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Meeting	**CABINET**
Time/Day/Date	5.00 pm on Tuesday, 9 January 2024
Location	Abbey Room, Stenson House, London Road, Coalville, LE67 3FN
Officer to contact	Democratic Services (01530 454512)

AGENDA

8. DRAFT GENERAL FUND BUDGET 2024/25

The report of the Strategic Director of Resources
Presented by the Corporate Portfolio Holder **77 - 122**

9. DRAFT HOUSING REVENUE ACCOUNT (HRA) BUDGET AND RENTS 2024/25

The report of the Strategic Director of Resources
Presented by the Corporate Portfolio Holder **123 - 142**

10. INVESTMENT PROPERTY LEASEHOLD DISPOSALS

The report of the Strategic Director of Place
Presented by the Housing, Property and Customer Services Portfolio Holder **143 - 146**

11. KEGWORTH PROJECT

The report of the Strategic Director of Place
Presented by the Business and Regeneration Portfolio Holder **147 - 174**

12. EXCLUSION OF PRESS AND PUBLIC

The officers consider that the press and public should be excluded during consideration of the following items in accordance with Section 100(a) of the Local Government Act 1972 as publicity would be likely to result in disclosure of exempt or confidential information. Members are reminded that they must have regard to the public interest test and must consider, for each item, whether the public interest in maintaining the exemption from disclosure outweighs the public interest in making the item available.

13. CONTRACT PROCEDURE RULES/FINANCIAL PROCEDURE RULES - EXEMPTION REQUEST - URBAN DESIGN POST

The report of the Strategic Director of Place
Presented by the Planning Portfolio Holder **175 - 182**

14. APPOINTMENT OF HOUSING CONTRACTORS

The report of the Strategic Director of Communities
Presented by the Housing, Property and Customer Services Portfolio Holder **183 - 186**

Circulation:

Councillor R Blunt (Chair)
Councillor M B Wyatt (Deputy Chair)
Councillor T Gillard
Councillor K Merrie MBE
Councillor N J Rushton
Councillor A C Saffell
Councillor A C Woodman

MINUTES of a meeting of the CABINET held in the Abbey Room, Stenson House, London Road, Coalville, LE67 3FN on TUESDAY, 12 DECEMBER 2023

Present: Councillor R Blunt (Chair)

Councillors M B Wyatt, T Gillard, K Merrie MBE, N J Rushton and A C Woodman

Officers: Mrs A Thomas, Mr J Arnold, Mr A Barton, Miss E Warhurst, Mr P Stone, Mr T Devonshire and Mr B Walford

56. APOLOGIES FOR ABSENCE

Apologies were received from Councillor T Saffell.

57. DECLARATION OF INTERESTS

There were no interests declared.

58. PUBLIC QUESTION AND ANSWER SESSION

There were no questions received.

59. MINUTES

The minutes of the meeting held on 21 November 2023 were considered.

It was moved by Councillor T Gillard, seconded by Councillor M Wyatt and

RESOLVED THAT:

The minutes of the meeting on 21 November 2023 be approved as an accurate record of proceedings.

60. REVIEW OF HOUSING ALLOCATIONS POLICY

The Housing, Property and Customer Services Portfolio Holder presented the report.

It was moved by Councillor A Woodman, seconded by Councillor M Wyatt and

RESOLVED THAT:

1. The revised Housing Allocations and Lettings Policy be approved.
2. Authority be delegated to the Head of Housing in consultation with the Portfolio Holder to make minor changes to the policy as required to address changes in national policy and demand.

Reason for decision: To agree amendments to the Council’s Housing Allocations Policy.

61. HOMELESSNESS STRATEGY

The Housing, Property and Customer Services Portfolio Holder presented the report.

It was moved by Councillor A Woodman, seconded by Councillor K Merrie and

RESOLVED THAT:

The Homelessness Strategy 2024-2029 be approved.

Reason for decision: To ensure that the Council has an up-to-date homeless strategy in keeping with legislative requirements.

62. NWLDC CORPORATE SPONSORSHIP AND ADVERTISING POLICY

The Business and Regeneration Portfolio Holder presented the report.

The Chair invited the Economic Development and Regeneration Team Manager to speak. He advised Cabinet that the policy would put formal procedures in place and would protect the Council when entering into agreements with the private sector.

A Member warmly welcomed the work of Officers on the policy and emphasised the importance of having clearly defined guidelines.

