest need, would include those households that reside in a property with an EPC rating of 'D' or below. The locally agreed measure would provide both a better baseline of the incidence of local fuel poverty and inform the better targeting of support services.

2.8 This is reliant upon the Council being able to access reliable and consistent data on income and household energy expenditure. Whether this data is easily accessible or is only available through bespoke arrangements and at additional cost will need to be considered.

<u>Recommendation 1</u>

The Council should adopt a locally agreed measure and consider individuals or households to be in fuel poverty when after they spend the required amount to heat their home, households are left with a residual income below the official poverty line. A subset of this measure would include those households that reside in a property with an EPC rating of 'D' or below.

3. Demonstrating Ambition and Delivery

3.1 The cost of living crisis and resulting fuel poverty is a clear concern for communities, particularly those already facing levels of socio-economic disadvantage. Local authorities of course recognise this and are able to offer support, but their ability to influence significant change may be limited and is subject to local resource priorities and decision making.

3.2 While this review of the Fuel Poverty Task and Finish Group is an important step towards addressing the challenges of fuel poverty, the potential to inform change is dependent upon the ambition and commitment of the Council. A first principal question for the Council is, therefore, to consider the extent to which reducing fuel poverty is an organisational priority, especially when set against the competing demands that the Council also has to balance.

3.3 The Decent Homes Standard is an important driver of the Council's investment programme, not necessarily warm homes and fuel efficiency. It is noted that the Council has been awarded LAD1B funding to improve 30 social housing properties to PAS2-35 (energy efficiency) compliance but a more specific focus on fuel poverty/efficiency may drive the wider housing investment programme in a different direction. This will be for a political decision and given the primacy of the existing Decent Homes Standard, may be a decision associated with organisational and political risk.

3.4 If demonstrating its commitment to addressing fuel poverty, the Council may be invited to develop a strategy and associated delivery plan that includes confirming its approach to housing capital expenditure, repairs and maintenance. A cross-cutting operational team should lead the strategy and delivery plan, with senior officer and oversight.

3.5 An effective strategy should be data led and so the development of an appropriate baseline is key – from which subsequent progress will need to be measured and against which the Council should ensure appropriate resources are in place for delivery. This links to a subsequent recommendation for ensuring a robust evidence base.

3.6 Alongside this, timely and consistent arrangements should be in place to support a regular reporting cycle, potentially on a bi-annual basis. The Group suggests that monitoring and political engagement may be undertaken through a Member-led group, potentially the existing Fuel Poverty Task and Finish Group.

3.7 Realistic expectations remain important. The Council and partners should acknowledge that the data, and so the measure of progress, may not move that quickly, and while delivery will range in scope from the short, medium to long-term – the impact of this is likely to be more medium to long term.

Recommendation 2

The Council is invited to develop and deliver a fuel poverty reduction strategy and associated delivery plan, alongside effective performance management and monitoring arrangements.

4. A 'Fabric First' Approach

4.1 Members agree that a priority of the Council should be upon improving the quality of its housing stock as a means of achieving greater energy efficiency and so reducing household fuel costs. In effect, this is a 'Fabric First' approach. Improving the 'fabric' of housing is potentially the most effective lever at the Council's disposal in reducing the incidence of fuel poverty, and/or its severity, in its own stock and hence for its tenants. This includes the focus of resources on improving the insulation of housing (e.g., loft and exterior walls) and wider quality of housing stock.

4.2 The 'fabric first' approach is relevant to both repair/retrofitting and the active management of the Council's housing stock. In the development of options for manging the stock, Members suggest that the housing team consider options for holding voids until all improvement work is completed. This would ensure housing stock is of an appropriate standard before tenancies commence, limit subsequent disruption to the tenant of any later works and may increase the cost efficiency of the improvement works for that specific property.

4.3 While retained council stock is generally accepted as a positive in ensuring those in need are appropriately housed, is it axiomatic that the Council should continue to retain all its existing stock, or should the Council undertake a more active management plan disposing of those properties that are more challenging to bring up to acceptable standards once they become vacant – and investing these funds in new stock acquisition? In effect, this becomes a choice between retain and remediate, or disposal and reinvestment and is one requiring a political decision to be made by the Council.

4.4 This 'fabric first' approach is most relevant to properties that have an Energy Performance Certificate (EPC) rating of D or below. This is not solely because EPCs are the accepted measure of the property's energy efficiency. There is also the requirement for all new tenancies started from end-December 2025, a property will need to have a minimum EPC rating of C, and all existing tenancies will require a minimum EPC rating of C from December 2028. After meeting this obligation, the Council should consider other measures to address fuel poverty for households in those properties at EPC rating of C or above.

