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Meeting	CORPORATE SCRUTINY COMMITTEE
Time/Day/Date	6.30 pm on Wednesday, 4 January 2023
Location	Council Chamber, Council Offices, Coalville
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	
To receive questions from members of the public under rule no.10 of the Council Procedure Rules. The procedure rule provides that members of the public may ask any question on any matter in relation to which the Council has powers or duties which affect the District, provided that three clear days' notice in writing has been given to the Head of Legal and Support Services.	
4. MINUTES	
To approve and sign the minutes of the meeting held on 7 December 2022.	3 - 6
5. ITEMS FOR INCLUSION IN THE FUTURE WORK PROGRAMME	
To consider any items to be included in the work programme. The plan of forthcoming Cabinet decisions and the current work programme are attached for information.	7 - 20
6. DRAFT ROBUSTNESS OF BUDGET ESTIMATES AND ADEQUACY RESERVES	
Report of the Interim Head of Finance	21 - 38

7.	DRAFT CAPITAL STRATEGY, TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS	
	Report of the Interim Head of Finance	39 - 94
8.	DRAFT GENERAL FUND BUDGET AND COUNCIL TAX 2023/24	
	Report of the Interim Head of Finance	95 - 160
9.	DRAFT HOUSING REVENUE ACCOUNT BUDGET AND RENTS 2023/24	
	Report of the Interim Head of Finance	161 - 180

Circulation:

Councillor N Smith (Chairman)
 Councillor V Richichi (Deputy Chairman)
 Councillor J G Simmons
 Councillor E G C Allman
 Councillor D Bigby
 Councillor A J Bridgen
 Councillor G Houl
 Councillor A C Saffell
 Councillor S Sheahan
 Councillor M B Wyatt

MINUTES of a meeting of the CORPORATE SCRUTINY COMMITTEE held in the Council Chamber, Council Offices, Coalville on WEDNESDAY, 7 DECEMBER 2022

Present: Councillor N Smith (Chairman)

Councillors V Richichi, J G Simmons, D Bigby, A J Bridgen, G Hoult, S Sheahan and M B Wyatt

In Attendance: Councillors

Portfolio Holders: Councillors R D Bayliss

Officers: Mr A Barton, Mr C Elston, Mr G Hammons, K Hiller, Ms N Oliver, Mr M Murphy, Mr P Sanders, Mrs R Wallace and Mr P Wheatley

60. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors E Allman and A C Saffell.

61. DECLARATION OF INTERESTS

Councillor M B Wyatt declared a registerable interest in item 6, 2022/23 Quarter 1 and 2 Performance Report as a business owner in Coalville Town Centre.

62. PUBLIC QUESTION AND ANSWER SESSION

None.

63. MINUTES

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

It was moved by Councillor V Richichi, seconded by Councillor G Hoult and

RESOLVED THAT:

The minutes of the meeting held on 8 June be approved as a correct record.

64. ITEMS FOR INCLUSION IN THE FUTURE WORK PROGRAMME

Consideration was given to the inclusion of any items on the work programme. The plan of forthcoming Cabinet decisions and the current work programme were set out in the agenda for information.

A Member raised a point about the performance of routine housing repairs and a concern that the drop in performance was related to the progression rate of planned maintenance. Another Member concurred and felt that the new system was also affecting performance as well as the customer service team within housing maintenance that dealt with everyday enquiries. After further discussion it was agreed that the Strategic Director would assist members to scope a report with Members and subsequently for it to be added to the Work Programme for a future meeting.

By affirmation of the meeting it was

RESOLVED THAT:

- a) The current work programme be noted.
- b) A report be scoped and brought forward for the Scrutiny Work Programming Group to consider adding it to the work programme for a future meeting.

65. 2022/23 QUARTER 1 AND 2 PERFORMANCE REPORT

The Head of Human Resources and Organisation Development presented the report to Members.

As the report covered two performance quarters, Members agreed to group the discussion into the following areas:

Economic Regeneration: -

A Member queried the statement that footfall had increased in Coalville Town Centre as he felt that was not the opinion of local businesses. It was felt that a more accurate picture could be drawn if local businesses were consulted. The Head of Economic Regeneration explained the process of collecting footfall data and confirmed that conversations were had with retailers but the information that could be gained was limited. Members requested that a small survey be undertaken on all businesses to ascertain whether spending had increased or decreased in the last two quarters, officers agreed.

A Member questioned the performance rating in relation to the occupancy rates in Coalville's Newmarket as the target had not been met but the rating was green. Members were informed that officers were expecting to miss this target as it was set with the outdoor market in mind and the delay in this part of the project had affected the targets. In relation to the rating in the report, the error was noted, which would be updated prior to consideration by Cabinet.

During a discussion on the withdrawal of the Hex loyalty card in Ashby, a Member asked how the Council planned to support business in the area going forward. The Head of Regeneration explained that the Ashby BID team were taking the lead with the regeneration in Ashby and officers were supporting wherever possible. Members were reminded that funding for regeneration came from national government schemes when available and was channelled by the Council, there was not a local funding scheme directly from the Council.

In relation to the creation of local jobs at the Jaguar Land Rover operations at Mercia Park, a Member questioned how many of the jobs were actually filled with local people rather than people outside of the District. The Head of Economic Regeneration explained that information from businesses was limited and although officers had requested this from Unipart, the information within the report was all that had been received.

In relation to the East Midlands Dev Co and Freeport, a Member asked if the Council's representatives that attended the Board Meetings had formally objected to the use of the site south of Diseworth. The Head of Planning and Regeneration explained that the agreed approach was to stay neutral on the subject as to not jeopardise the planning process for the site.

Customer Satisfaction: -

In response to concerns from a Member on the lengthy waiting times for the housing side of customer services, the Strategic Director noted the concerns and agreed to incorporate this into the future housing report requested earlier in the meeting.

In response to a comment from a Member, the Strategic Director explained that not all calls were recorded for training purposes but as the ability to do so was part of the

system, customers making contact by telephone had to be informed that the calls 'may' be recorded to comply with GDPR rules.

Housing: -

The Interim Head of Finance gave an explanation on accounting practices in relation to the reduction of capital spends to reduce the spend of reserves. The Strategic Director reassured Members that did not mean the Council were consciously delaying schemes and would not impact the service provided to tenants.

During discussions on the HIP Programme, the delay in achieving targets was raised. The Strategic Director acknowledged the significant slippage for this target and explained he was undertaking an internal process to ascertain the reasons for this.

A Member queried the high performance of housing repairs completed within target as feedback from tenants indicated that it was not the case. Concerns were raised that there could be an issue with how jobs were reported. The Strategic Director clarified that the target was for jobs completed on time not the number of repairs completed.

Concerns were raised that housing repairs were not being completed correctly the first time and therefore meant that numerous repeat visits were necessary. A Member felt that this was due to inadequate inspections, and this was something in need of review.

The Strategic Director noted all comments made in relation to housing repairs and agreed to address them with the Head of Housing.

Health and Leisure: -

At the request of a Member, the Strategic Director agreed to provide the NWL Health and Wellbeing Strategy as referred to in the Support Safer Communities performance outside of the meeting.

Financial Forecast: -

A discussion was had on the forecasted overspend and the impact it would have on the Council if spending continued in that way. The Interim Head of Finance explained that the staff pay award was significantly more than what was planned and that there were a number of pressures on non-staffing budgets which were set out in the report. It was noted that cost pressures were expected into next year's budget and unless some in-year savings were found then it would be necessary to draw down on reserves more than planned. Members were reminded of the Member briefing scheduled to provide more information on proposed budgets and were encouraged to attend.

The revenue from green bin charges being less than expected was acknowledged and the Head of Community Services confirmed that although uptake had been below target, he was confident it would improve in the spring.

It was moved by Councillor A Bridgen, seconded by Councillor G Hoult and

RESOLVED THAT:

The report be noted and comments made by the Committee be presented to Cabinet when it considers the report at its meeting on 10 January 2023.

66. CUSTOMER SERVICES - PERFORMANCE AND FUTURE APPROACH

The Chair left the meeting at 7.38pm, at the commencement of the item and returned at 7.49pm. The Deputy Chair took the Chair at this point for the remainder of the meeting.

Councillor M B Wyatt left the meeting at 7.38pm, at the commencement of the item.

The Strategic Director introduced the item before handing over to the Customer Services Team Manager who gave a presentation to Members, highlighting performance and next steps for the team.

During discussion Members commented on the positive ethos and future direction of the Customer Services Team. At the request of a Member, more information was provided on staff training and support available on the floor during calls. In response to a question, the Customer Services Team Manager commented that resources within the team were currently adequate but was being monitored as this could change depending on the future numbers of face-to-face contact at the Customer Services Centre.

In response to a question in relation to the use of online forms, it was noted that they were well used, and statistics had shown that there had been a reduction in the number of transactional calls. The Strategic Director reported that work was still being undertaken to achieve the best blend of human and digital processes.

In relation to a comment about the process of handing over more complex calls to the appropriate services, it was confirmed that the Customer Service Team did follow up with officers to ensure the enquiry had been dealt with.

It was moved by Councillor D Bigby, seconded by Councillor S Sheahan and

RESOLVED THAT:

- a) The direction of travel for Customer Services and the route for refinement of performance monitoring in the new Council's Delivery Plan be noted.
- b) The proposed introduction of Customer Service into the Induction Programme for Members be supported.
- c) The inclusion of an annual report to this committee on the progress and developments in customer service be supported and it be added to the committee work programme.

Councillor N Smith left the meeting at 7.38pm and returned at 7.49pm

Councillor M B Wyatt left the meeting at 7.38pm

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 8.00 pm

Corporate Scrutiny Committee – WORK PROGRAMME (as at 20/12/22)

Date of Meeting	Item	Lead Officer	Witnesses	Agenda Item Duration
8 March 2023				
8 March 2023	2022/23 Quarter 4 Performance Report	Mike Murphy, Head of Human Resources and Organisational Development	-	30 Minutes
14 June 2023				
14 June 2023	2022/23 Quarter 4 Performance Report	Mike Murphy, Head of Human Resources and Organisational Development	-	30 Minutes
14 June 2023	Zero Carbon Annual Update	Paul Sanders, Head of Community Services	-	30 Minutes
14 June 2023	Scrutiny Annual Report	Andy Barton, Strategic Director of Housing and Customer Services	-	15 Minutes

Requests for Items – None received

Date request Received	Requested by	Summary of request	Consideration by scrutiny Y/N	Reasons

Principles and Criteria used for Assessing Items Put Forward

Identify Issues for consideration by Scrutiny

- Consulting with members of Scrutiny Committees, senior officers, Cabinet members – horizon scanning on policy development
- Looking at the corporate priorities, Council Delivery Plan and Cabinet Forward plan – identify key issues/topics for investigation/inquiry
- Considering events and decisions in the Council's calendar which could require an input/consultation via scrutiny – eg budget setting, CDP development
- Considering requests from members – eg via another forum or scoping report submitted
- Evaluating the Council's performance – eg quarterly reports, end of year reports, reviewing success of a particular scheme or initiative
- Reviewing any follow up work required after previous scrutiny work

Prioritise the potential list of scrutiny topics based on factors including

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- the resources required to deliver it (from members, offices and financially)
- the value and level of impact which could be achieved
- link to the council's priorities
- whether it is a regular recurring item which requires consideration before Cabinet/Council approval
- consideration of the guidance for selecting scrutiny topics

Topics are suitable for Scrutiny when	Topics are not suitable for Scrutiny when
Scrutiny could have an impact and add value	The issue is already being addressed elsewhere and change is imminent
The topic is of high local importance and reflects the concerns of local people	The topic would be better addressed elsewhere (and will be referred there)
The resources are available that would be required to conduct the review – staff and budget	Scrutiny involvement would have limited or no impact on outcomes
It avoids duplication of work elsewhere	The topic would be sub-judice or prejudicial to the councils interests
The issues is one that the committee can realistically influence	The topic is too broad to make a review realistic
The issue is related to an area where the council or one of its partners is not performing well	New legislation or guidance relating to the topic is expected in the next year

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DRAFT Notice of Executive Key Decisions

The attached notice lists the matters which are likely to be the subject of a key decision by the Council's executive and executive decision making bodies. This notice is produced in accordance with the Constitution adopted by North West Leicestershire District Council and will be published a minimum of 28 days before the date on which a key decision is to be made on behalf of the Council.

Key Decisions

A key decision means a decision taken by the Cabinet, a committee of the Cabinet, an area or joint committee or an individual in connection with the discharge of a function which is the responsibility of the executive and which is likely:

- (a) to result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates; or
- (b) to be significant in terms of its effects on communities living or working in an area comprising two or more wards in the area of the Council;
- (c) for the purposes of (a) and (b) above £100,000 shall be regarded as significant in terms of expenditure or savings, and any issue which, in the opinion of the Leader is likely to have an impact on people, shall be regarded as significant in terms of impact on communities.

The Council's Executive

The Council's executive committee is the Cabinet. The Cabinet comprises:

Councillor R Blunt	-	Leader	Councillor A Woodman	-	Community Services
Councillor R Ashman	-	Deputy Leader and Infrastructure	Councillor N J Rushton	-	Corporate
Councillor T Gillard	-	Business and Regeneration	Councillor R D Bayliss	-	Housing, Property & Customer Services
Councillor K Merrie MBE	-	Planning			

Confidential Items and Private Meetings of the Executive

Whilst the majority of the Cabinet's business at the meetings listed in this notice will be open to the public and media organisations to attend, there will inevitably be some business to be considered that contains, for example, confidential, commercially sensitive or personal information. This is a formal notice under the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 that part of the Cabinet meetings listed in this Forward Plan may be held in private because the agenda and reports for the meeting contain exempt information under Part 1 Schedule 12A to the Local Government Act (Access to Information) Act 1985 (as amended) and that the public interest in withholding the information outweighs the public interest in disclosing it. Those Items where it is considered that they should be considered in private are identified on the Notice.

Access to Agenda and Related Documents

Documents relating to the matters listed in this notice are available at least 5 clear working days prior to the date of decision as indicated below. Other documents relevant to the matters listed in this notice may be submitted to the decision maker.