The Chair said that it would be wise to review the policy, at a time of the Officer's choosing.

It was moved by Councillor T Gillard, seconded by Councillor R Blunt and

RESOLVED THAT:

1. The Feedback from the Corporate Scrutiny Committee on the proposed Advertising and Sponsorship Policy be noted.
2. The adoption of the Advertising and Sponsorship Policy be approved.

Reason for decision: to adopt the new Advertising and Sponsorship Policy.

The meeting commenced at 5.00 pm

The Chairman closed the meeting at 5.10 pm

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 9 JANUARY 2024

Title of Report	**COUNCIL TAX BASE 2024/25**	
Presented by	Councillor Nick Rushton Corporate Portfolio Holder PH Briefed: Y	
Background Papers	Council Tax Base 2023/23 – Cabinet 10 January 2023	**Public Report:** Yes **Key Decision:** Yes
Financial Implications	The increase in council tax base of 685 band D equivalents will generate an additional £110k in Council Tax for 2024/25 for the Council. **Signed off by the Section 151 Officer**: Yes	
Legal Implications	There are no direct implications arising from this report. **Signed off by the Monitoring Officer**: Yes	
Staffing and Corporate Implications	There are no staffing and corporate implications arising from this report. **Signed off by the Head of Paid Service:** Yes	
Purpose of Report	To determine the 2024/25 Council Tax Base and advise members of the process for calculating the business rates amounts due to the Council for the 2024/25 financial year.	
Reason for Decision	Statutory requirement to facilitate the setting of Council Tax for the forthcoming year.	
Recommendations	**THAT CABINET:** **1. APPROVES THE CALCULATION OF THE COUNCIL TAX BASE FOR EACH PARISH AND SPECIAL EXPENSE AREA FOR THE FINANCIAL YEAR 2024/25, AS DETAILED IN APPENDIX 2 AND RECOMMENDS TO COUNCIL FOR ADOPTION AT ITS MEETING ON 22 FEBRUARY 2024.** **2. NOTES THAT, IN ACCORDANCE WITH THE LOCAL AUTHORITIES (CALCULATION OF COUNCIL TAX BASE) (ENGLAND) REGULATIONS 2012, THE AMOUNT CALCULATED BY NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL FOR THE FINANCIAL YEAR 2024/25 SHALL BE 37,079.**	

	3. DELEGATES AUTHORITY TO THE S151 OFFICER TO SUBMIT THE CALCULATIONS ON NON-DOMESTIC RATING INCOME AND OTHER AMOUNTS REQUIRED BY GOVERNMENT BY THE 31 JANUARY 2024 FOR THE FORTHCOMING FINANCIAL YEAR.

1.0 BACKGROUND

1.1 The Local Government Finance Act 1992 requires that the calculation of the Council Tax Base and National Non-Domestic Rates (NNDR) for the financial year 2024/25 be determined by no later than 31 January 2024. This is a necessary component of the setting of the 2024/25 Council Tax and Business Rates.

1.2 The work to estimate the Council Tax Base has been undertaken and is presented within this report for approval.

2.0 FINANCIAL IMPLICATIONS

2.1 The Council Tax Base is a measure of the relative taxable capacity of the district, as shown in Appendix 1, and of each part of the district as shown in Appendix 2. It is expressed as the equivalent number of Band D properties in each area. The Council Tax Base multiplied by the Band D Council Tax gives the Council Tax receivable for the forthcoming financial year.

2.2 As set out above, the tax base is expressed as band D equivalents. The actual levy in properties in other bands in calculated on a pro-rota basis using the following ratios:

Table 1: Council Tax Bands

Band	Fraction of Band D
A	6/9
B	7/9
C	8/9
D	9/9
E	11/9
F	13/9
G	15/9
H	18/9

2.3 Where the precept relates to only part of the district, (i.e. Parish Precepts and Special Expenses), the appropriate Council Tax Base of the part (as shown Appendix 2) is used. Accordingly, all Precepting Authorities have been informed of their appropriate provisional Council Tax Base for 2024/25.

3.0 CALCULATION OF THE COUNCIL TAX BASE

3.1 The Council Tax Base calculations for the financial year 2024/25 have been carried out in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012. Appendix 1 shows the actual number of Band D equivalent properties of the Council Tax Base as at 30 November 2023 by Council Tax band.