4.5 In recommending this approach to Council, Members acknowledge the constraint on resources and wider implications of this medium to longer term approach. While holding voids pending the completion of improvement works may be the preferred route, the benefits of this approach should be considered against other factors that include the likelihood that it will increase the wait time for those on the Council's housing list, at a time when housing pressures continue to increase. In addition, the random nature of void presentation will lead to an 'ad hoc' improvement programme (as voids may become the dominant driver) limiting the cost efficiencies that arise from a larger and targeted investment programme, with the resulting higher costs limiting the reach of the Council's overall programme.

4.6 There is no right or wrong approach. Merely the implications of the Councils' housing investment programme and approach should be fully considered, and its impact recognised.

<u>Recommendation 3</u>

The Council is invited to consider its approach to both its housing investment programme and its commitment to addressing fuel poverty, and specifically a 'fabric first' approach to ensure that all properties in the first instance are brought up to an EPC rating of C or above, or disposed of, if this is not practical or cost effective to deliver.

5. The Delivery of an Effective Housing Repair Programme

5.1 EPC 'C' rating is accepted as minimum acceptable standard, with a move towards ensuring all let properties attain this classification. Alongside this requirement, the Council's housing repairs programme is an important factor in ensuring the maintenance of decent housing standards and thereby addressing fuel poverty concerns. However, it has been confirmed that there are instances where people have moved into properties where works are required albeit with assurance that subsequent remedial works will be completed in good time. There is an inherent risk that council action, or indeed inaction, inadvertently pushes tenants into fuel poverty by its failure to repair/maintain its stock. This should be mitigated by an evaluation of the robustness of its housing stock management and investment programme.

5.2 An effective housing repair programme does depend upon an effective partnership between the Council and its tenants. This is in part dependent upon good engagement between the Council and its tenants.

5.3 In considering the range of options and measures open to the Council in undertaking work to lessen the impact of fuel poverty, Members emphasise that tenants themselves have an important role to play. A significant element of any fuel poverty/energy efficiency measures are behavioural. This can have a near immediate, short-term effect, and includes measures tenants may take as a household, e.g., turning off lights, switching off standby, shorter showers and washing clothes at 30°. Alongside this, it should also be emphasised to tenants that there is a partnership between them and the Council – and while there is an entirely reasonable expectation, for example, that repairs are completed in a timely manner; the Council may similarly expect the support of tenants in agreeing (and keeping to) the schedule and scope of improvement work.

Recommendation 4

The Council is invited to evaluate the robustness of its housing stock management, investment and repairs programme and in the delivery of this, consider action to improve its engagement with tenants.

6. The Evidence Base

6.1 The importance of an Energy Performance Certificate was emphasised as a key factor in being able to determine the quality of the housing ‘fabric’ and the corresponding risk to residents of fuel poverty. However, this is just one indicator of the risk or incidence of fuel poverty, and the Council is encouraged to develop a robust and consistent data, evidence and intelligence base to inform policy decisions and resource allocation.

6.2 Members supported the potential for the EPC data to be cross-referenced with waste collection and council tax data in order to provide the Council with a better understanding of the level of need in local communities, and the resulting challenges and opportunities in addressing this. Members acknowledged that work is being undertaken to better understand the Council’s asset base and investment priorities, by property type, area, levels of deprivation and demography but also highlighted the potential for this work to be further expanded upon. In doing so, however, the limitations of GDPR and data protection are acknowledged.

Recommendation 5

The Council is invited to develop a more robust data base to:

a) Support a more comprehensive understanding of the incidence and drivers of local fuel poverty.
b) Improve understanding of the condition of the local housing base of local authority, social and private rented sector housing.
c) Inform and support the monitoring of Council interventions and policy decisions.

7. Local Leadership

7.1 The council has both a place shaping and local leadership role. In addition to specific support programmes, the Council could look to enhance its local leadership responsibilities through effective and co-ordinated partnership management, particularly in corralling local partners in the delivery of a limited set of agreed local priorities.

7.2 Action to address fuel poverty will comprise action against both the *cause*, e.g., fabric and housing standards, and the *effects*, increased need for food bank support and warm hubs through the colder winter months. In particular, the effectiveness of the latter (community support activity) will be dependent upon local leadership in partnership with the community and voluntary sector, and in turn dependent upon sufficient resources (not solely financial) being in place to enable this work.

7.3 As part of its local leadership responsibilities, the Council may consider how it engages with the private rental sector. To limit the consideration of the incidence and effects of fuel poverty to solely those living in local authority housing would fail to go anywhere near to addressing the challenge. Poor quality housing in the private rental sector remains a significant concern, as is the limit to the Council's ability to drive an improvement in standards.