If you wish to request or submit a document, or make representation in relation to any issue contained within this notice, please contact Democratic Services on telephone number 01530 454512 or by emailing memberservices@nwleicestershire.gov.uk

Executive Decisions

Decision	Decision Maker	Status of Decision	Public or Private (and reason – where private)	Date of Decision	Contacts	Documents to be submitted to the Decision Maker	Considered by Scrutiny or other Committee
31 January 2023							
Minutes of the Coalville Special Expenses Working Party	Cabinet	Key	Public	31 January 2023	Councillor Tony Gillard Tel: 01530 452930 tony.gillard@nwleicestershire.gov.uk Head of Property and Regeneration Tel: 01530 454 354 paul.wheatley@nwleicestershire.gov.uk	Minutes of the meeting Minutes of the Coalville Special Expenses Working Party	The group is a sub group of Cabinet and therefore the report does not require scrutiny
Former Tenant Rent Arrears, Current Tenant Rent Arrears, Council Tax, Non Domestic Rates and Sundry Debtor Write Offs	Cabinet	Key	Public	31 January 2023	Councillor Nicholas Rushton Tel: 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Exchequer Services Team Leader andy.gould@nwleicestershire.gov.uk	Former Tenant Rent Arrears, Current Tenant Rent Arrears, Council Tax, Non Domestic Rates and Sundry Debtor Write Offs	Not required to be considered by a Scrutiny Committee. Under the constitution Cabinet are required to approve write-offs over £10,000.
Robustness of Budget Estimates and Adequacy of Reserves	Cabinet	Key	Public	31 January 2023	Councillor Nicholas Rushton Tel: 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Interim Head of Finance and Section 151 Officer glenn.hammons@nwleicestershire.gov.uk	Robustness of Budget Estimates and Adequacy of Reserves	Corporate 4th January 2023

Decision	Decision Maker	Status of Decision	Public or Private (and reason – where private)	Date of Decision	Contacts	Documents to be submitted to the Decision Maker	Considered by Scrutiny or other Committee
Capital Strategy, Treasury Management Strategy and Prudential Indicators	Cabinet	Key	Public	31 January 2023	Councillor Nicholas Rushton Tel: 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Interim Head of Finance and Section 151 Officer glenn.hammons@nwleicestershire.gov.uk	Capital Strategy, Treasury Management Strategy and Prudential indicators Capital Strategy, Treasury Management Strategy and Prudential Indicators	Corporate Scrutiny Committee - 4 January
General Fund Budget and Council Tax 2023/24 ω	Cabinet	Key	Public	31 January 2023	Councillor Nicholas Rushton Tel: 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Interim Head of Finance and Section 151 Officer glenn.hammons@nwleicestershire.gov.uk	General Fund Budget and Council Tax 2023/24	Corporate Scrutiny Committee - 4 January
Housing Revenue Account Budget and Rents 2023/24	Cabinet	Key	Public	31 January 2023	Councillor Nicholas Rushton Tel: 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Interim Head of Finance and Section 151 Officer glenn.hammons@nwleicestershire.gov.uk	Housing Revenue Account Budget and Rents 2023/24	Corporate 4th January 2023

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Decision	Decision Maker	Status of Decision	Public or Private (and reason – where private)	Date of Decision	Contacts	Documents to be submitted to the Decision Maker	Considered by Scrutiny or other Committee
Award of Housing Zero Carbon Works Contracts	Cabinet	Key	Private Information relating to the financial or business affairs of any particular person (including the authority holding that information)	28 February 2023	Councillor Roger Bayliss Tel: 01530 411055 roger.bayliss@nwleicestershire.gov.uk Housing Assets Team Manager Tel: 01530 454137 jas.singh@nwleicestershire.gov.uk	Report Award of Housing Zero Carbon Works Contracts	Due to timings that the information will be available, there is no available scrutiny for it to be considered at.
Housing Revenue Account Acquisitions and Disposals 15	Cabinet	Key	Public	28 February 2023	Councillor Roger Bayliss Tel: 01530 411055 roger.bayliss@nwleicestershire.gov.uk Housing Assets Team Manager Tel: 01530 454137 jas.singh@nwleicestershire.gov.uk	Housing Revenue Account Acquisitions and Disposals	Decision being sought under approved Acquisitions & Disposal Policy.
March 2023							
Minutes of the Coalville Special Expenses Working Party	Cabinet	Key	Public	28 March 2023	Councillor Tony Gillard Tel: 01530 452930 tony.gillard@nwleicestershire.gov.uk Head of Property and Regeneration Tel: 01530 454 354 paul.wheatley@nwleicestershire.gov.uk	Minutes from the meeting Minutes of the Coalville Special Expenses Working Party	The group is a sub group of Cabinet and therefore the report does not require scrutiny

Decision	Decision Maker	Status of Decision	Public or Private (and reason – where private)	Date of Decision	Contacts	Documents to be submitted to the Decision Maker	Considered by Scrutiny or other Committee
PROVISIONAL FINANCIAL OUTTURN 2021/22	Cabinet	Key	Public	28 March 2023	Councillor Nicholas Rushton Tel: 01530 412059 nicholas.rushton@nwleicester.gov.uk Finance Team Manager & Deputy S151 Officer Tel: 01530 454492 anna.crouch@nwleicester.gov.uk	PROVISIONAL FINANCIAL OUTTURN 2021/22	This report is to present the provisional financial outturn prior to the publication of the draft Statement of Accounts on the 31 July. The final version of the Statement of Accounts will be presented to Audit Committee for approval.
Former Tenant Rent Arrears, Current Tenant Rent Arrears, Council Tax, Non Domestic Rates and Sundry Debtor Write Offs	Cabinet	Key	Public	28 March 2023	Councillor Nicholas Rushton Tel: 01530 412059 nicholas.rushton@nwleicester.gov.uk Exchequer Services Team Leader andy.gould@nwleicestershire.gov.uk	Former Tenant Rent Arrears, Current Tenant Rent Arrears, Council Tax, Non Domestic Rates and Sundry Debtor Write Offs	Not required to be considered by a Scrutiny Committee. Under the constitution Cabinet are required to approve write-offs over £10,000.
Quarter 3 Performance Report	Cabinet	Key	Public	28 March 2023	Councillor Richard Blunt Tel: 01530 454510 richard.blunt@nwleicester.gov.uk Head of Human Resources and Organisational Development Tel: 01530 454518 mike.murphy@nwleicestershire.gov.uk	Quarter 3 Performance Report	8 March 2023

Decision	Decision Maker	Status of Decision	Public or Private (and reason – where private)	Date of Decision	Contacts	Documents to be submitted to the Decision Maker	Considered by Scrutiny or other Committee
Private Sector Housing Policies	Cabinet	Key	Public	25 April 2023	Councillor Andrew Woodman Tel: 07970 520357 andrew.woodman@nwleicestershire.gov.uk Head of Community Services Tel: 01530 454832 paul.sanders@nwleicestershire.gov.uk	Private Sector Housing Policies	Community Scrutiny 8 February 2023
Housing Revenue Acquisitions and Disposals 17	Cabinet	Key	Private	25 April 2023	Councillor Roger Bayliss Tel: 01530 411055 roger.bayliss@nwleicestershire.gov.uk Housing Assets Team Manager Tel: 01530 454137 jas.singh@nwleicestershire.gov.uk	Housing Revenue Acquisitions and Disposals	Decision being sought under approved Acquisitions & Disposal Policy.
Bereavement Services Review	Cabinet	Key	Public	25 April 2023	Councillor Andrew Woodman Tel: 07970 520357 andrew.woodman@nwleicestershire.gov.uk Head of Community Services Tel: 01530 454832 paul.sanders@nwleicestershire.gov.uk	Bereavement Services Review	Community Scrutiny: 8 February 2023

Decision	Decision Maker	Status of Decision	Public or Private (and reason – where private)	Date of Decision	Contacts	Documents to be submitted to the Decision Maker	Considered by Scrutiny or other Committee
Recycle More Refresh	Cabinet	Key	Public	25 April 2023	<p>Councillor Andrew Woodman Tel: 07970 520357 andrew.woodman@nwleicester.gov.uk</p> <p>Waste Services Development Officer, Head of Community Services Tel: 01530 454592, Tel: 01530 454832 JOHN.BRIGHT@NWLEICESTERSHIRE.GOV.UK, paul.sanders@nwleicester.gov.uk</p>	Recycle More Refresh	Community Scrutiny 5 April 2023
<div> <div>1</div> <div>8</div> </div> <div>May 2023</div> <div>There are no items for consideration.</div>							
June 2023							
The Leicestershire Partnership Revenues and Benefits Joint Committee - Appointment of Members	Cabinet	Key	Public	6 June 2023	<p>Tel: 01530 454529 claire.hammond@nwleicester.gov.uk</p>	Report The Leicestershire Partnership Revenues and Benefits Joint Committee - Appointment of Members	As the report is requiring Cabinet to appoint to executive members to the Joint Committee it does not require scrutiny consideration.

Decision	Decision Maker	Status of Decision	Public or Private (and reason – where private)	Date of Decision	Contacts	Documents to be submitted to the Decision Maker	Considered by Scrutiny or other Committee
Treasury Management Stewardship Report 2022/23	Cabinet	Non-Key	Public	6 June 2023	<p>Councillor Nicholas Rushton Tel: 01530 412059 nicholas.rushton@nwleicester.gov.uk</p> <p>Finance Team Manager & Deputy S151 Officer Tel: 01530 454492 anna.crouch@nwleicester.gov.uk</p>	Treasury Management Stewardship Report 2022/23	To be considered by Audit Committee on the 26 April 2023.
Former Tenant Rent Arrears, Current Tenant Rent Arrears, Council Tax, Non Domestic Rates and Sundry Debtor Write Offs	Cabinet	Key	Public	6 June 2023	<p>Councillor Nicholas Rushton Tel: 01530 412059 nicholas.rushton@nwleicester.gov.uk</p> <p>Exchequer Services Team Leader andy.gould@nwleicestershire.gov.uk</p>	Former Tenant Rent Arrears, Current Tenant Rent Arrears, Council Tax, Non Domestic Rates and Sundry Debtor Write Offs	Not required to be considered by a Scrutiny Committee. Under the constitution Cabinet are required to approve write-offs over £10,000.

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CORPORATE SCRUTINY COMMITTEE – WEDNESDAY, 4
JANUARY 2023

Title of Report	DRAFT ROBUSTNESS OF BUDGET ESTIMATES AND ADEQUACY OF RESERVES	
Presented by	Glenn Hammons Interim Head of Finance and Section 151 Officer	
Background Papers	<p>Draft Capital Strategy, Treasury Management Strategy and Prudential Indicators 2023/24 Report (Corporate Scrutiny 4 January 2023)</p> <p>Draft General Fund Budget and Council Tax 2023/24 Report (Corporate Scrutiny 4 January 2023)</p> <p>Draft Housing Revenue Account Budget and Rents 2023/24 Report (Corporate Scrutiny 4 January 2023)</p>	Public Report: Yes
Financial Implications	In line with statutory requirements the reports provides the Section 151 Officer 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 Monitoring Officer: Yes	
Staffing and Corporate Implications	Insert any staffing and corporate implications to be considered	
	Signed off by the Head of Paid Service: Yes	
Reason Agenda Item Submitted to Scrutiny Committee	For Corporate Scrutiny Committee to provide any comments on the Robustness of Budget Estimates and Adequacy of Reserves Report by the Chief Finance Officer on the draft budget plans	
Recommendations	THAT CORPORATE SCRUTINY COMMITTEE PROVIDES ANY COMMENTS ON THE DRAFT ROBUSTNESS OF BUDGET ESTIMATES AND ADEQUACY OF RESERVES (APPENDIX A) FOR CONSIDERATION BY CABINET ON 10 JANUARY 2023.	

1. BACKGROUND

- 1.1 Section 25(1) of the Local Government Act 2003 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 is 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 Corporate Scrutiny Committee is invited to consider the Chief Finance Officer's report on the Robustness of Budget Estimates and Adequacy of Reserves for the Draft Budget and provide any comments to Cabinet to take into account on the 10 January 2023.
- 1.6 Cabinet will propose the draft budget for consultation at their meeting on 10 January 2023, then consider the outcome of the consultation at their meeting on 31 January 2023 where they make a recommendation to Council on 23 February 2023 for consideration of this report as part of the suite of budget reports.
- 1.7 The Draft Robustness of Budget Estimates and Adequacy of Reserves is included within the attached Cabinet Report (Appendix A).

Policies and other considerations, as appropriate	
Council Priorities:	<p>The report encompasses the Council's budget therefore is relevant to all Council Priorities:</p> <ul style="list-style-type: none"> - 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:	The equality impact assessments will be completed ahead of the final budget presented to Cabinet in late January 2023.
Customer Impact:	Customers are likely to be impacted by the changes to fees and charges and special expenses precepts set out in the draft budget.
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:	<p>The budget sees substantial new investment of £7.4m in the replacement of Council vehicles and reducing carbon emissions. There is £0.8m investment in bins and recycling containers to increase recycling from households.</p> <p>On revenue, the Climate Change Programme Manager post has been funded for the next five years from reserves.</p>
Consultation/Community Engagement:	The draft budget is to be considered by Corporate Scrutiny and will be subject to consultation with the public. In addition the Housing Revenue Account draft budget will be subject to engagement with the Tenants' Forum.
Risks:	This report provides the Section 151 Officer's view on the robustness of budget estimates and adequacy of reserves. The report identifies the key risks, provides an assessment of these and the proposed mitigating actions to manage those risks.
Officer Contact	<p>Glenn Hammons Interim Head of Finance and Section 151 Officer glenn.hammons@nwleicestershire.gov.uk</p>

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 10 JANUARY 2023



Title of Report	ROBUSTNESS OF BUDGET ESTIMATES AND ADEQUACY OF RESERVES	
Presented by	Councillor Nicholas Rushton Corporate Portfolio Holder PH Briefed <input checked="" type="checkbox"/>	
Background Papers	Draft Capital Strategy, Treasury Management Strategy and Prudential Indicators 2023/24 Report (Cabinet 10 January 2023) Draft General Fund Budget and Council Tax 2023/24 Report (Cabinet 10 January 2023) Draft Housing Revenue Account Budget and Rents 2023/24 Report (Cabinet 10 January 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 Monitoring Officer: Yes	
Staffing and Corporate Implications		
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	To advise the Cabinet on the robustness of the estimates in the budget and the adequacy of the proposed financial reserves.	
Reason for Decision	To ensure the council meets its statutory requirements when considering its budget.	
Recommendations	THAT CABINET NOTES THE S151 OFFICER'S ADVICE SET OUT IN SECTION 7 AND CAREFULLY CONSIDERS THE CONTENT OF THIS REPORT AS PART OF PROPOSING THE DRAFT BUDGET FOR CONSULTATION	

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.

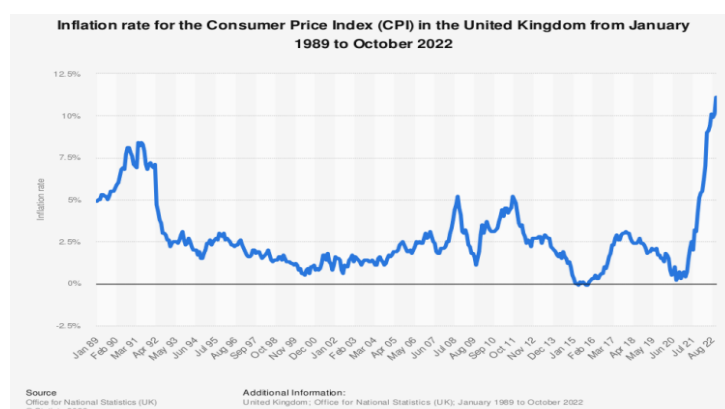
2.0 CONTEXT

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 Economic

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.





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 is expected to be announced during week commencing 19 December 2022. This announcement is important for the Council to understand its financial position as it currently has little certainty of its government funding streams for 2023/24 and the medium term.

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 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 draft 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.
 - Further engagement is planned through scrutiny, consultation with the public and the HRA tenants forum.