3.2 The Council Tax Base for 2024/25 is calculated as 37,079, compared to 36,394 an increase of 685 band D equivalents, a breakdown of the increase is shown in the table below:

Table 2: Analysis of change in Council Tax Base

2023/24 Council Tax Base	**36,394**
Growth – Actual and Forecasted	512
Changes in discounts, exemptions etc.	28
Changes in LCTS	-32
Non-Collection	177
2024/25 Council Tax Base	**37,079**

Growth Estimates

3.3 Growth estimates in respect of the number of new properties liable for council tax have also been included in the calculation. These properties have been identified and monitored by the Revenues and Benefits Partnership and the Planning Policy Team and included in the Council Tax Base calculation at parish level at assumed bandings. The estimated growth is 676 band D properties or 2%.

Bad Debt Provision

3.4 A bad debt provision of 2.0% of the base and growth has been applied to allow for non-collection and banding appeals. The provision has reduced from the 2023/24 figure of 2.5%. This is due to the forecast collection rate for 2023/24 of 98.1%, as the Council sees collection rates recover to pre-covid levels.

3.5 The adjusted figures for each Parish and Special Expense area are set out in Appendix 2. The respective Council Tax Base for each Parish and Special Expense area is used as a basis for charging Special Expense and Parish Precepts to the Council Tax payers of the appropriate parts of the district.

Local Council Tax Support Scheme (LCTS)

3.6 LCTS reduces the amount of council tax for working age and pensioners on a low income. An estimate for the number of households likely to be claiming LCTS is included in the Council Tax Base calculation each year. The LCTS has reduced the Council Tax Base by 3,188 Band D equivalents for 2024/25, compared to 3,156 in 2023/24. The decrease in LCTS has the effect of decreasing the tax base by 32 Band D equivalents.

Table 3: Reduction in council tax base due to council tax support (Band D Equivalent):

	2023/24	**2024/25**	**Change**
Working Age	1,702.90	1,750.95	(48.05)
Pensioners	1,453.52	1,437.91	15.61
Total	**3,156.42**	**3,188.86**	**(32.44)**

4.0 NATIONAL NON-DOMESTIC RATES (BUSINESS RATES)

4.1 Local Authorities are required to provide details of expected Business Rates income for the following year to the Government by 31 January and this is completed on a form called NNDR1, which requires formal approval. The expectation is that the approval process is to be line with the approval of the Council Tax Base.

4.2 The calculations that feed into the NNDR1 form are carried out by the Revenues and Benefits Partnership shortly before the 31 January deadline to ensure figures are as up to date as possible. In view of timing, Cabinet is requested to give delegated authority to the Section 151 Officer to approve and submit the form for 2024/25 by the 31 January 2024 deadline.

Policies and other considerations, as appropriate	
Council Priorities:	The Council Tax Base assists the Council to achieve all its priorities.
Policy Considerations:	Not applicable
Safeguarding:	Not applicable
Equalities/Diversity:	Not applicable
Customer Impact:	Not applicable
Economic and Social Impact:	Not applicable
Environment, Climate Change and Zero Carbon:	Not applicable
Consultation/Community/Tenant Engagement:	Not applicable
Risks:	Controls are in place to ensure the correct calculation of the Council Tax Base.
Officer Contact	Anna Crouch Head of Finance anna.crouch@nwleicestershire.gov.uk

Appendix 1

COUNCIL TAX BASE

BAND	RATIO TO BAND D	NUMBER OF BAND D EQUIVALENTS AS AT 30 November 2023	Plus ESTIMATED GROWTH FOR 2024/25	Less NON COLLECTION RATE 2.0%	COUNCIL TAX BASE 2024/25
A	6/9	4,860	22	-98	4,784
B	7/9	9,141	95	-185	9,051
C	8/9	6,282	89	-127	6,244
D	9/9	6,524	186	-133	6,577
E	11/9	5,961	183	-123	6,021
F	13/9	2,749	72	-56	2,765
G	15/9	1,552	27	-32	1,547
H	18/9	90	2	-2	90
TOTALS		**37,159**	**676**	**-756**	**37,079**