7.4 The lack of a private sector housing team, or indeed an individual officer, reduces the Council's ability to effectively engage with private sector landlords (e.g., active support in improving the quality of private rented stock), monitoring developments and in holding them to account (through, for example, enforcement). It is also a notable gap in the Council's wider approach, that already and very sensibly brings together the work of its own housing officers (assets and policy), climate change programmes, and community services. Enhanced private rental sector capacity would better support this cross-team approach.

<u>Recommendation 6</u>

In order to better develop capacity to drive the improvement in housing standards and energy efficiency, Members invite the Council to consider the potential to recruit a dedicated private rental sector officer/team. This may be a 'locally owned' resource, or the Council may explore the potential for securing joint arrangements with a neighbouring council(s).

8. The Importance of Communication

8.1 There are a number of important initiatives with associated funding, e.g., LAD, HUG2 and ECO4. It is important that there is awareness of these opportunities, not least in supporting a 'pipeline' of qualifying properties and investment programmes.

8.2 Work to improve the fabric of properties will reduce the incidence of fuel poverty. Other Council activity mitigates against the effects of fuel poverty. While it will be important to ensure adequate resources are in place to support local programmes (e.g., household support grants, fuel vouchers and warm hubs), vulnerable residents must both aware of this help and supported to access it.

8.3 Making every contact count is key, and council officers have an important role in ensuring the provision of accurate and timely information to residents. As a minimum, the Council may wish to ensure that all frontline officers and customer service contacts have access to up to date information and are able to efficiently signpost residents to additional support, advocacy or referrals.

8.4 The local landlords' forum offers route for engaging with private sector landlords and the Council may wish to consider how it may refresh the forum to improve levels of engagement, particularly in relation to those landlords that do not attend, or indeed, may not even be aware of the forum's existence.

8.5 The Council may wish to consider how it communicates the benefits of increasing investment to address local fuel poverty. Addressing fuel poverty has an important, if not fundamental, wellbeing consideration. However, alongside this, it is worth emphasising that investment in measures to alleviate fuel poverty also in turn lessen the pressure on NHS and social care services, children that are warm and better fed will do better at school, healthier people make for better employees – and the Council being at the vanguard of these programmes will place it in an advantageous position in drawing down additional funding and support from Government.

Recommendation 7

As part of its work in addressing fuel poverty, the Council is invited to consider the potential for improving its communication on these matters, with communication/engagement seen as a key element of any wider Council led approach. As a minimum, the Council may wish to ensure that all frontline officers and customer service contacts have access to up to date information and are able to efficiently signpost residents to additional support, advocacy or referrals.

9. Summary

9.1 The Fuel Poverty Task and Finish Group acknowledge the commitment of the Council in addressing these matters and are grateful for the opportunity to lead this review.

9.2 The context is important, and at a time when the local community is facing ever greater cost of living concerns, the pressures on Council resources have perhaps, never been greater. The Council will therefore need to carefully consider its future approach and support, and the Fuel Poverty Task Group trust that their review, with its conclusions and recommendations, is helpful in this regard.

9.3 The proposed recommendations are:

Recommendation 1

The Council should adopt a locally agreed measure and consider individuals or households to be in fuel poverty when after they spend the required amount to heat their home, households are left with a residual income below the official poverty line. A subset of this measure would include those households that reside in a property with an EPC rating of 'D' or below.

Recommendation 2

The Council is invited to develop and deliver a fuel poverty reduction strategy and associated delivery plan, alongside effective performance management and monitoring arrangements.

Recommendation 3

The Council is invited to consider its approach to both its housing investment programme and its commitment to addressing fuel poverty, and specifically a 'fabric first' approach to ensure that all properties in the first instance are brought up to an EPC rating of C or above.

Recommendation 4

The Council is invited to evaluate the robustness of its housing stock management, investment and repairs programme and in the delivery of this, consider action to improve its engagement with tenants.

Recommendation 5

The Council is invited to develop a more robust data base to:

- Support a more comprehensive understanding of the incidence and drivers of local fuel poverty.
- Improve understanding of the condition of the local housing base of local authority, social and private rented sector housing.
- Inform and support the monitoring of Council interventions and policy decisions.

Recommendation 6

In order to better develop capacity to drive the improvement in housing standards and energy efficiency, Members invites the Council to consider the potential to recruit a dedicated private rental sector officer/team. This may be a 'locally owned' resource, or the Council may explore the potential for securing joint arrangements with a neighbouring council(s).

Recommendation 7

As part of its work in addressing fuel poverty, the Council is invited to consider the potential for improving its communication on these matters, with communication and engagement seen as a key element of any wider Council led approach. As a minimum, the Council may wish to ensure that all frontline officers and customer service contacts have access to up to date information and are able to efficiently signpost residents to additional support, advocacy or referrals.

----- END -----

This page is intentionally left blank