3.0 DRAFT 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 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

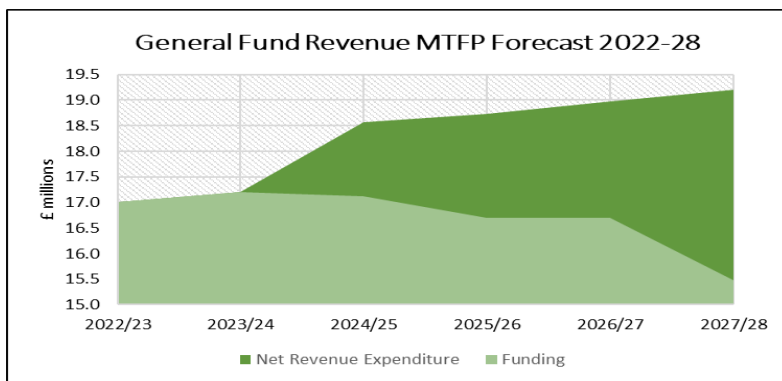
- 3.8 The Corporate Charging Policy, which contains the Council's fees and charges, has been refreshed and updated to reflect the Council's financial strategy and provide greater clarity for service users on the rationale for future changes in levels of fees and charges. The draft budget includes a range 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 **DRAFT GENERAL FUND BUDGET 2023-24**

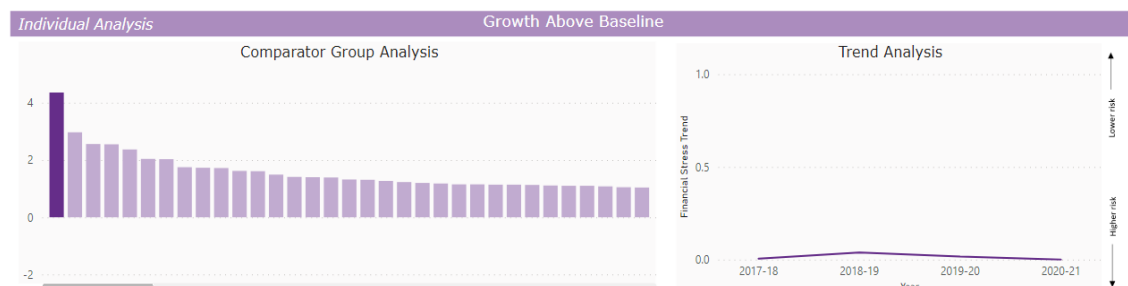
- 4.1 The macro economic challenges, particularly inflation, facing the country have directly impacted upon the Council's financial position in the 2022/23 financial year, the budget for 2023/24 and over the medium term.
- 4.2 The forecast outturn position for the general fund revenue budget 2022/23 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 draft budget are set out as follows:

Guiding Principles	Key Strategies for Developing Budget 2023/24 and MTFP 2023-28
Financial Stability and Sustainability	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• Resources allocated to Council objectives
Maximising Our Sources of Income	<ul style="list-style-type: none">• Fees and Charges maximised (increased by inflation)
Managing our Risks	<ul style="list-style-type: none">• 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 £1.4m in 2024/25 rising to £3.7m per annum, equivalent to 19% of net budget, by 2027/28. The cumulative funding gap of £9.5m. 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 Draft 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	<ul style="list-style-type: none"> • Catch up pay award 2022/23 (extra 5%) • Pay award 2023/24 (+4%)
Inflation & Unavoidable Service Pressures	781	<ul style="list-style-type: none"> • Utilities (Gas +86%, Electricity +100%), Fuel (+30%), Insurance
Service Developments	189	<ul style="list-style-type: none"> • Creating capacity to develop a robust MTFP • Regeneration of district
Income & Efficiencies	-1,054	<ul style="list-style-type: none"> • Fees and Charges (up to 11%) • Waste income, planning income and improved return on surplus cash
Technical adjustments	-830	<ul style="list-style-type: none"> • Removal of one-off budgets in 2022/23 and GF/HRA Recharges
Draft Net Budget 2023/24	17,204	

- 4.10 At the time of publishing the draft budget for 2023/24 the provisional local government finance settlement has not been announced. The figures included for the funding are estimates based on latest intelligence. An update will be provided once the provisional settlement has been made available.
- 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 Approved schemes and Development Pool schemes.
 - Any new proposed schemes received have been placed into the Development Pool, with the exception of two schemes, totalling £200k, 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 (£0.3m), government grant (£3.2m) and use of monies previously generated from business rates growth and held in reserve (up to £4.4m in 2023/24 and up to £5.1m in 2024/25).
 - 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 draft budget is based on the council having the following levels of reserves.

	Estimated Balance 1/4/23 £'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	-718	2,430
MTFP Reserve	5,165	0	5,165
Business Rates Reserve	369	+7,020	7,389
Total	10,226	+6,302	16,528

4.13 As part of preparing the reserves for the draft 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 DRAFT 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	Draft 2023/24 £'000	Change and Key Assumptions
Repairs & Maintenance	5,914	7,621	<ul style="list-style-type: none"> Inflation on repairs costs, grounds maintenance and materials
Supervision & Management (incl Provision for Doubtful Debts of £100k)	3,079	4,106	<ul style="list-style-type: none"> Catch up pay award 2022/23 5% Pay award 2023/24 4% Utilities (Gas 86%, Electricity 100%)
Capital Charges – Depreciation	6,241	5,181	
J2SS Cost Savings	-325	0	<ul style="list-style-type: none"> Savings targets removed
Total Expenditure	14,909	16,908	
Income	-18,524	-20,050	<ul style="list-style-type: none"> Rents (7%) Service charges (12%)
Net Operating Surplus	-3,615	-3,142	
Appropriations (incl contributions to capital programme)	3,550	5,485	
Contribution to/from Reserves	0	3,234	
Net Surplus(-)/Deficit (+)	-64	5,577	

- 5.5 The draft HRA budget for 2023/24 shows an operating surplus of £3,142k. This is a £473k 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 £5,577k is being budgeted for. This will be paid for from accumulated surpluses of £6,577k which have been built up in reserves. This leaves a minimum operating balance of £1 million for unexpected events. This minimum balance is 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 mitigate these pressures and 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. 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 new processes to deliver the required savings are introduced.
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 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.

Area	Y/N	Comments
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. At the time of writing the provisional local government finance settlement has not been announced. Government funding projections are based on latest intelligence.
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 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 for business rates and council tax.

Area	Y/N	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?	Y	The Council has a range of earmarked, MTFP and minimum levels of reserves to ensure its financial stability.
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.
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 draft form. 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 and an all councillor briefing.

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 draft 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 ensure this plan is developed and delivered the Council should invest in its financial and programme management capacity / capability.
- Special expense budgets must be in a balanced position for 2023/24.

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 Draft Budget 2023/24 and MTFS 2023-28 for income and expenditure, the Council can set a balanced draft 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.

8.0 EXEMPTION FROM CALL IN

- 8.1 The approval of the Chairman of the Council has been given to the exemption of the Council’s Scrutiny Procedure rules in relation to the call-in of the decision on this item, since any call-in would prejudice the ability of the Council to commence the statutory consultation period commencing 16 January 2023. The Chairman has considered the timetable for the consultation period and agrees that the matter before Cabinet is urgent for this reason.

Policies and other considerations, as appropriate	
Council Priorities:	<p>The report encompasses the Council’s budget, therefore, is relevant to all Council Priorities:</p> <ul style="list-style-type: none">- Supporting Coalville to be a more vibrant, family-friendly town- Support for businesses and helping people into local jobs

	<ul style="list-style-type: none"> - 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:	The equality impact assessment will be completed for the draft budget to be presented to Cabinet.
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:	<p>The 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.</p> <p>On revenue the Climate Change Programme Manager post has been funded for the next five years from reserves.</p>
Consultation/Community/Tenant Engagement:	The draft budget is to be considered by Corporate Scrutiny and will be subject to consultation with the public. In addition the Housing Revenue Account draft budget will be subject to engagement with 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	<p>Glenn Hammons Head of Finance and Chief Finance Officer glenn.hammons@nwleicestershire.gov.uk</p>

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CORPORATE SCRUTINY COMMITTEE – WEDNESDAY, 4
JANUARY 2023

Title of Report	DRAFT CAPITAL STRATEGY, TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS	
Presented by	Anna Crouch Finance Team Manager and Deputy S151 Officer	
Background Papers	<u>Prudential Indicators and Treasury Strategies 2022/23</u> – Council 24 February 2022	Public Report: Yes
Financial Implications	The report proposes updates to the core finance strategies for consultation alongside the draft General Fund and Housing Revenue Account budgets.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	There are no direct legal implications arising from this report.	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications		
	Signed off by the Head of Paid Service: Yes	
Reason Agenda Item Submitted to Scrutiny Committee	For Corporate Scrutiny Committee to provide any comments on the Draft Capital Strategy, Treasury Management Strategy and Prudential Indicators.	
Recommendations	THAT CORPORATE SCRUTINY COMMITTEE PROVIDE ANY COMMENTS ON THE DRAFT CAPITAL STRATEGY, TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS (APPENDIX A) FOR CONSIDERATION BY CABINET ON 10 JANUARY 2023.	

1. BACKGROUND

- 1.1 The Draft Capital Strategy, Treasury Management Strategy and Prudential Indicators are due to be considered by Cabinet on the 10 January 2023.
- 1.2 The Corporate Scrutiny Committee is invited to consider the Draft Capital Strategy, Treasury Management Strategy and Prudential Indicators and provide any comments to Cabinet to take into account on the 10 January 2023.
- 1.3 Cabinet will propose the draft strategies for consultation at their meeting on 10 January 2023, then consider the outcome of the consultation at their meeting on 31 January 2023 where they make a recommendation to Council on 23 February 2023 for consideration of this report as part of the suite of budget reports.

- 1.4 The Draft Capital Strategy, Treasury Management Strategy Statement and Prudential Indicators are included within the attached Cabinet Report (Appendix A).

Policies and other considerations, as appropriate	
Council Priorities:	<p>The Capital Strategy and Treasury Management Strategy Statement help the Council achieve all its priorities:</p> <ul style="list-style-type: none"> - 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 Engagement:	<p>Corporate Scrutiny – 4 January 2023</p> <p>Cabinet – 10 January 2023</p> <p>Public consultation 16/01/23 – 27/01/23</p>
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	<p>Anna Crouch</p> <p>Finance Team Manager and Deputy S151 Officer</p> <p>anna.crouch@nwleicestershire.gov.uk</p>

Title of Report	DRAFT CAPITAL STRATEGY, DRAFT TREASURY MANAGEMENT STRATEGY AND DRAFT PRUDENTIAL INDICATORS	
Presented by	Councillor Nicholas Rushton Corporate Portfolio Holder PH Briefed <input type="checkbox"/> Y	
Background Papers	<u>Prudential Indicators and Treasury Strategies 2022/23</u> – Council 24 February 2022	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		
	Signed off by the Monitoring Officer: Yes/No	
Staffing and Corporate Implications		
	Signed off by the Head of Paid Service: Yes/No	
Purpose of Report	For Cabinet to approve the draft 2023/24 Capital Strategy, Treasury Management Strategy and Prudential Indicators for statutory consultation.	
Reason for Decision	Required as part of the 2023/24 budget setting process.	
Recommendations	CABINET IS RECOMMENDED TO AGREE THE DRAFT 2023/24 CAPITAL STRATEGY, TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS FOR STATUTORY CONSULTATION.	

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 Cabinet to provide comment on:
 - 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 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 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.
- 2.4 The strategies are based on draft versions of the capital programmes and will be updated once the capital programmes have been finalised.
- 2.5 The above strategies are due to be considered by Corporate Scrutiny on the 4 January. As this report has been published before the meeting of Corporate Scrutiny, the draft minutes will be issued to Cabinet separately.

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 detailed shown below with further explanation to their meanings:

1(a). External Debt - Operational Boundary (Treasury Strategy – Appendix B)

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 B)

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 B)

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 B)

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 A)

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 B)

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 B)

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 B)

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 a number of 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

4. EXEMPTION FROM CALL IN

- 4.1 The approval of the Chairman of the Council has been given to the exemption of the Council's Scrutiny Procedure rules in relation to the call-in of the decision on this item, since any call-in would prejudice the ability of the Council to commence the statutory consultation period commencing 16 January 2023. The Chairman has considered the timetable for the consultation period and agrees that the matter before Cabinet is urgent for this reason.

Policies and other considerations, as appropriate	
Council Priorities:	<p>The Capital Strategy and Treasury Management Strategy Statement help the Council achieve all its priorities:</p> <ul style="list-style-type: none"> - 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 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

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 (TMS). 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 £20.9 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	8.8	8.5	5.7
Council housing (HRA)	5.9	11.0	0.0	15.2
TOTAL	21.3	19.8	8.5	20.9

* 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
<u>General Fund</u>			
Financing costs (£m)	1.4	1.8	2.2
Proportion of net revenue stream	9%	11%	13%
<u>Housing Revenue Account</u>			
Financing costs (£m)	2.1	1.7	1.7
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 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	4.6	0.1	5.1
Revenue resources	4.6	7.6	2.4	12.9
Debt	13.9	6.9	5.8	0.3
TOTAL	21.3	19.8	8.5	20.9

* 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.

Revenue and Reserves

- 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	1.3	1.8
Minimum revenue provision (MRP) – HRA	14.2	1.2	1.2
Capital receipts	0.0	0.0	0.0
TOTAL	15.2	2.5	3.0

* 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 1 for 1 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 Chartered 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.

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	8.8	8.5	5.7	2.6	4.6	2.6	1.6
Council housing (HRA)	5.9	11.0	0.0	15.2	13.6	12.0	12.3	9.5
TOTAL	21.3	19.8	8.5	20.9	16.2	16.6	14.9	11.1

* 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
<u>General Fund</u>							
Financing costs (£m)	1.4	1.8	2.2	2.4	2.3	2.3	2.1
Proportion of net revenue stream	9%	11%	13%	14%	14%	14%	13%
<u>Housing Revenue Account</u>							
Financing costs (£m)	2.1	1.7	1.7	1.7	1.9	2.1	2.4
Proportion of net revenue stream	12%	10%	9%	9%	10%	10%	12%

* 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
<u>General Fund</u>								
External sources	0.9	0.7	0.2	1.2	0.7	0.7	0.7	0.7
Capital receipts	0.5	1.1	0.1	0.3				
Revenue resources	0.1	0.1	2.4	3.9	1.9	3.9	1.9	0.9
Debt	13.9	6.9	5.8	0.3				
TOTAL	15.4	8.8	8.5	5.7	2.6	4.6	2.6	1.6
<u>Housing Revenue Account</u>								
External sources	0.3			1.4	1.4			
Capital receipts	1.1	3.5		4.8	2.0	1.7	1.0	2.2
Revenue resources	4.5	7.5		9.0	4.9	4.2	3.9	4.1
Debt					5.3	6.1	7.4	3.2
TOTAL	5.9	11.0	0.0	15.2	13.6	12.0	12.3	9.5
<u>Total</u>								
External sources	1.2	0.7	0.2	2.6	2.1	0.7	0.7	0.7
Capital receipts	1.6	4.6	0.1	5.1	2.0	1.7	1.0	2.2
Revenue resources	4.6	7.6	2.4	12.9	6.8	8.1	5.8	5.0
Debt	13.9	6.9	5.8	0.3	5.3	6.1	7.4	3.2
TOTAL	21.3	19.8	8.5	20.9	16.2	16.6	14.9	11.1

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

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	1.3	1.8	2.0	2.0	1.9	1.8
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	2.5	3.0	3.3	3.3	3.2	3.2

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

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 additional 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.

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 report, the Investment Strategy.

2 External Context

- 2.1 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 Council's treasury management strategy for 2023/24.
- 2.2 The Bank of England (BoE) increased Bank Rate by 0.75% to 3.0% in November 2022, the largest single rate hike since 1989 and the eighth successive rise since December 2021. The decision was voted for by a 7-2 majority of the Monetary Policy Committee (MPC), with one of the two dissenters voting for a 0.50% rise and the other for just a 0.25% rise.
- 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 grew by 0.2% between April and June 2022, but 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 peak 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 with a peak of 5.25%. However, the BoE has stated it considers 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.
- 2.6 The labour market remains tight for now, with the most recent statistics showing the unemployment rate fell to 3.5%, driven mostly by a shrinking labour force. Earnings were up strongly in nominal terms by 6% for total pay and 5.4% for regular pay but factoring in inflation means real total pay was -2.4% and regular pay -2.9%. Looking forward, the 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 0.75% in November 2022 to 3.75%-4.0%. This was the fourth successive 0.75% rise 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 8%. GDP grew at an annualised rate of 2.6% between July and September 2022, a better-than-expected rise, 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 has been rising consistently in the Euro Zone since the start of the year, hitting an annual rate of 10.7% in October 2022. Economic growth has been weakening with an expansion of just 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 0.75% in October, the third major increase in a row, taking its main refinancing rate to 2% and deposit facility rate to 1.5%.
- 2.9 **Credit outlook:** Credit default swap (CDS) prices have followed an upward trend throughout the year, 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 has been higher in 2022 compared to 2021 and this year has seen a divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities 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 stable to negative.
- 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 treasury management 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 (November 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 3.6%, 3.7%, and 3.9% respectively over the 3-year period to September 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 For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate of 2.11%, and that new long-term loans will be borrowed at an average rate of 4.25%.

3 **Local Context**

- 3.1 On 31 October 2022, the Council held £63.2 million of borrowing and £52.6 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 balance sheet resources and working capital (capital used in day-to-day operations) figures from the draft 2020/21 Statement of Accounts. These figures are still to be audited so are subject to some change. The Capital Finance Requirement (CFR) and external borrowing figures have been adjusted to reflect the up-to-date scenario as that information is available.