Appendix 2

COUNCIL TAX BASE BY PARISH/SPECIAL EXPENSE AREAS

Parish / Special Expense Area	Council Tax Base	
	2023/24	2024/25
APPLEBY MAGNA	539	**547**
ASHBY DE LA ZOUCH	6,209	**6,363**
ASHBY WOULDS	1,405	**1,417**
BARDON	11	**10**
BELTON	307	**311**
BREEDON-ON-THE-HILL	488	**510**
CASTLE DONINGTON	2,857	**2,949**
CHARLEY	78	**78**
CHILCOTE	59	**58**
COALVILLE	6,743	**6,847**
COLEORTON	583	**590**
ELLISTOWN AND BATTLEFLAT	808	**837**
HEATHER	366	**368**
HUGGLESCOTE AND DONINGTON LE HEATH	2,429	**2,626**
IBSTOCK	2,352	**2,349**
ISLEY WALTON-CUM-LANGLEY	30	**31**
KEGWORTH	1,345	**1,345**
LOCKINGTON-CUM-HEMINGTON	245	**246**
LONG WHATTON AND DISEWORTH	824	**822**
MEASHAM	1,706	**1,715**
NORMANTON-LE-HEATH	69	**70**
OAKTHORPE, DONISTHORPE AND ACRESFORD	915	**929**
OSGATHORPE	220	**218**
PACKINGTON	412	**410**
RAVENSTONE WITH SNIBSTON	1,053	**1,066**
SNARESTONE	147	**147**
STAUNTON HAROLD	62	**62**
STRETTON-EN-LE-FIELD	19	**19**
SWANNINGTON	465	**472**
SWEPSTONE	273	**277**
WHITWICK	2,741	**2,758**
WORTHINGTON	634	**632**
TOTALS	**36,394**	**37,079**

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 9 JANUARY 2024

Title of Report	**DRAFT ROBUSTNESS OF BUDGET ESTIMATES AND ADEQUACY OF RESERVES**	
Presented by	Councillor Nicholas Rushton Corporate Portfolio Holder PH Briefed Yes	
Background Papers	Draft Capital Strategy, Treasury Management Strategy and Prudential Indicators 2024/25 Report (Cabinet 9 January 2024) Draft General Fund Budget and Council Tax 2024/25 Report (Cabinet 9 January 2024) Draft Housing Revenue Account Budget and Rents 2024/25 Report (Cabinet 9 January 2024)	**Public Report:** Yes **Key Decision:** Yes
Financial Implications	In accordance 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	No direct Staffing and Corporate implications arising. **Signed off by the Head of Paid Service:** Yes	
Purpose of Report	To advise 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 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.

2.0 CONTEXT

2.1 The Council is setting its budget at a time when it continues to face 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:

Economic

2.2 The recent report by the Office of Budget Responsibility (OBR) in respect of the Economic and Fiscal Outlook describes how the economy has proved to be more resilient to the shocks of the Covid pandemic and energy crisis than anticipated. GDP stood nearly 2% above its pre-pandemic level and around 3% above the OBR March forecast but is now expected the economy will grow more slowly over the medium term.

2.3 Inflation was expected to fall below 5% the end of the calendar year, which was achieved with Consumer Price Index (CPI) being confirmed at 4.6% in October. However, it is not forecast to return to its 2% target until the first half of 2025.

Local Government

2.4 High inflation, energy prices and pay awards have put substantial financial pressure on councils. The Local Government Association has estimated that councils face a funding gap of £2.4bn in 2023/24 and £1.6bn in 2024/25. These gaps relate to funding needed to maintain services at their current level.

2.5 The Autumn Statement 2023 announced in November 2023 was silent on wider issues in respect of local government funding for 2024/25 and beyond, including council tax referendum principles, grant funding and total increase in spending power. However, there were announcements welcomed by district councils including:

- Increasing the Local Housing Allowance (LHA) rate to the 30th percentile of local market rents from April 2024. The LHA is designed to ensure that people receive enough housing benefit to cover the cost of renting a typical home in their area that is large enough for their needs.
- £120m funding for local authorities in England and the devolved administrations to invest in homelessness prevention, including to support Ukrainian households who can no longer remain in sponsorship arrangements
- Extending 'thank you' payments for Homes for Ukraine sponsors into a third year
- Creating the flexibility for Local Planning Authorities to charge a locally-set premium fee for major planning applications, allowing them to recover the full cost
- £110m Local Nutrient Mitigation Fund for councils to mitigate the impact of nutrient pollution in waterways and deliver thousands of homes that have been on hold. The Council would use monies secured from the Local Mitigation Fund to appoint specialist consultants to develop a detailed mitigation strategy and to identify short, medium and long term potential mitigation measures that could enable phosphate nutrient neutrality to be achieved for anticipated new housing and economic development in the River Mease Special Area of Conservation catchment.