Table 1: Balance sheet summary and forecast

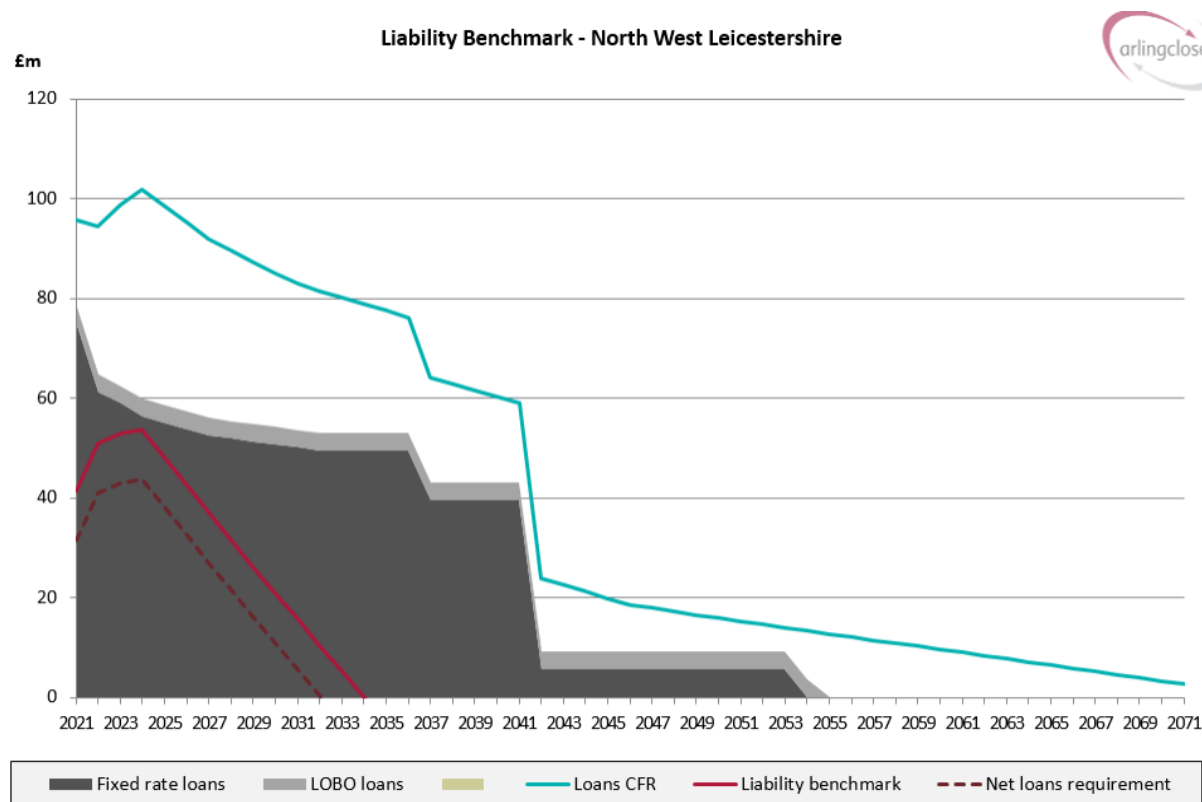
	31.3.21 Actual £m	31.3.22 Forecast £m	31.3.23 Forecast £m	31.3.24 Forecast £m	31.3.25 Forecast £m
Capital Financing Requirement (CFR)	95.8	94.5	98.8	101.8	98.5
Less: External borrowing	79.0	64.8	62.6	59.8	58.6
Internal borrowing	16.9	29.7	36.2	42.0	39.9
Less: Balance sheet resources	64.3	78.7	64.7	58.1	60.4
Treasury investments	47.4	49.0	28.5	16.1	20.5

- 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

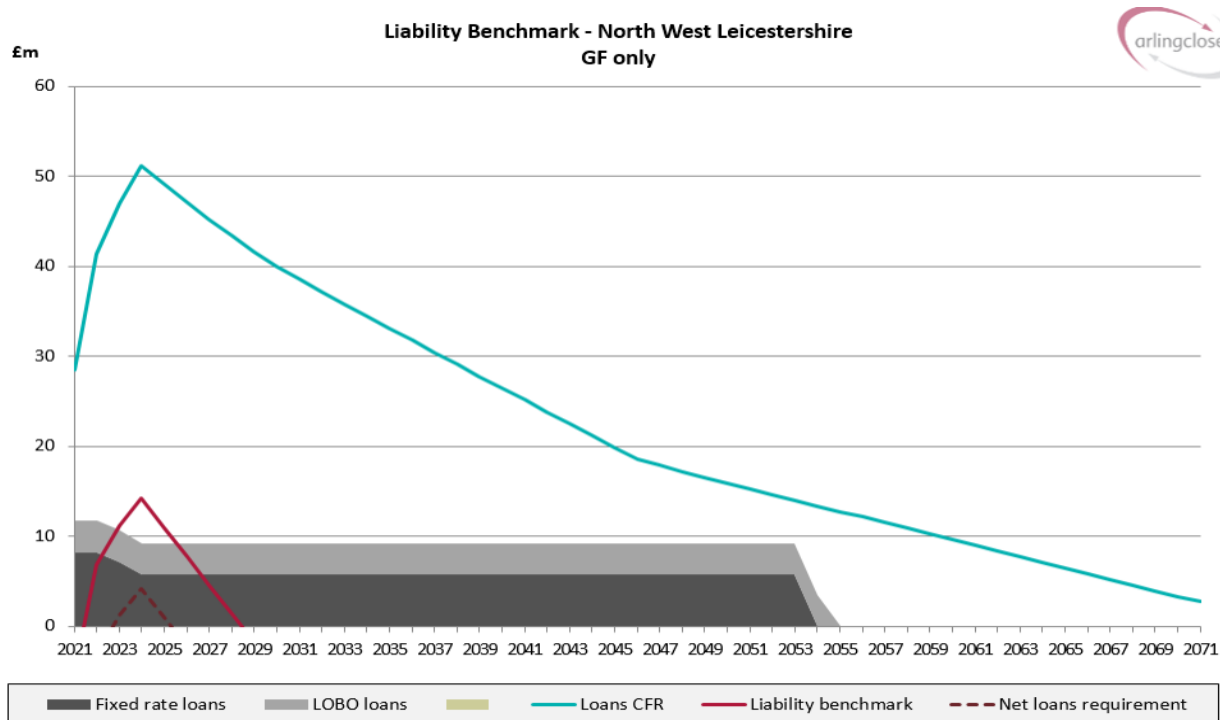
	31.3.21 Actual £m	31.3.22 Forecast £m	31.3.23 Forecast £m	31.3.24 Forecast £m	31.3.25 Forecast £m
Loans CFR	95.8	94.5	98.8	101.8	98.5
Less: Balance sheet resources	64.3	78.7	64.7	58.1	60.4
Net loans requirement	31.5	15.8	34.1	43.7	38.1
Plus: Liquidity allowance	10.0	10.0	10.0	10.0	10.0
Liability benchmark	41.5	25.7	44.1	53.7	48.1

- 3.7 Following on from the medium-term forecasts in Table 2 above, the long-term liability benchmark assumes no capital expenditure funded by borrowing, 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:

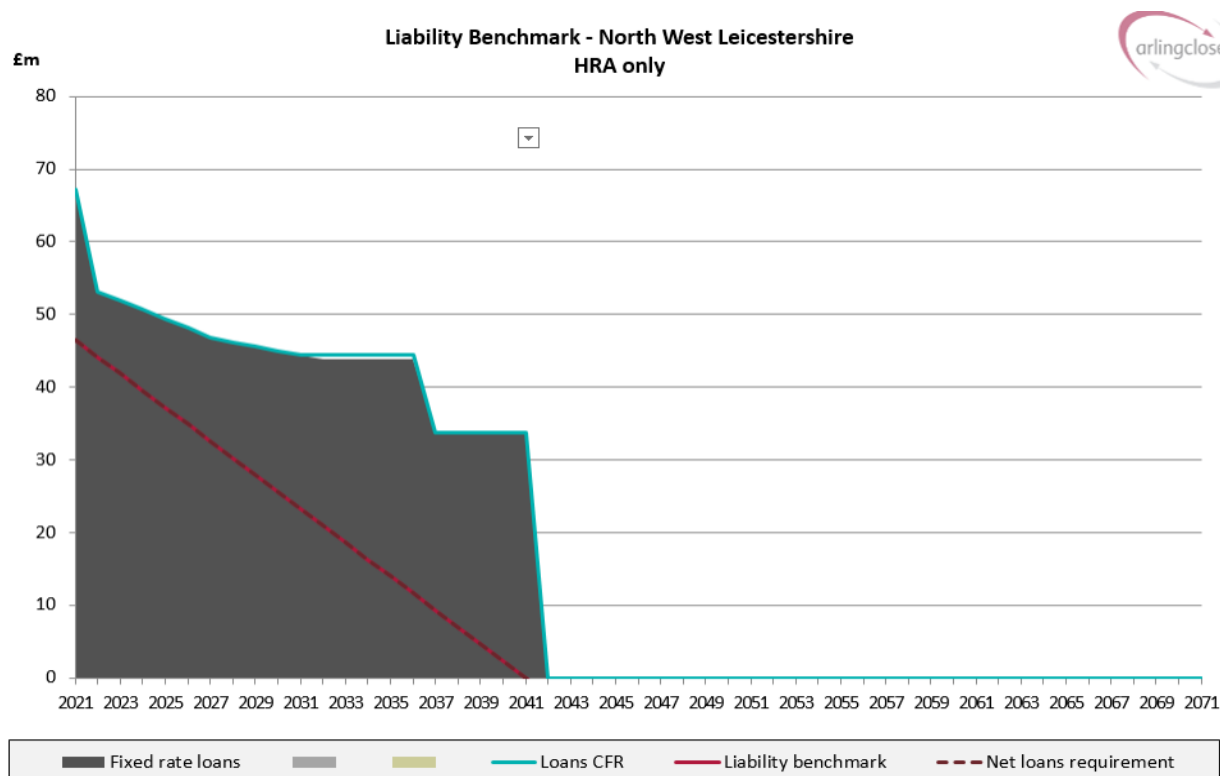


- 3.8 The above graph demonstrates the Council's overall forecasted borrowing requirement and anticipated underlying need to borrow as at 31 March 2021. It shows that the Council is funding its CFR through a mixture of both internal and external borrowing. Should the Council maintain its policy of internal 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 for an amount of around £5 million. 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 not require any new borrowing based on existing circumstances. As discussed previously this is subject to change and reflects the forecasted position.



4 **Borrowing Strategy**

- 4.1 As at 31 October 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 £3 million next year, 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 £111.8 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. Work is being undertaken on this and figures will be provided between the draft and final versions of this report.

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	108.8	111.8	108.5
Authorised limit – leases	0.0	0.0	0.0	TBC*
Authorised limit – total external debt	104.5	108.8	111.8	108.5
Operational boundary – borrowing	94.5	98.8	101.8	98.5
Operational boundary – leases	0.0	0.0	0.0	TBC*
Operational boundary – total external debt	94.5	98.8	101.8	98.5

**Awaiting information on Leases*

- 4.4 **Objectives:** The Council's 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 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 **LOBOs:** The Council holds £3.5 million of LOBO (Lender's Option Borrower's Option) 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 October 2021, the Council's treasury investment balance has ranged between £70.6 and £43.5 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
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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 through 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 £23.2 million on 31st March 2023 and 23.6 million on 31st March 2024. In order that no more than 25% 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% <u>rise</u> in interest rates	£600,000	£550,000
Upper limit on one-year revenue impact per a 1% <u>fall</u> 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 31/10/2022*
Under 12 months	0%	70%	46%
12 months and within 24 months	0%	30%	1%
24 months and within 5 years	0%	30%	3%
5 years and within 10 years	0%	30%	2%
10 years and within 20 years	0%	90%	42%
20 years and above	0%	30%	5%

*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 £42 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 earned on S106 balances are repaid to the S106 fund. The value of the S106 funds as at 31/10/2022 equals £6.9 million. Reducing our overall interest earned forecast by an estimated £146,500.
- 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 £345,000, based on an average investment portfolio of £21.6 million at an interest rate of 1.6%. S106 Balances will reduce this by £111,000 leaving a total interest income of £234,000. £148,500 of this will be allocated to the general fund and £85,500 to the HRA.
- 8.2 Please note that 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 50% of actual projections to reduce the risk to the Councils budget of the possible changes.
- 8.3 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.
- 8.4 If actual levels of investments and borrowing, or actual interest rates, differ from those forecasts, performance against budget will be correspondingly different.
- 8.5 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

Arlingclose Economic & Interest Rate Forecast – As At November 2022**Underlying assumptions:**

- UK interest rate expectations have eased following the mini budget, with a growing expectation that UK fiscal policy will now be tightened to restore investor confidence, adding to the pressure on household finances. The peak for UK interest rates will therefore be lower, although the path for interest rates and gilt yields remains highly uncertain.
- Globally, economic growth is slowing as inflation and tighter monetary policy depress activity. Inflation, however, continues to run hot, raising expectations that policymakers, particularly in the US, will err on the side of caution, continue to increase rates, and tighten economies into recession.
- The new Chancellor dismantled the mini budget, calming bond markets and broadly removing the premium evident since the first Tory leadership election. Support for retail energy bills will be less generous, causing a lower but more prolonged peak in inflation. This will have ramifications for both growth and inflation expectations.
- The UK economy is already experiencing recessionary conditions, with business activity and household spending falling. Tighter monetary and fiscal policy, alongside high inflation will bear down on household disposable income. The short- to medium-term outlook for the UK economy is bleak, with the BoE projecting a protracted recession.
- Demand for labour remains strong, although there are some signs of easing. The decline in the active workforce has fed through into higher wage growth, which could prolong higher inflation. The development of the UK labour market will be a key influence on MPC decisions. It is difficult to see labour market strength remaining given the current economic outlook.
- Global bond yields have steadied somewhat as attention turns towards a possible turning point in US monetary policy. Stubborn US inflation and strong labour markets mean that the Federal Reserve remains hawkish, creating inflationary risks for other central banks breaking ranks.
- However, in a departure from Fed and ECB policy, in November the BoE attempted to explicitly talk down interest rate expectations, underlining the damage current market expectations will do to the UK economy, and the probable resulting inflation undershoot in the medium term. This did not stop the Governor affirming that there will be further rises in Bank Rate.

Forecast:

- The MPC remains concerned about inflation but sees the path for Bank Rate to be below that priced into markets.
- Following the exceptional 75bp rise in November, Arlingclose believes the MPC will slow the rate of increase at the next few meetings. Arlingclose now expects Bank Rate to peak at 4.25%, with a further 50bp rise in December and smaller rises in 2023.
- The UK economy likely entered into recession in Q3, which will continue for some time. Once inflation has fallen from the peak, the MPC will cut Bank Rate.
- Arlingclose expects gilt yields to remain broadly steady despite the MPC's attempt to push down on interest rate expectations. Without a weakening in the inflation outlook, investors will price in higher inflation expectations given signs of a softer monetary policy stance.
- 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 will maintain yields at a higher level than would otherwise be the case.

	Current	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25
Arlingclose Central Case	3.00	3.50	4.00	4.25	4.25	4.25	4.25	4.00	3.75	3.50	3.50	3.50	3.50
Downside risk	0.00	0.25	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25
Arlingclose Central Case	3.00	3.90	4.40	4.40	4.40	4.35	4.30	4.25	4.00	3.75	3.75	3.75	3.75
Downside risk	0.00	0.25	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00
5yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.36	3.65	3.90	3.90	3.90	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20
Downside risk	0.00	0.70	0.90	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	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.46	3.70	3.75	3.75	3.75	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70
Downside risk	0.00	0.70	0.90	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	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.88	4.00	4.00	4.00	4.00	4.00	3.90	3.90	3.90	3.90	3.90	3.90	3.90
Downside risk	0.00	0.70	0.90	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	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.24	3.40	3.40	3.40	3.40	3.40	3.30	3.30	3.30	3.30	3.30	3.30	3.30
Downside risk	0.00	0.70	0.90	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%

Existing Investment & Debt Portfolio Position - As At 31 October 2022

	Actual Portfolio £m	Average Rate %
External borrowing:		
Public Works Loan Board	55.74	3.40%
LOBO loans from banks	3.50	4.80%
Other loans	3.94	4.74%
Total external borrowing	63.18	3.56%
Treasury investments:		
The UK Government	29.50	2.32%
Local authorities	6.00	0.61%
Banks (unsecured)	2.10	1.49%
Money market funds	15.00	2.16%
Total treasury investments	52.60	2.05%
Net debt	10.58	

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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 31st 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 1st 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	4.1	0.2
Capital expenditure funded by borrowing after 31.03.2019	31.8	1.3
Transferred debt	0.1	0.0
Total General Fund	43.7	1.8
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	98.9	3.0

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 £10 million and £29 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. More up to date information will be provided once the 2021/22 accounts have been completed and signed off.

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	TBC	TBC
Market Hall	(1,245,600)	185,100	TBC	TBC
Whitwick Business Centre	21,300	1,850,000	TBC	TBC
Land	38,900	5,403,300	TBC	TBC
TOTAL	1,079,400	13,812,100	TBC	TBC

- 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 be already adjusted for income and show a truer reflection of the extent to which income from these commercial investments support our overall revenue expenditure. The gross expenditure figures are not currently available for the draft version of this report but will be updated for the final version. The below uses net service expenditure to give the reader an idea of the overall scale but will present a lower percentage with the use of gross figures.

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. **Investment Indicators**

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	31.03.2023 Forecast	31.03.2024 Forecast
Treasury management investments	49.0	28.5	16.1
Commercial investments: Property	13.8*	13.8*	13.8*
TOTAL INVESTMENTS	62.8	42.3	29.9
Commitments to lend	0	0	0
Guarantees issued on loans	0	0	0
TOTAL EXPOSURE	62.8	42.3	29.9

*Based on valuations as at 31/03/2021

- 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	18.0	9.5
Service investments: Loans	0	0	0
Service investments: Shares	0	0	0
Commercial investments: Property	9.5*	8.7*	8.1*
TOTAL FUNDED BY BORROWING	43.0	26.8	17.6

*Based on valuations as at 31/03/2021

- 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	0.1%	1.8%	3.2%
Commercial investments: Property	1.8%*	2.8%*	2.9%*

*Based on valuations as at 31/03/2021

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CORPORATE SCRUTINY COMMITTEE – WEDNESDAY, 4
JANUARY 2023

Title of Report	DRAFT GENERAL FUND BUDGET AND COUNCIL TAX 2023/24	
Presented by	Glenn Hammons Head of Finance and Section 151 Officer	
Background Papers	Budget & Council Tax 2022/23 – Council - 24 February 2022	Public Report: Yes
Financial Implications	This report sets out the draft General Fund Revenue budget and Capital Programme and the Special Expenses draft budget for 2023/24. It also sets out planned changes to the fees and charges that the Council sets for services.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	There are no direct legal implications arising from this report	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications		
	Signed off by the Head of Paid Service: Yes	
Reason Agenda Item Submitted to Scrutiny Committee	For Corporate Scrutiny Committee to provide any comments on the Draft General Fund Budget and Council Tax 2023/24	
Recommendations	THAT CORPORATE SCRUTINY COMMITTEE PROVIDES ANY COMMENTS ON THE DRAFT GENERAL FUND BUDGET AND COUNCIL TAX 2023/24 (APPENDIX 1) IT MAY HAVE, FOR CONSIDERATION BY CABINET ON 10 JANUARY 2023.	

1. BACKGROUND

- 1.1 The Draft General Fund Budget and Council Tax 2023/24 is due to be considered by Cabinet on the 10 January 2023.
- 1.2 The Corporate Scrutiny Committee is invited to consider the Draft General Fund Budget and Council Tax 2023/24 and provide any comments to Cabinet to take into account on the 10 January 2023. Cabinet will be asked to consider these documents and make a recommendation to Council on 24 February 2023 for consideration as part of the budget reports.

- 1.3 The Draft General Fund Budget and Council Tax 2023/24 and appendices are included within the attached Cabinet Report (Appendix 1).

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:	The equality impact assessment will be completed for the final budget to be presented to Cabinet.
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 draft budget sees substantial new investment of £7.4m in the replacement of council vehicles and reducing our carbon emissions. There is £0.8m investment in bins and recycling containers to increase recycling from households. The Climate Change Programme Manager post has been funded for the next five years from reserves within the draft revenue budget.
Consultation/Community Engagement:	Corporate Scrutiny – 4 January 2023 Cabinet – 10 January 2023 Public consultation 16/01/23 – 27/01/23
Risks:	As part of its Corporate Governance arrangements, the Council must ensure that risk management is considered and satisfactorily covered in any report put before elected Members for a decision or action.
Officer Contact	Glenn Hammons Head of Finance and Section 151 Officer glenn.hammons@nwleicestershire.gov.uk

Title of Report	DRAFT GENERAL FUND BUDGET AND COUNCIL TAX 2023/24	
Presented by	Councillor Nick Rushton Corporate Portfolio Holder PH Briefed <input checked="" type="checkbox"/>	
Background Papers	Budget & Council Tax 2022/23 – Council - 24 February 2022	Public Report: Yes
Financial Implications	This report sets out the draft General Fund Revenue budget and Capital Programme and the Special Expenses draft budget for 2023/24. It also sets out planned changes to the fees and charges that the Council sets for services. Signed off by the Section 151 Officer: Yes	
Legal Implications	There are no direct legal implications arising from this report. Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	The report and its appendices set out plans to create new posts and remove vacant posts from the establishment. Signed off by the Head of Paid Service: Yes	
Purpose of Report	This report seeks Cabinet approval to consult on the draft General Fund and Special Expenses budget for 2023/24 and the proposals contained within. The outcome of this consultation exercise will be fed back into subsequent reports to Cabinet and Council to seek approval for the final budget in February 2023.	
Recommendations	CABINET IS RECOMMENDED TO: <ol style="list-style-type: none"> 1. PROPOSE 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 2023/24 FOR STATUTORY CONSULTATION. 2. ACKNOWLEDGE THE STATUTORY REQUIREMENT TO SET A BALANCED BUDGET FOR THE SPECIAL EXPENSE ACCOUNTS. 3. PROVIDE DIRECTION ON THE BALANCE BETWEEN INCREASING COUNCIL TAX AND REDUCING COSTS FOR THE SPECIAL EXPENSE ACCOUNTS. 4. NOTE THE COUNCIL'S KEY RISKS TO THE BUDGET. 	

1.0 BACKGROUND AND DISCUSSION

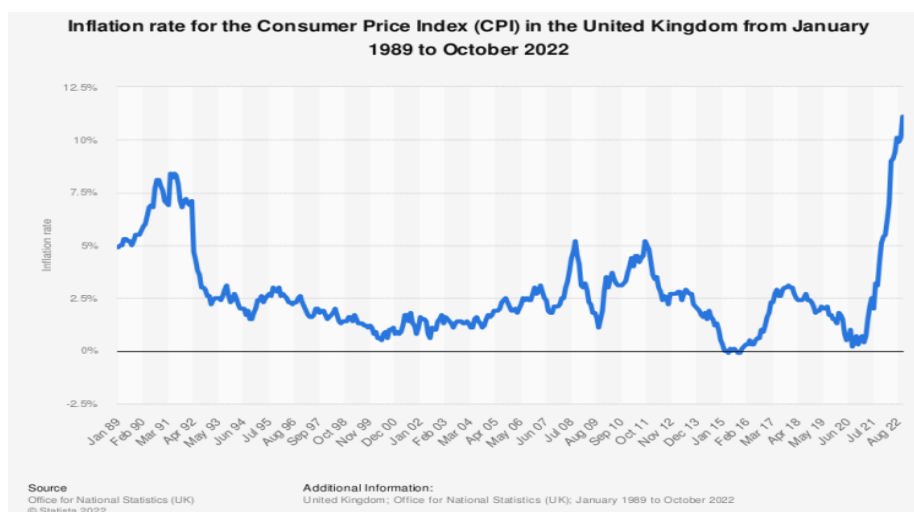
- 1.0.1 The Medium Term Financial Plan (MTFP) sets out the financial strategic direction for the Council and is updated as it evolves and develops throughout the year, to form the framework for the Council's financial planning.
- 1.0.2 The purpose of the MTFP is to set out the key financial management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

- 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 is expected to be announced during week commencing 19 December 2022. This announcement is important for the Council to understand its financial position as it currently has little certainty of its government funding streams for 2023/24 and the medium term.

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 draft 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 is planned through 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Resources allocated to council objectives
Maximising Our Sources of Income	<ul style="list-style-type: none"> • Fees and Charges maximised (increased by minimum of inflation)
Managing our Risks	<ul style="list-style-type: none"> • 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 (eg 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 draft 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 £499k compared to 2022/23 whilst the anticipated funding has decreased by £92k.

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

	2022/23 £'000	2023/24 £'000	Movement £'000
Total Funding	(17,006)	(16,914)	92
Net Revenue Expenditure	16,705	17,204	499
Funding (surplus)/deficit	(301)	290	591
Targeted J2SS savings	(895)	-	895
Contributions to/(from) reserves	1,196	(290)	(1,486)

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. To balance the budget in 2023/24, £290k is being met from reserves to fund one-off budget expenditure proposals.

2.1.4 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 £1.4m increasing to £3.7m in 2027/28. This is a cumulative budget gap over the medium term of £9.5m.

2.1.5 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.

Budget Proposal by Type

2.2.2 Looking at 2023/24 specifically, the total budget proposals of £499k include:

- **Cost pressures totalling £2.2m.** 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 which include £146k on bed and breakfast due to increased costs towards emergency accommodation, although our pressures are offset by a reduction in Net Financing Costs of £283k. This is due to reprofiling of our borrowing liability to future years in line with the latest capital programme projections, proposed changes to our MRP strategy and proposed changes to how the capital programme is financed.
- **Changes to income, which see a net income increase of £743k.** 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 (£245k). 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 our 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 £311k.** 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 the purchase of refuse and recycling bins and boxes is purchased, through capital, saving £155k per annum on the revenue budget in 2023/24.
- **Service Developments totalling £189k.** 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 area of development is the Coalville Regeneration Programme £50k.

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 NWLDC 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 CLT.
- 2.2.18 The cost of temporary accommodation continues to increase and has had an impact on this year's budget in 2022/2023 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

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 NWLDC 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 draft 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.

2.4 Funding

2.4.1 The funding position for the general fund remains uncertain at the time of publication. The provisional Local Government Finance Settlement will provide further detail on key funding sources for the General Fund. As this is not anticipated until late in December the draft budgets have been prepared based on the assumptions set out in the medium term financial plan, which Council considered in February 2022, and adjusted for new information and intelligence that has been received following the Government's Autumn Statement and Local Government Finance Settlement Policy Statement. The forecasts have been informed by Pixel, the Council's technical funding adviser and from local intelligence, for example of anticipated business rates growth. 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 estimated to be £1.1m in 2023/24 and 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.** It is estimated that this grant will reduce from £166k in 2022/23 to £125k in 2023/24 and will 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.

2.4.2 The draft 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 £182k in council tax.

2.4.3 The net impact is a decrease in anticipated funding of £0.1 million. This is highly likely to change once the provisional local government finance settlement is announced, which is expected to occur in late December 2022. An addendum paper explaining the changes will be provided to Cabinet ahead of its meeting.

2.5 General Fund Reserves

2.5.1 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.

2.5.2 In addition to these reserves, the Council also has earmarked reserves estimated to be £3.1m as at 31 March 2023, falling to £2.4m 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	3,147,466	(717,453)	2,430,012	(436,390)	1,993,622
MTFP Reserve	5,165,188	0	5,165,188	0	5,165,188
Business Rates Reserve	369,093	7,019,693	7,388,786	3,915,871	11,304,657
General Balance (minimum level of reserves) - General Fund	1,544,493	0	1,544,493	0	1,544,493
TOTAL ALL RESERVES - GENERAL FUND	10,226,240	6,302,240	16,528,479	3,479,481	20,007,960

2.5.3 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 23/24 to 27/28. A table showing details by service can be found in Appendix 5.

2.5.4 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.

2.5.5 Contributions into the business rates reserve are expected to be £7m in 2023/24 and £3.9m in 2024/25. As mentioned above in 2.5.1, this is due to Business Rates growth, Leicestershire Business Rates Pool allocations and Freeport allocations. It is proposed to use this reserve to fund the capital programme.

2.5.6 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 Draft 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 £17.2 million, which is similar to the previous 5-year programme. The Programme is made of some large projects such as;

- **£3 million regeneration programme for Coalville:** 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 £9.6 million over the next five years.
- **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 5-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 3 and 7 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. Ahead of the final budget the council will continue to look at ways to optimise the funding of its capital programme and minimise the impact

on its revenue budget over the medium term. This will include looking at the current capital programme to see if schemes currently funded by borrowing could be financed from reserves. 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	202	1,197	670	670	670	670
Reserves	2,437	3,836	1,804	3,906	1,724	801
Section 106 contributions	0	0	0	0	0	0
Revenue contributions	0	125	110	39	205	162
Prudential Borrowing	5,746	292	0	0	0	0
General Fund Total	8,459	5,745	2,585	4,615	2,599	1,633

- 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

Budget Requirement

- 4.1 The Council operates ten special expense accounts where it provides additional services specific to some areas of the district. As part of the budget process the net expenditure requirements are reviewed each year to make sure there is sufficient funding to cover future expenditure requirements.
- 4.2 Eight out of the ten special expense areas include a budget for Planned and Preventative Maintenance (PPM) which should provide sufficient funding to cover future planned maintenance along with a programme for play equipment replacement (where applicable). The PPM programme has been updated as part of the budget preparation.
- 4.3 The budget also allows for the phasing out of the Localisation of Council Tax Support Grant which commenced in 2021/22 over four years.
- 4.4 The Council Tax Base has been calculated for 2023/24 and there is a separate report on the same agenda.
- 4.5 To enable consultation to commence, a draft budget requirement covering the period 2023/24 to 2027/28 has been produced for each special expense area and is available at Appendix 6. Also included in Appendix 6, is the movement from the 2022/23 to 2023/24 base budget and details of the PPM included in the draft budget.

Financing the Budget

- 4.6 The Council is required to set a balanced budget for each special expenses account. It is good practice to have a minimum level of balances, which is recommended at circa 10% of reoccurring expenditure. With the exception of Hugglescote and Lockington-cum-Hemington, all of the accounts are forecast to be in deficit at the end of the 2022/23 financial year. This is not an acceptable position to be in as currently expenditure is exceeding the precept.
- 4.7 An options appraisal has been completed for each area (excluding Hugglescote), which is also documented in Appendix 6. The options appraisal shows three options:
1. No increase in council tax precept
 2. Inflationary increase in council tax precept
 3. The level of council tax precept increase needed to balance the budget.

All three options have been calculated for both nil reserves at the end of the year and the recommended 10%.

- 4.8 The Referendum Principles in relation to Council Tax Increases allows the Council to increase Council Tax by the higher of £5 or 2.99%. It should be noted that due to these referendum principles, implementing option 3 for all nine special expense accounts that require an increase is not viable as it would equate to an increase on average of over £10. Therefore, there will need to be a mix of council tax increases and savings for each special expense area to enable balanced budgets.
- 4.9 Councillors will need to choose the appropriate balance between increasing council tax, reducing costs and rephasing asset preventative maintenance. Cabinet is invited to provide direction on the level council tax increase they would like to recommend for consultation.