2.6 Ahead of the Provisional Local Government Finance Settlement, the Government released a Policy Statement 2024 to 2025 on 5 December 2023. It set out the Government's intentions for the Local Government Finance Settlement 2024/25. It confirmed the Council Tax referendum principles for 2024/25, this being a principle of up to 3% or £5, whichever is higher, for shire district councils.

2.8 In addition, the Statement confirmed that all local authorities will see at least a 3% increase in their Core Spending Power before any decision they make about organisational efficiencies, use of reserves and Council Tax levels through a funding guarantee. Core Spending Power includes revenue from Council Tax, business rates, grants and other sources.

2.9 The Provisional Local Government Finance Settlement was announced on the 18 December. As the draft budget was prepared prior to the announcement, the draft budget has been compared to the finance settlement, overall, the funding allocations are broadly in line with the estimates set out in this report but will be updated accordingly for the Final Budget Report.

Local – North West Leicestershire

2.10 North West Leicestershire District Council continues to face increased costs from high inflation and pay awards.

2.11 In recent years the Council 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.

2.12 This continues to present 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 which is expected to be implemented in 2026.

2.13 Recognising the wider context within which the budget is being set, the Council made improvements to financial management in the last 12 months and has continued to use processes to develop its draft budget plans for 2024/25 and over the medium term. This recognises the greater focus within the organisation on its finances. The process, coupled with that used in previous years, has involved:

- Services completing budget proposals to justify the need for any changes to the budget.
- Budget STAR Chamber sessions between Directors 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 Housing Revenue Account (HRA) tenants' forum.

3.0 DRAFT FINANCIAL STRATEGIES AND 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 2024/25 and beyond the following guiding principles have been developed for the budget setting approach:

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

<u>Capital Strategy</u>

3.2 The Capital Strategy has been significantly enhanced to make it fit for the future. To provide greater accountability, governance, and due diligence of the capital programme the Capital Strategy was updated in 2022 to improve the way the Council manages its 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 Capital Strategy and Investment Group, Chaired by the Director of Resources has been in operation for over 12 months and oversees this process and proposes schemes through the Council's governance for formal approval by Cabinet or Council in line with the Council's Constitution.

<u>Treasury Management Strategy</u>

3.3 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).

Corporate Charging Policy

3.4 The Corporate Charging Policy, which contains the Council's fees and charges, reflects the Council's financial strategy and provides 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, which includes an inflationary increase in line with the Consumer Price Index.

4.0 DRAFT GENERAL FUND BUDGET 2024/25

4.1 High levels of inflation, recruitment and retention, high interest rates present a challenging and uncertain economic environment.

4.2 There will be a one-year funding settlement for 2024/25 with a core referendum principle of 2.99%. Despite the financial pressures experienced by local authorities because of high inflation and rising demand for services, the local government sector is not expecting these costs to be funded.

4.3 The forecast outturn position for the general fund revenue budget 2023/24 is an operating deficit of £252k. This is largely due to the pay award for 2023/24, agreed in November 2023, being higher than originally estimated. There are overspends in other service areas such as property, planning and leisure services, however, these are offset by additional investment income.

4.4 In setting the budget for 2023/24, key strategies were applied to budget development and these have continued for the budget process for 2024/25. These include:

Guiding Principles	Key Strategies for Developing Budget 2024/25 and MTFP 2024-29
Financial Stability and Sustainability	• Plan ahead for potential Government funding changes (including Business Rates Reset) • Do not become overly reliant on Business Rates funding for on-going service provision • Use future surpluses in Business Rates funding for future one off investment to reduce ongoing revenue costs or generate income
Resources Focussed on Priorities	• Align resources to Council Delivery Plan objectives
Maximising Our Sources of Income	• Fees and Charges maximised in accordance with the Corporate Charing Policy (increased by inflation)
Managing our Risks	• Acceptable level of risk tolerance • Review of reserves strategy and position

4.5 The forecast medium term position is set out in the table below.

	2024/25 £m	2025/25 £m	2026/27 £m	2027/28 £m	2028/29 £m
Net Revenue Expenditure	18.384	17.863	18.094	18.291	18.431
Funding	18.384	17.544	17.298	16.859	16.424

Surplus/(Deficit)	0	(0.319)	(0.796)	(1.432)	(2.007)

4.6 The position shows a balanced budget for 2024/25 and a forecast funding gap of £0.319m in 2025/26 rising to £2.007m per annum, equivalent to 10.9% of net budget by 2028/29. This is an improved position over the medium term compared to last years forecast, largely as a result of the work completed during the Autumn, to identify a range of budget options to close the funding gap.