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

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. External review has also been undertaken by the treasury advisers, Arlingclose, on the treasury strategy.
The availability of un-earmarked reserves to meet unforeseen cost pressures	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.
Have realistic income targets been set and 'at risk' external funding been identified?	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

Area	Comments
	leisure) have had greater focus for this work and focus in the budget challenge sessions.
Has a reasonable estimate of demand cost pressures been made?	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?	
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. Services 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 provisions for key income streams not materialising 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?	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 CONCLUSIONS AND NEXT STEPS

- 6.1 Based on the assumptions made in the Draft Budget 2023/24 and MTFS 2023-28 for income and expenditure, the Council can set a balanced draft 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 is still further work to be carried out between the draft and final budget position including any changes from the provisional and final funding finance settlement, any further changes to proposals, further detailed work on net financing costs and technical finance work around recharges. There will also be equality impact assessments conducted during this period.
- 6.4 The key points from the Local Government finance policy statement 2023-24 to 2024-25 announcement on 12th 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.

- 6.5 It should be noted at this stage these are high level policy announcements from Government. The funding figures in this report have been updated to reflect, where sufficient information and intelligence is available, the announcements in the Policy Statement. More detail on the specific impact for the Council will be known, firstly, as part of the allocations announced in the Provisional Local Government Finance Settlement and, secondly, through further announcements during the next 12 months as part of shaping the funding settlement for 2024/25.
- 6.6 Shown below in Table 5 is the key deadlines and meetings Finance are working towards in the budget approval cycle:

Table 5: Budget Timetable

Key Meetings in Budget Approval Cycle	Date
Corporate Scrutiny Meeting - To scrutinise draft Budgets and related strategies	04/01/2023
Tenants Forum – To consult with tenants on the draft HRA Budget	09/01/2023
Cabinet Meeting - To consider draft budget proposals, related strategies and launch consultation	10/01/2023
Cabinet Meeting - To approve of 2023/24 Council Tax Base	10/01/2023
Commencement of statutory consultation	16/01/2023
End of statutory consultation	27/01/2023
Cabinet Meeting - To receive consultation feedback and recommend final budget to Council	31/01/2023
Council - approval of final budget	23/02/2023

- 6.7 As can be seen from the timelines above, we will be consulting with the public between 16 January and 27^h January and will feedback these responses to Cabinet on 31 January when a final budget will be recommended.

7.0 EXEMPTION FROM CALL IN

- 7.1 The approval of the Chairman of the Council has been given to the exemption of the Council's Scrutiny Procedure rules in relation to the call-in of the decision on this item, since any call-in would prejudice the ability of the Council to commence the statutory consultation period commencing 16 January 2023. The Chairman has considered the timetable for the consultation period and agrees that the matter before Cabinet is urgent for this reason.

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:	The equality impact assessment will be completed for the final budget to be presented to Cabinet.
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 £7.4m in the replacement of council vehicles and reducing our carbon emissions. There's £0.8m investment in bins and recycling containers to

Policies and other considerations, as appropriate	
	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 – 04/01/23 Public consultation will begin 16 January to 27 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

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

2022/23		2023/24	2024/25	2025/26	2026/27	2027/28
Budget £	Service	Indicative £	Indicative £	Indicative £	Indicative £	Indicative £
282,310	Chief Executive	402,500	402,500	331,690	331,690	331,690
724,900	Human Resources	748,750	750,580	752,660	755,150	757,810
1,486,570	Legal & Support Services	1,567,540	1,593,930	1,599,620	1,604,410	1,608,260
2,493,780	Total Chief Executive's Department	2,718,790	2,747,010	2,683,970	2,691,250	2,697,760
347,920	Strategic Director of Place	342,410	342,410	342,410	342,410	342,410
6,776,570	Community Services	6,341,790	5,935,100	5,767,690	5,620,620	5,429,640
1,031,610	Planning & Infrastructure	977,119	1,010,119	1,010,119	1,010,119	1,010,119
893,070	Economic Regeneration	891,210	891,210	891,210	891,210	891,210
12,420	Joint Strategic Planning	9,120	6,500	4,700	2,860	990
9,061,590	Total Director of Services	8,561,649	8,185,339	8,016,129	7,867,219	7,674,369
560,010	Strategic Housing	796,453	796,453	796,453	796,453	796,453
1,199,820	ICT	1,240,780	1,258,280	1,258,280	1,258,280	1,268,280
951,330	Revenues & Benefits	263,260	248,380	250,000	251,650	253,330
213,930	Property Services	1,033,790	1,041,910	1,062,460	1,083,850	1,106,100
898,150	Customer Services	958,570	951,300	952,720	954,170	955,650
1,094,790	Finance	1,244,370	1,112,510	1,114,330	1,115,860	1,117,460
4,918,030	Total Director of Housing & Customer Services	5,537,223	5,408,833	5,434,243	5,460,263	5,497,273
0	Estimated Pay Award and Inflation Contingency	679,545	1,165,945	1,519,421	1,889,327	2,259,142
16,040	Non Distributed - Revenue Expenditure on Surplus Assets	97,140	99,020	100,000	101,000	102,020
70,690	Non Distributed - Retirement Benefits	67,380	69,980	71,330	72,710	74,120
40,750	Corporate & Democratic Core	81,970	81,970	81,970	81,970	81,970
16,600,880	NET COST OF SERVICES	17,743,697	17,758,097	17,907,063	18,163,739	18,386,654
(1,684,570)	Net Recharges from General Fund	(1,784,060)	(1,784,060)	(1,784,060)	(1,784,060)	(1,784,060)
14,916,310	NET COST OF SERVICES AFTER RECHARGES	15,959,637	15,974,037	16,123,003	16,379,679	16,602,594
	CORPORATE ITEMS AND FINANCING					
	<u>Corporate Income and Expenditure</u>					
1,762,293	Net Financing Costs	1,478,797	2,641,377	2,641,377	2,641,377	2,641,377
(4,895)	Investment Income	(250,300)	(50,300)	(40,300)	(40,300)	(40,300)
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	17,204,005	18,565,114	18,724,080	18,980,756	19,203,671
(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	0	0	0	0	0
17,006,504	MET FROM GOVT GRANT & COUNCIL TAX	16,913,810	18,403,209	18,631,490	18,886,656	19,115,876
	ANTICIPATED BASELINE FUNDING GAP	-	1,449,200	2,027,445	2,286,717	3,721,484

2022/23		2023/24	2024/25	2025/26	2026/27	2027/28
Budget £	Service	Indicative £	Indicative £	Indicative £	Indicative £	Indicative £
	Financed By					
2,218,274	New Homes Bonus	1,194,745	1,194,745	-	-	-
153,126	Transfer from/(to) Collection Fund - CT Prev Yrs Surplus/(Deficit)	140,327	-	-	-	-
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	2,403,617	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	125,383	125,383	-	-	-
0	Minimum Funding Guarantee	1,056,000	1,056,000	-	-	-
0	Revenue Support Grant	-	-	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	16,913,810	16,954,009	16,604,045	16,599,939	15,394,392

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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 cover vacant roles until permanently recruited	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 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	Business Change resource to develop and implement the Corporate Plan and Medium Ter Financial Plan	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
Minor Adjustments across all areas	6 budget proposals individually less than £15k	Various	14,110	13,500	2,190	260	260
Total Service Developments			188,915	13,500	17,190	260	260
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	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	65,600	41,320	42,560	43,840	45,160
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	(283,496)	1,162,580	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			234,481	1,239,650	53,710	55,310	56,950
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	(245,405)	200,000	10,000	0	0
Minor Adjustments across all areas	12 budget proposals individually less than £15k	Various	(22,920)	(50,603)	(8,237)	(28,282)	8,367
Total Changes In Income			(742,695)	(246,345)	(212,079)	(187,204)	(232,025)
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

Proposal Title	Proposal Description & Service Impact	Directorate	2023/24	2024/25	2025/26	2026/27	2027/28
			£	£	£	£	£
Housing Revenue Account (HRA) & Special Expenses Income	Recharges from General Fund to HRA & Special Expenses	Various	(404,730)	0	0	0	0
Corporate Contingency	Contingency to cover the risk of increased inflation	Corporate	28,355	(28,355)	0	0	0
Total Technical Adjustments			(830,665)	(44,226)	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
	Renewal of our mobile phone contract to a more sustainable and cheaper data shared tariff.	Various	(16,410)	0	0	0	0
Mobile phones budget reduction saving	Removal of mobile phone contract and reduced number of printers due to accommodation project	Various	(17,800)	0	0	0	0
ICT Mobile Phone and Printer Contract efficiencies		Housing & Customer Services					
			15,000	(37,470)	0	0	0
Finance System Licence & Maintenance	Efficiency savings for finance system licences and maintenance	Housing & Customer Services					
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
	Adjustments to budgets to match current costs and efficiencies due to						
Business Rates - General Fund	Accommodation project.	Various	(14,880)	0	0	0	0
Vacant Admin Assistant Post	Vacant 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	2 budget proposals individually less than £15k	Various	(20,430)	0	0	0	0
Total Efficiencies			(311,300)	(55,060)	(70,805)	0	0
Total Budget Proposals			498,556	1,361,109	158,966	256,676	222,915

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

Service	Fee/Charge	Charging Policy	2022/23 Fees	Percentage Change in		
				2023/24 Proposed Fees	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

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	30p kwh	0%	This is being reviewed between draft and final budget
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
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	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

Service	Fee/Charge	Charging Policy	2022/23 Fees	2023/24 Proposed Fees	Percentage	
					Change in Fees	Basis for Change
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%	

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
			Data - per 1000 electors or part thereof £1.50 + handling fee £20 Printed copy per 1000 electors or part thereof £5 + handling fee £10			
Democratic Services	Electoral Registration sale of register	Statutory	Certificate of Registration (subject to review) £10.		0	No Change
			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.		
Democratic Services	Address Management				3%	

CORPORATE CHARGING POLICY

2023 - 2026

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.

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

ACTIVE PROJECTS

Coalville Regeneration Projects

Accommodation Project	785,803	85,000					Reserves and Prudential Borrowing
Marlborough Square Improvements	2,393,008						
Marlborough Centre Purchase and Renovation	3,257,172						
Total Coalville Regeneration Projects	6,435,983	85,000	-	-	-	-	

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					Grants
UK Shared Prosperity Investment Plan Programme	197,000						
Air Quality	5,240						
Total Other Capital Schemes	531,202	864,310	-	-	-	-	
TOTAL ACTIVE PROJECTS - MAIN PROGRAMME	7,600,294	962,610	-	-	-	-	

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

DEVELOPMENT POOL

Coalville Regeneration Projects

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

Laptop Replacements	-	68,000	49,000	92,000	49,000	49,000	Reserves
Server and storage additional capacity		70,000					
Wi-Fi Replacement	48,000						
LAN Switched Replacement	40,000						
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	88,000	171,288	134,000	92,000	49,000	99,000	

Fleet Replacement and Infrastructure Programme

Fleet Replacement Programme		2,186,230	846,330	3,114,040	974,950		Capital Receipts and Reserves
MOT Lane Upgrade		50,000					
Solar Panels - Ashby Leisure Centre/Coalville Leisure Centre		195,000					
Total Fleet Replacement and Infrastructure Programme	-	2,431,230	846,330	3,114,040	974,950	-	

PROJECT	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Funding Source
	C/fwd	For Approval	Indicative	Indicative	Indicative	Indicative	
	£	£	£	£	£	£	
Other Capital Schemes							
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						
Whitwick Business Centre - Upgrade CCTV	10,000						
Memorial Clock Tower	30,000						
The Courtyard Roof repair		200,000					
							Reserves
CCTV Cameras replacement		100,500					
Hermitage Recreational Ground 3G Pitch			130,000				
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	858,853	4,610,923	2,474,640	4,576,350	2,394,260	1,471,310	

SPECIAL EXPENSES PROGRAMME
Special expenses capital programme is subject to funding from special expenses precept and reserves being available

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

DEVELOPMENT POOL

Cemetery and Churchyards

Coalville Closed Cemetery (London Road)		45,000	65,000				Revenue
Closed Churchyard - St. Mary's		10,000					Revenue
Total Cemetery and Churchyards	-	55,000	65,000	-	-	-	

Parks and Recreation

Scotlands Recreation Ground - Sports Pavilion - New Building						150,000	Revenue
Scotlands Recreation Ground - Bowls Pavilion - Drive Repairs			45,000				
Total Parks and Recreation	-	-	45,000	-	-	150,000	

Play Areas

Ascot Drive - Replacement Play Equipment						11,730	Revenue
Burgess Road - Replacement Play Equipment				38,990			
Coalville Park - Replacement Play Equipment					114,930		
Cropston Drive - Replacement Play Equipment		39,630			10,820		Grant and Revenue
Greenhill BMX- Replacement Play Equipment		32,780					Revenue
St Faiths Road - Replacement Play Equipment		16,360					
Staples Drive - Replacement Fencing		10,340					
Sharpley Avenue - Replacement Play Equipment		17,530			22,530		Grant and Revenue
The Oval - Replacement Play Equipment					45,210		Revenue
Western Avenue - Replacement Play Equipment					11,650		
Total Play Areas	-	116,640	-	38,990	205,140	11,730	
TOTAL DEVELOPMENT POOL	-	171,640	110,000	38,990	205,140	161,730	
TOTAL CAPITAL PROGRAMME	8,459,147	5,745,173	2,584,640	4,615,340	2,599,400	1,633,040	

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)	0
Human Resources	30,000	0	30,000	0	30,000
Legal & Support Services	132,070	(132,070)	0	0	0
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	0	182,698	0	182,698
Joint Strategic Planning	97,019	0	97,019	0	97,019
Strategic Housing	353,786	0	353,786	0	353,786
ICT	5,500	(5,500)	0	0	0
Property	30,000	(18,000)	12,000	0	12,000
Revenues & Benefits	235,992	0	235,992	0	235,992
Customer Services	10,000	(10,000)	0	0	0
Finance	186,804	(97,630)	89,174	0	89,174
Other reserves	172,845	0	172,845	0	172,845
MTFP Reserve	5,165,188	0	5,165,188	0	5,165,188
Business Rates Reserve	369,093	7,019,693	7,388,786	3,915,871	11,304,657
Total earmarked reserves - General Fund	8,681,747	6,302,240	14,983,986	3,479,481	18,463,467
Total earmarked reserves - Special Expenses	102,010	(102,010)	0	0	0
TOTAL EARMARKED RESERVES	8,783,757	6,200,230	14,983,986	3,479,481	18,463,467
Other reserves General Fund:					
General Balance (minimum level of reserves)	1,544,493	0	1,544,493	0	1,544,493
Total other Reserves - General Fund	1,544,493	0	1,544,493	0	1,544,493
Other reserves Special Expenses:					
General Balance	0	0	0	0	0
Total other Reserves - Special Expenses	0	0	0	0	0
TOTAL ALL RESERVES - GENERAL FUND & SPECIAL EXPENSES	10,328,250	6,200,230	16,528,479	3,479,481	20,007,960

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SPECIAL EXPENSES

COALVILLE SPECIAL EXPENSES

SPECIAL EXPENSES	2022/23		2023/24	2024/25	2025/26	2026/27	2027/28
	Budget	Forecast Outturn @ Q2	Budget	Indicative	Indicative	Indicative	Indicative
	£	£	£	£	£	£	£
COALVILLE							
Parks, Recreation Grounds & Open Spaces	396,380	377,998	449,840	409,310	405,920	574,100	525,630
Broomley's Cemetery & Closed Churchyard	74,660	65,751	23,980	94,090	24,410	24,630	24,940
One Off Grants	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Coalville in Bloom (Other Expenses)	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Coalville Events	78,050	93,780	66,730	66,730	66,730	66,730	66,730
External Grant Funding (play equipment)	0	(26,355)	0	0	0	0	0
SPECIAL EXPENSES (NET COST OF SERVICE)	556,090	518,174	547,550	577,130	504,060	672,460	624,300
Service Management recharges/Admin Buildings	129,380	129,380	160,180	160,180	160,180	160,180	160,180
NET COST OF SERVICES AFTER RECHARGES	685,470	647,554	707,730	737,310	664,240	832,640	784,480