4.7 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 as a result from a reset of growth from the business rates retention scheme, fair funding review and New Homes Bonus. The Government has promised a review of the funding mechanism for local authorities; however, no timeframes have been set for this.

4.8 There still remains a significant risk face the Council on its revenue budget which is the potential Government funding changes, particularly in relation to a reset in growth from the business rates retention scheme. This is due to the fact that North West Leicestershire has seen the biggest growth above its business rates baseline in all local authorities in England.

4.9 The latest indication is that the earliest a business rates reset could happen is 2026/27. The Government has been delaying implementation for several years now, so there is no certainty as to when it is likely to happen. When this funding change is implemented, there is likely to be an element of transitional protection to assist those council like North West Leicestershire, to manage reduced funding over a period of time. This transitional protection is included in the medium-term forecasts show in paragraph 4.5 above.

4.10 The Council will continue to use the guiding principles set out in paragraph 4.4 above to plan for any potential Government funding changes and ensure that the funding gap this could create in its revenue budget is appropriately manged.

4.11 The Draft Revenue Budget for 2024/25 is balanced.

4.12 At the time of publishing the draft budget for 2024/25, 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.

4.13 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 as per 2023/24.
- No new borrowing, over and above that approved in the 2023/24 budget, is proposed to fund the capital programme. 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 schemes over the medium term is capital receipts (£48k), government grants (£6,374k), business rates reserve (£11,105), revenue contributions (£34k) and borrowing (£4,348k).

- Schemes in the Development Pool will be worked up in more depth through the governance arrangements set out in the Capital Strategy and Constitution.

4.14 The draft budget is based on the Council having the following levels of reserves.

	Estimated Balance 1/4/24 £'000	Change during 2024/25 £'000	Estimated Balance 31/3/25 £'000
General Fund - Minimum Level of Reserves	1,544	0	1,544
Earmarked Reserves	4,662	(235)	4,427
MTFP Reserve	7,936	(700)	7,236
Business Rates Reserve	7,321	3,399	10,720
Total	**21,463**	**2,464**	**23,927**

4.15 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 MTFP Reserve 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.

5.0 DRAFT HOUSING REVENUE ACCOUNT BUDGET 2024/25

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 2023/24 is an operating deficit of £436k due to the pay award and an adverse variance for rent income. If no action is taken reserves will be less than anticipated when the budget was set. The service will seek to recover the budget position through vacancy management and use of reserves.

5.4 The position shows a balanced budget for 2024/25. The table below provides a summary of the changes.

	2023/24 £'000	2024/25 £'000	Movement £'000
Income	-20,139	-21,300	-1,161
Operating Expenditure	17,077	18,838	1,761
Operating (surplus)/deficit	**-3,062**	**-2,462**	**600**
Appropriations	7,541	4,946	-2,595
Net (surplus)/deficit	**4,479**	**2,484**	**-1,995**

5.5 The draft HRA budget for 2024/25 shows an operating surplus of £2,462k. This is a £600k reduction from 2023/24.

5.6 To deliver the HRA Capital Programme in 2024/25 and ensure sufficient monies are set aside for future debt repayment an overall deficit £2,484 is being budgeted for. This will be paid from accumulated surpluses of £3,618k which have been built up in reserves. This leaves a minimum operating balance of approximately £1 million for unexpected events. This minimum balance is considered adequate for the size of HRA and risks faced.