Major changes between 2022/23 Base Budget and 2023/23 Proposed Budget

Decrease in Planned and Preventative Maintenance expenditure	-£49,100
Increase in Grounds Maintenance recharges	£53,930
Utilities	£6,430
Increased income from burial fees	-£10,470
Christmas Decorations - contract	£7,000
Events	£5,000
Service Management recharges	£7,480
	<u>£20,270</u>

2023/24 Budget Analysis

Reoccurring Expenditure	612,220
Planned Preventive Maintenance	95,510
2023/24 Total Budget Requirement	707,730

Planned and Preventative Maintenance Schedule

Coalville Park Public Conveniences - refurb disabled toilets	4,500
Cropston Drive Pavilion - renovation of changing rooms	4,000
Scotlands Rec Ground Sports Pavilion - options appraisal & maintenance	9,000
Scotlands Rec Ground Bowls Pavilion - replace bowls store doors	910
Coalville Closed Cemetery - tree works	1,050
Coalville Cemetery - tree works	1,800
Coalville Cemetery - path sealing	4,130
Ascot Drive play area - fencing works	1,540
Cropston Drive play area - replacement equipment	6,580
Greenhill BMX play area - replacement equipment	32,780
St Faiths Rd play area - replacement equipment	16,360
Staples Drive play area - fencing works	10,340
Sunningdale play area - fencing works	2,520
	<u>95,510</u>

Options Appraisal – Council Tax Increase v Savings Needed

Options Appraisal - based on a council tax base of 6743 and opening deficit of £16,842

Option	1		2		3	
	No Increase		Inflation		No Savings	
Balances*	0%	10%	0%	10%	0%	10%
Council Tax Increase	0%	0%	10%	10%	42.7%	55.0%
Savings Needed	212,280	273,500	162,510	223,730	-	-
<u>Council Tax</u>						
2022/23	73.81	73.81	73.81	73.81	73.81	73.81
Increase	-	-	7.38	7.38	31.48	40.56
2023/24	73.81	73.81	81.19	81.19	105.29	114.37

*Based on balances at the end of the year either nil or the recommended 10%

Every 1% of Council Tax increase reduces savings by £4,980

WHITWICK SPECIAL EXPENSES

SPECIAL EXPENSES	2022/23		2023/24	2024/25	2025/26	2026/27	2027/28
	Budget	Forecast Outturn @ Q2	Budget	Indicative	Indicative	Indicative	Indicative
WHITWICK	£	£	£	£	£	£	£
Cemetery & Closed Churchyard	10,690	9,279	12,620	12,360	12,390	12,490	12,590
Cademan Wood car park & Open Spaces	4,160	4,177	4,160	4,780	4,800	4,160	4,820
SPECIAL EXPENSES (NET COST OF SERVICE)	14,850	13,456	16,780	17,140	17,190	16,650	17,410
Service Management recharges	13,580	13,580	14,350	14,350	14,350	14,350	14,350
NET COST OF SERVICES AFTER RECHARGES	28,430	27,036	31,130	31,490	31,540	31,000	31,760

Major changes between 2022/23 Base Budget and 2023/23 Proposed Budget

Decrease in Planned and Preventative Maintenance expenditure	-£450
Increase in Grounds Maintenance recharges	£5,710
Utilities	£1,540
Increased income from burial fees	-£5,330
Service Management recharges	£770
	<hr/>
	£2,240

2023/24 Budget Analysis

Reoccurring Expenditure	27,730
Planned Preventive Maintenance	3,400
2023/24 Total Budget Requirement	31,130

Planned and Preventative Maintenance Schedule

Open Space - Tree works	990
Whitwick Cemetery - Tree works	2,410
	<hr/>
	3,400

Options Appraisal – Council Tax Increase v Savings Needed

Options Appraisal - based on a council tax base of 2741 and opening deficit of £6,746

Option	1		2		3	
	No Increase		Inflation		No Savings	
Balances*	0%	10%	0%	10%	0%	10%
Council Tax Increase	0%	0%	10%	10%	43.2%	53.8%
Savings Needed	11,300	14,070	8,680	11,460	-	-
<u>Council Tax</u>						
2022/23	9.55	9.55	9.55	9.55	9.55	9.55
Increase	-	-	0.96	0.96	4.12	5.14
2023/24	9.55	9.55	10.51	10.51	13.67	14.69

*Based on balances at the end of the year either nil or the recommended 10%

Every 1% of Council Tax increase reduces savings by £260

HUGGLESCOTE SPECIAL EXPENSES

SPECIAL EXPENSES	2022/23		2023/24	2024/25	2025/26	2026/27	2027/28
	Budget	Forecast Outturn @ Q2	Budget	Indicative	Indicative	Indicative	Indicative
	£	£	£	£	£	£	£
HUGGLESCOTE							
Cemetery & Closed Churchyard	17,920	18,428	18,160	15,080	12,500	17,000	12,780
SPECIAL EXPENSES (NET COST OF SERVICE)	17,920	18,428	18,160	15,080	12,500	17,000	12,780
Service Management recharges	14,060	14,060	14,860	14,860	14,860	14,860	14,860
NET COST OF SERVICES AFTER RECHARGES	31,980	32,488	33,020	29,940	27,360	31,860	27,640

No council tax increase required, sufficient balances are available

Major changes between 2022/23 Base Budget and 2023/23 Proposed Budget

Decrease in Planned and Preventative Maintenance expenditure	-£160
Increase in Grds Mtce recharges	£5,210
Utilities	£1,010
NNDR	£650
Increased income from burial fees	-£7,110
Service Management recharges	£800
	£400

COLEORTON SPECIAL EXPENSES

SPECIAL EXPENSES	2022/23		2023/24	2024/25	2025/26	2026/27	2027/28
	Budget	Forecast Outturn @ Q2	Budget	Indicative	Indicative	Indicative	Indicative
COLEORTON	£	£	£	£	£	£	£
Closed Churchyard, Play Area	8,770	9,152	16,060	5,640	5,450	5,470	5,560
SPECIAL EXPENSES (NET COST OF SERVICE)	8,770	9,152	16,060	5,640	5,450	5,470	5,560

Major changes between 2022/23 Base Budget and 2023/23 Proposed Budget

Increase in Planned and Preventative Maintenance expenditure	£6,680
Increase in Grounds Maintenance recharges	£590
	£7,270

2023/24 Budget Analysis

Reoccurring Expenditure	4,580
Planned Preventive Maintenance	11,480
2023/24 Total Budget Requirement	16,060

Planned and Preventative Maintenance Schedule

Closed Churchyard St. Marys - tree works	1,480
Closed Churchyard St. Marys - replace copings/secure brickwork	10,000
	11,480

Options Appraisal – Council Tax Increase v Savings Needed

Options Appraisal - based on a council tax base of 583 and opening deficit of £14,374

Option	1		2		3	
	No Increase		Inflation		No Savings	
Balances*	0%	10%	0%	10%	0%	10%
Council Tax Increase	0%	0%	10%	10%	389.4%	396.8%
Savings Needed	24,130	24,590	23,510	23,970	-	-
<u>Council Tax</u>						
2022/23	10.63	10.63	10.63	10.63	10.63	10.63
Increase	-	-	1.06	1.06	41.40	42.18
2023/24	10.63	10.63	11.69	11.69	52.03	52.81

*Based on balances at the end of the year either nil or the recommended 10%

Every 1% of Council Tax increase reduces savings by £62

LOCKINGTON-CUM-HEMINGTON SPECIAL EXPENSES

SPECIAL EXPENSES	2022/23		2023/24	2024/25	2025/26	2026/27	2027/28
	Budget	Forecast Outturn @ Q2	Budget	Indicative	Indicative	Indicative	Indicative
	£	£	£	£	£	£	£
LOCKINGTON-CUM-HEMINGTON							
Closed Churchyard	2,590	2,586	11,720	10,500	8,020	3,040	3,060
SPECIAL EXPENSES (NET COST OF SERVICE)	2,590	2,586	11,720	10,500	8,020	3,040	3,060

Major changes between 2022/23 Base Budget and 2023/23 Proposed Budget

Increase in Planned and Preventative Maintenance expenditure	£8,800
Increase in Grounds Maintenance recharges	£330
	£9,130

2023/24 Budget Analysis

Reoccurring Expenditure	2,470
Planned Preventive Maintenance	9,250
2023/24 Total Budget Requirement	11,720

Planned and Preventative Maintenance Schedule

Closed Churchyard St. Nicholas - tree works	510
Closed Churchyard St. Nicholas - upkeep of stone walls	8,740

Options Appraisal – Council Tax Increase v Savings Needed

Options Appraisal - based on a council tax base of 245 and opening surplus of £1,272

Option	1		2		3	
	No Increase		Inflation		No Savings	
Balances*	0%	10%	0%	10%	0%	10%
Council Tax Increase	0%	0%	10%	10%	210.1%	217.5%
Savings Needed	7,060	7,310	6,730	6,970	-	-
<u>Council Tax</u>						
2022/23	13.72	13.72	13.72	13.72	13.72	13.72
Increase	-	-	1.37	1.37	28.83	29.83
2023/24	13.72	13.72	15.09	15.09	42.55	43.55

*Based on balances at the end of the year either nil or the recommended 10%

Every 1% of Council Tax increase reduces savings by £34

MEASHAM SPECIAL EXPENSES

SPECIAL EXPENSES	2022/23		2023/24	2024/25	2025/26	2026/27	2027/28
	Budget	Forecast Outturn @ Q2	Budget	Indicative	Indicative	Indicative	Indicative
	£	£	£	£	£	£	£
Measham							
Closed Churchyard	6,490	6,492	3,500	3,540	3,570	3,600	3,630
SPECIAL EXPENSES (NET COST OF SERVICE)	6,490	6,492	3,500	3,540	3,570	3,600	3,630

Major changes between 2022/23 Base Budget and 2023/23 Proposed Budget

Decrease in Planned and Preventative Maintenance expenditure	-£3,330
Increase in Grounds Maintenance recharges	£340
	-£2,990

2023/24 Budget Analysis

Reoccurring Expenditure	2,510
Planned Preventive Maintenance	990
2023/24 Total Budget Requirement	3,500

Planned and Preventative Maintenance Schedule

Closed Churchyard St. Laurance - tree works	990
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Options Appraisal – Council Tax Increase v Savings Needed

Options Appraisal - based on a council tax base of 1706 and opening deficit of £2,083

Option	1		2		3	
	No Increase		Inflation		No Savings	
Balances*	0%	10%	0%	10%	0%	10%
Council Tax Increase	0%	0%	10%	10%	73.3%	81.2%
Savings Needed	2,340	2,590	2,020	2,270	-	-
<u>Council Tax</u>						
2022/23	1.87	1.87	1.87	1.87	1.87	1.87
Increase	-	-	0.19	0.19	1.37	1.52
2023/24	1.87	1.87	2.06	2.06	3.24	3.39

*Based on balances at the end of the year either nil or the recommended 10%

Every 1% of Council Tax increase reduces savings by £32

OAKTHORPE & DONISTHORPE SPECIAL EXPENSES

SPECIAL EXPENSES	2022/23		2023/24	2024/25	2025/26	2026/27	2027/28
	Budget	Forecast Outturn @ Q2	Budget	Indicative	Indicative	Indicative	Indicative
	£	£	£	£	£	£	£
OAKTHORPE & DONISTHORPE							
Play Area	13,410	13,777	5,290	5,290	5,290	5,290	5,290
SPECIAL EXPENSES (NET COST OF SERVICE)	13,410	13,777	5,290	5,290	5,290	5,290	5,290

Major changes between 2022/23 Base Budget and 2023/23 Proposed Budget

Decrease in Planned and Preventative Maintenance expenditure	-£8,820
Increase in Grounds Maintenance recharges	£680
	-£8,140

2023/24 Budget Analysis

Reoccurring Expenditure	5,290
Planned Preventive Maintenance	0
2023/24 Total Budget Requirement	5,290

Planned and Preventative Maintenance Schedule

None

Options Appraisal – Council Tax Increase v Savings Needed

Options Appraisal - based on a council tax base of 915 and opening deficit of £17,250

Option	1		2		3	
	No Increase		Inflation		No Savings	
Balances*	0%	10%	0%	10%	0%	10%
Council Tax Increase	0%	0%	10%	10%	301.9%	311.3%
Savings Needed	16,850	17,380	16,290	16,820	-	-
<u>Council Tax</u>						
2022/23	6.10	6.10	6.10	6.10	6.10	6.10
Increase	-	-	0.61	0.61	18.41	18.99
2023/24	6.10	6.10	6.71	6.71	24.51	25.09

*Based on balances at the end of the year either nil or the recommended 10%

Every 1% of Council Tax increase reduces savings by £56

RAVENSTONE WITH SNIBSTON SPECIAL EXPENSES

SPECIAL EXPENSES	2022/23		2023/24	2024/25	2025/26	2026/27	2027/28
	Budget	Forecast Outturn @ Q2	Budget	Indicative	Indicative	Indicative	Indicative
	£	£	£	£	£	£	£
RAVENSTONE WITH SNIBSTON							
Closed Churchyard, Open Space	5,050	5,050	2,630	1,750	2,350	1,750	2,580
SPECIAL EXPENSES (NET COST OF SERVICE)	5,050	5,050	2,630	1,750	2,350	1,750	2,580

Major changes between 2022/23 Base Budget and 2023/23 Proposed Budget

Decrease in Planned and Preventative Maintenance expenditure	-£2,480
Increase in Grounds Maintenance recharges	£60
	-£2,420

2023/24 Budget Analysis

Reoccurring Expenditure	470
Planned Preventive Maintenance	2,160
2023/24 Total Budget Requirement	2,630

Planned and Preventative Maintenance Schedule

Open Space Hall Gardens - tree works	600
Closed Churchyard St. Mary's - tree works	1,560
	2,160

Options Appraisal – Council Tax Increase v Savings Needed

Options Appraisal - based on a council tax base of 1053 and opening deficit of £2,698

Option	1		2		3	
	No Increase		Inflation		No Savings	
Balances*	0%	10%	0%	10%	0%	10%
Council Tax Increase	0%	0%	10%	10%	291.6%	295.1%
Savings Needed	3,960	4,010	3,830	3,870	-	-
<u>Council Tax</u>						
2022/23	1.29	1.29	1.29	1.29	1.29	1.29
Increase	-	-	0.13	0.13	3.76	3.81
2023/24	1.29	1.29	1.42	1.42	5.05	5.10

*Based on balances at the end of the year either nil or the recommended 10%

Every 1% of Council Tax increase reduces savings by £14

STRETTON-EN-LE-FIELD SPECIAL EXPENSES

SPECIAL EXPENSES	2022/23		2023/24	2024/25	2025/26	2026/27	2027/28
	Budget	Forecast Outturn @ Q2	Budget	Indicative	Indicative	Indicative	Indicative
	£	£	£	£	£	£	£
STRETTON-EN-LE-FIELD							
Closed Churchyard	1,560	2,905	16,930	2,810	2,850	2,870	2,890
SPECIAL EXPENSES (NET COST OF SERVICE)	1,560	2,905	16,930	2,810	2,850	2,870	2,890

Major changes between 2022/23 Base Budget and 2023/23 Proposed Budget

Increase in Planned and Preventative Maintenance expenditure	£13,780
Increase in Grounds Maintenance recharges	£240
Removal of external funding	£1,350
	£15,370

2023/24 Budget Analysis

Reoccurring Expenditure	1,800
Planned Preventive Maintenance	15,130
2023/24 Total Budget Requirement	16,930

Planned and Preventative Maintenance Schedule

Closed Churchyard St. Michael's - tree works	2,480
Closed Churchyard St. Michael's - Repairs to stone boundary wall, timber treatment required to ranch fencing and notice board	7,650
Closed Churchyard St. Michael's - timber treatment and repairs to western boundary fencing	5,000
	15,130

Options Appraisal – Council Tax Increase v Savings Needed

Options Appraisal - based on a council tax base of 19 and opening deficit of £1,501

Option	1		2		3	
	No Increase		Inflation		No Savings	
Balances*	0%	10%	0%	10%	0%	10%
Council Tax Increase	0%	0%	10%	10%	1223.1%	1236.1%
Savings Needed	16,990	17,170	16,850	17,030	-	-
<u>Council Tax</u>						
2022/23	73.11	73.11	73.11	73.11	73.11	73.11
Increase	-	-	7.31	7.31	894.21	903.68
2023/24	73.11	73.11	80.42	80.42	967.32	976.79

*Based on balances at the end of the year either nil or the recommended 10%

Every 1% of Council Tax increase reduces savings by £14

APPLEBY MAGNA SPECIAL EXPENSES

SPECIAL EXPENSES	2022/23		2023/24	2024/25	2025/26	2026/27	2027/28
	Budget	Forecast Outturn @ Q2	Budget	Indicative	Indicative	Indicative	Indicative
	£	£	£	£	£	£	£
APPLEBY MAGNA							
Closed Churchyard	2,950	2,950	3,290	3,320	10,240	3,270	3,380
SPECIAL EXPENSES (NET COST OF SERVICE)	2,950	2,950	3,290	3,320	10,240	3,270	3,380

Major changes between 2022/23 Base Budget and 2023/23 Proposed Budget

Increase in Planned and Preventative Maintenance expenditure	£20
Increase in Grounds Maintenance recharges	£320
	<u>£340</u>

2023/24 Budget Analysis

Reoccurring Expenditure	2,190
Planned Preventive Maintenance	1,100
2023/24 Total Budget Requirement	3,290

Planned and Preventative Maintenance Schedule

Closed Churchyard St. Michaels and All Angels - tree works	1,100
	<u>1,100</u>

Options Appraisal – Council Tax Increase v Savings Needed

Options Appraisal - based on a council tax base of 539 and opening deficit of £9,456

Option	1		2		3	
	No Increase		Inflation		No Savings	
Balances*	0%	10%	0%	10%	0%	10%
Council Tax Increase	0%	0%	10%	10%	233.4%	239.1%
Savings Needed	8,910	9,130	8,520	8,740	-	-
<u>Council Tax</u>						
2022/23	7.08	7.08	7.08	7.08	7.08	7.08
Increase	-	-	0.71	0.71	16.52	16.93
2023/24	7.08	7.08	7.79	7.79	23.60	24.01

*Based on balances at the end of the year either nil or the recommended 10%

Every 1% of council tax increase reduces savings by £38

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CORPORATE SCRUTINY COMMITTEE – WEDNESDAY, 4
JANUARY 2023

Title of Report	DRAFT HOUSING REVENUE ACCOUNT BUDGET AND RENTS 2023/24	
Presented by	Glenn Hammons Head of Finance and Section 151 Officer	
Background Papers	Budget & Council Tax 2022/23 – Council - 24 February 2022	Public Report: Yes
Financial Implications	This report sets out the draft Housing Revenue Account budget and Capital Programme draft budget for 2023/24. It also sets out planned changes to the fees and charges that the Council sets for services within the scope of the Housing Revenue Account and the proposed rent increase.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	There are no direct legal implications arising from this report	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	Insert any staffing and corporate implications to be considered	
	Signed off by the Head of Paid Service: Yes	
Reason Agenda Item Submitted to Scrutiny Committee	For Corporate Scrutiny Committee to provide any comments on the Draft General Fund Budget and Council Tax 2023/24	
Recommendations	THAT CORPORATE SCRUTINY COMMITTEE PROVIDES COMMENTS ON THE DRAFT GENERAL FUND BUDGET AND COUNCIL TAX 2023/24 (APPENDIX 1) FOR CONSIDERATION BY CABINET ON 10 JANUARY 2023.	

1. BACKGROUND

- 1.1 The Draft Housing Revenue Account Budget and Rents 2023/24 is due to be considered by Cabinet on the 10 January 2023.
- 1.2 The Corporate Scrutiny Committee is invited to consider the Draft Housing Revenue Account Budget and Rents 2023/24 and provide any comments to Cabinet to take into account on the 10 January 2023. Cabinet will be asked to consider these documents and make a recommendation to Council on 24 February 2023 for consideration as part of the budget reports.

- 1.3 The Draft Housing Revenue Account Budget and Rents 2023/24 and appendices are included within the attached Cabinet Report (Appendix 1).

Policies and other considerations, as appropriate	
Council Priorities:	The budget provides funding for the Council to deliver against the priorities within the scope of the Housing Revenue Account.
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	The equality impact assessment will be completed for the final budget to be presented to Cabinet.
Customer Impact:	Customers are likely to be impacted by the changes to rents and fees and charges. They will also be impacted by improvements to their homes and estates and improvements to services contained in the budget proposals.
Economic and Social Impact:	The Housing Revenue Account capital programme allocates £38.5 million over five years to improve homes and in the same period, £13.9 million 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 £13.8 million.
Consultation/Community Engagement:	Corporate Scrutiny – 4 January 2023 Cabinet – 10 January 2023 Public consultation 16/01/23 – 27/01/23.
Risks:	The budgets will be monitored throughout the year to ensure the Council remains within its funding envelope and planned budget savings are delivered.
Officer Contact	Glenn Hammons Interim Head of Finance glenn.hammons@nwleicestershire.gov.uk

Title of Report	DRAFT HOUSING REVENUE ACCOUNT BUDGET AND RENTS 2023/24	
Presented by	Councillor Roger Bayliss Housing, Property & Customer Services Portfolio Holder PH Briefed <input checked="" type="checkbox"/> Y	
Background Papers	Budget & Council Tax 2022/23 – 24 February 2022	Public Report: Yes
Financial Implications	This report sets out the draft Housing Revenue Account budget including both capital and revenue for 2023/24. 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 Housing Revenue Account.	
	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	The report and its appendices set out plans to create new posts to improve services.	
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	This report seeks Cabinet approval to consult on the draft Housing Revenue Account budget for 2023/24 and the proposals contained within. The outcome of this consultation exercise will be fed back into subsequent reports to Cabinet and Council to seek approval for the final budget in February 2023.	
Recommendations	CABINET IS RECOMMENDED TO PROPOSE THE FOLLOWING FOR CONSULTATION: <ul style="list-style-type: none"> • DRAFT 2023/24 HOUSING REVENUE ACCOUNT BUDGET • RENT INCREASE • DRAFT MTFP FOR 2023/24 TO 2027/28 • DRAFT 2023/24 BUDGET PROPOSALS • DRAFT 2023/24 FEES AND CHARGES AS CONTAINED WITHIN THIS REPORT.	

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 Economic

- 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

- 1.2.3 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.
- 1.2.4 Recognising the wider context within which the budget is being set, the Council has used a new process to develop its draft 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 is planned through scrutiny, consultation with the public and the Tenant and Leaseholder Consultation Forum

1.3 Budget Assumptions

1.3.1 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 taken been 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).
- Rent is assumed to increase by 7% in 2023/24 and revert to CPI+1% thereafter.
- 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 draft 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 £1,674k compared to 2022/23 whilst the anticipated income has increased by £1,525k.

Table 1: Changes to the Housing Revenue Account budget from previous year

	2022/23	2023/24	Movement
	£'000	£'000	£'000
Income	-18,524	-20,050	-1,526
Operating Expenditure	15,235	16,908	1,673
Operating (surplus)/deficit	-3,289	-3,142	147
Targeted J2SS/MTFP savings	-325	-	325
Appropriations	3,550	8,718	5,168
Net (surplus)/deficit	-64	5,576	5,640

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 developing 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 £3.2m 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 to 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 £19.3 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 rent of £129.24 for these properties. Both of these 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 £473k include:

- **Changes in income totalling £1,542k.** This is largely due to the increased rental income described in paragraph 2.2.1.
- **Cost pressures totalling £2,897k.** The most significant cost pressures relate to:
 - inflation of £1,724k has impacted across the service but energy costs £529k, general materials £387k, repairs £282k and grounds maintenance £250k 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 £658k include £113k for Energy Performance Certificates to cover 1,300 surveys required in 2023/24 and a removal of the £325k savings budget which cannot be achieved due to the acute budget pressures impacting services.
- **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.

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

Further work is being undertaken between draft and final to ensure these increased charges are fair both to tenants who receive this service and tenants who do not.

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.

Further work is being undertaken between draft and final to review deliverability of the capital expenditure profile. Governance improvements are being made via the Capital Strategy for managing capital programmes through their life cycle. The programme has been split into Approved and 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
Stock Investment	8,539	8,039	7,400	7,250	7,250
Estate Improvements	1250	620	720	620	620
Fleet Replacement	55	211	699	0	0
Other Capital	2,382	925	800	650	650
Total Approved Programme	12,226	9,795	9,619	8,520	8,520
Total Development Pool	2,948	3,805	2,378	3,750	1,000
Total HRA Capital Programme	15,174	13,600	11,997	12,270	9,520

3.1.2 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 £1.5m 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	4,840	1,953	1,691	942	2,205
Government Grants	1,384	1,384	0	0	0
Reserves	3,465	4,900	4,228	3,909	4,086
Revenue contributions	5,485	0	0	0	0
External Borrowing	0	5,363	6,078	7,419	3,229
Housing Revenue Account Total	15,174	13,600	11,997	12,270	9,520

3.2.2 Table 3 shows a borrowing requirement of £22.1 million over five years to fund the programme. This has increased by £13 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 2026/27. 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 the debt. The budget assumes £2 million is set aside each year from capital resources in order to make the repayment.

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 HRA budgets:

Table 4: 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 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?	
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.
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, 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.

6.0 CONCLUSIONS AND NEXT STEPS

- 6.1 Based on the assumptions made for the HRA in the Draft Budget 2023/24 and MTFS 2023-28 for income and expenditure, the Council can set a balanced draft HRA budget for 2023/24 and indicative budgets to 2027/28.
- 6.2 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.
- 6.3 There is still further work to be carried out between the draft and final budget position to review the capital programme and profile for deliverability, review the financing of the capital programme and repayment of debt to ensure reserves are utilised effectively, any further changes to proposals, further detailed work on net financing costs and technical finance work around recharges. There will also be equality impact assessments carried out during this period.
- 6.4 Shown below in Table 5 is the key deadlines and meetings Finance is working towards in the budget approval cycle:

Table 5: Budget Timetable

Key Meetings in Budget Approval Cycle	Date
Corporate Scrutiny Meeting - To scrutinise draft Budgets and related strategies	04/01/2023
Tenants Forum – To consult with tenants on the draft HRA Budget	09/01/2023
Cabinet Meeting - To consider draft budget proposals, related strategies and launch consultation	10/01/2023
Cabinet Meeting - To approve of 2023/24 Council Tax Base	10/01/2023
Commencement of statutory consultation	16/01/2023
End of statutory consultation	27/01/2023
Cabinet Meeting - To receive consultation feedback and recommend final budget to Council	31/01/2023
Council - approval of final budget	23/02/2023

- 6.5 As can be seen from the timelines above we will be consulting with the public between 16 and 27 January and will feedback these responses to Cabinet on 31 January when the final budget will be recommended.

7.0 EXEMPTION FROM CALL IN

- 7.1 The approval of the Chairman of the Council has been given to the exemption of the Council's Scrutiny Procedure rules in relation to the call-in of the decision on this item, since any call-in would prejudice the ability of the Council to commence the statutory consultation period commencing 16 January 2023. The Chairman has considered the timetable for the consultation period and agrees that the matter before Cabinet is urgent for this reason.

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:	The equality impact assessment will be completed for the draft budget to be presented to Cabinet.
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 Engagement:	Corporate Scrutiny Committee – 04/01/23 Public consultation will run from 16 to 27 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

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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	7,621,337	8,335,595	8,502,011	8,775,791	9,067,341
2,979,128	Supervision & Management	4,005,788	4,182,160	4,265,803	4,351,119	4,438,142
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	1,714,832	1,687,061	1,899,937	2,144,315	2,452,310
-325,000	J2SS Cost Savings	0	0	0	0	0
14,909,587	Total Expenditure	16,908,274	18,072,549	18,587,454	19,279,614	20,144,098
	Income					
-18,455,670	Rent & Service Charges	-19,985,223	-20,440,008	-20,676,203	-20,976,596	-21,327,089
-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	-3,380	-3,380	-3,380	-3,380	-3,380
-18,524,417	Total Income	-20,049,750	-20,504,535	-20,740,730	-21,041,123	-21,391,616
-3,614,830	Net Operating Expenditure/-Surplus	-3,141,476	-2,431,986	-2,153,276	-1,761,509	-1,247,518
	Appropriations					
0	Transfer to/from reserves	3,233,694	2,431,986	2,153,276	1,761,509	1,247,518
3,550,000	Revenue Contribution to Capital	5,484,702	0	0	0	0
3,550,000	Total Appropriations	8,718,396	2,431,986	2,153,276	1,761,509	1,247,518
-64,830	NET (SURPLUS)/DEFICIT	5,576,920	0	0	0	-0
-6,911,743	Balance brought Forward	-6,576,920	-1,000,000	-1,000,000	-1,000,000	-1,000,000
-64,830	-Surplus/Deficit In Year	5,576,920	0	0	0	-0
-6,976,573	Balance Carried Forward	-1,000,000	-1,000,000	-1,000,000	-1,000,000	-1,000,000

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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	249,700	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
Net Recharges	Increase in recharges from General Fund	83,490	0	0	0	0
Finance recharge	Increase in Finance recharge	42,440	0	0	0	0
Audit recharge	Recharge of audit fees	33,610	0	0	0	0
Chief Exec recharge	Increase in recharge for Chief Executives team	16,000	0	0	0	0
General inflation	General inflation		293,843	274,229	209,173	215,632
Various	Three proposals below £15,000	31,017	0	0	0	0
Total Inflation Increases		1,723,782	293,843	274,229	209,173	215,632
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	40,463	0	0	0	0
Total Service Pressures		332,556	(27,433)	(100,000)	0	0
Unallocated savings	J2SS unallocated savings removed	325,000	0	0	0	0
Loan interest	Changes in loan interest due to capital financing requirements	220	(27,771)	212,876	244,378	307,995
Total Other Corporate Proposals		325,220	(27,771)	212,876	244,378	307,995
Loan interest	Separating the principal repayment of annuity loans from the interest	(1,341,697)	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
Total Technical Adjustments		(1,060,779)	301,416	51,969	88,686	177,917
Dwellings Rents	Dwellings Rent Increase	(1,461,313)	(429,145)	(222,862)	(286,793)	(336,622)
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		(1,541,848)	(454,785)	(236,195)	(300,393)	(350,494)
Total Budget Proposals		473,354	709,490	278,711	391,767	513,991

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%	
Utility Cost of Shared/Common Parts	TBA	TBA	20%	
Older Persons Service Management Fee	TBA	TBA	13%	

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HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME 2023/24-2027/28

Appendix 4

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

Stock Investment

Home Improvement Programme	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000	Reserves, RCCO, Prudential Borrowing Grant, Receipts, Prudential Borrowing
Roofs	300,000	250,000	250,000	250,000	250,000	
Commercial Boilers	150,000	150,000	150,000			
Stock Condition Surveys	450,000					
Zero Carbon	3,138,974	3,138,974	2,500,000	2,500,000	2,500,000	
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	Receipts, RCCO, Prudential Borrowing
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	
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	RCCO, Receipts, Prudential Borrowing
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					
Total Other Capital	2,382,000	925,000	800,000	650,000	650,000	

PROJECT	2023/24	2024/25	2025/26	2026/27	2027/28	Funding Source
	For Approval	Indicative	Indicative	Indicative	Indicative	
Total Approved Programme	12,226,144	9,795,174	9,618,500	8,520,000	8,520,000	

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	