5.7 The HRA Capital Programme is planned to spend £15,525k in 2024/25. Based on previous years' experience this is an ambitious level of estimated spend. 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	Y	The 2023/24 financial monitoring is showing a projected overspend of £252k on the General Fund and £436k on the HRA. Work is currently on-going within services to

Area	Y/N	Comments
reflected in the plans?		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 2024/25 and the medium term.
Are arrangements for monitoring and reporting performance against the savings plans robust?	Y & N	In recent years the Council has not been required to make significant savings to maintain its financial position. With such a significant funding gap estimated for 2024/25, there are a range of budget options proposed for the General Fund Budget 2024/25. Where it is appropriate, delivery of savings/efficiencies will be monitored throughout the financial year and reported to stakeholders alongside the financial monitoring reports on a quarterly basis. Therefore, clear savings plans and delivery has not been required. As part of the Council's Transformation Programme, project management principles will be adopted with a suite of guidance and templates to support good practice, which, in turn will help the Council manage and monitor largescale transformation programmes.
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 Management 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 Council Delivery Plan (CDP) has been developed and was approved by Council on 14 November 2023. The CDP is aligned to the resources available and risks faced by the Council. The Council's ambition to be carbon neutral by 2030 is likely to require additional investment, however, the Council will look to maximise grant funding made available to it to support this priority. An exercise to identify the costs of getting to net zero will be completed in 2024/25.
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	Y	The Council has a minimum level of

Area	Y/N	Comments
reserves to meet unforeseen cost pressures		reserves for both its General Fund (£1.5m) and HRA (£1m). In the Audit Commission's 'Striking a Balance' report published in 2012, the majority of Chief Finance Officers at the national level regarded an amount of between three and five per cent of council's net spending as a prudent level for risk-based reserves. Over the medium term the Council's forecast figure is 8%. 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 on the budget challenge sessions. Fees and charges have been increased, where it is appropriate to do so, in accordance with the Council's Corporate Charging Policy.
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.
Has a reasonable estimate of future income been made?	Y	The budget proposals presented by services were reviewed by finance and subject to budget challenge sessions.
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	For 2023/24, quarterly financial reporting to Cabinet and Scrutiny Committee has been introduced. The new finance system is intended to bring enhanced financial reporting for budget holders to support robust and regular monitoring of budgets. 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

Area	Y/N	Comments
		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?	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 implemented a new financial system in April 2023 to improve its reporting. Further enhancements to the system are required in the short-term to deliver this. A review of the Financial Procedures Rules is planned.
Have the previous years Accounts been signed off by external audit to verify balances?	N	The Council's Accounts for 2021/22 are currently being audited. The audit for the 2022/23 accounts will commence in Spring 2024. Budget estimates and reserves balances for 2024/25 and beyond are based on the latest information incorporated into the 2021/22 and 2022/23 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 continuation of the improvements introduced to the budget setting process last year. This has included a series of budget challenge sessions between the Directors 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 needs to undertake, alongside the delivery of its draft budget, to ensure risks and issues associated with the budget are mitigated. These actions are:

<u>Financial Strategy</u>

- The financial strategy set out at paragraph 4.4 above is followed. This underpins the draft budget 2024/25 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 over the medium term. This plan is reliant on the delivery of a transformation programme which will 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 will need to invest in the transformation programme to ensure a structured approach to achieving the desired outcomes.
- Special expense budgets must be in a balanced position for 2024/25.

<u>Financial Reporting</u>

- Continue to present a quarterly financial report to Cabinet and Scrutiny to promote transparency and accountability of the financial position.
- Ensure the 2021/22 and 2022/23 Accounts are signed off.

Financial Management and Control

- Implement enhancements to the new financial system to support enhanced reporting for budget holders and improve financial systems and processes
- Services need to develop exit plans for government grant funding and one-off proposals funded by reserves.
- Continue to review and improve the Council's governance arrangements.

7.0 CONCLUSION

7.1 Based on the assumptions made in its Draft Budget 2024/25 and MTFP 2024-29 for income and expenditure, the Council can set a balanced draft budget for 2024/25.

7.2 However, there are a number of risks. 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 with no indication from the Government as to when these will happen.

7.3 Whilst the Council's financial position is currently stable and sustainable there are several uncertainties. As such the Council will need to ensure it makes the right decisions in the short term to ensure it is financially stable and sustainable over the medium to long term. This includes 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.

7.4 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.

75 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 10 January 2024. 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 report encompasses the Council's budget, therefore, is relevant to all Council Priorities: - Planning and regeneration - Clean, green and Zero Carbon

	- Communities and Housing - A well-run council
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, Council Tax increase and special expenses precepts set out in this report. Equalities Impact Assessments will be undertaken where necessary.
Economic and Social Impact:	The General Fund capital programme allocates £7.9 million to investing in Coalville Regeneration Projects over five years. £3.7 million is being invested in Council owned land to support regeneration and bring employment to the district. The Council has been awarded £1.3 million in government grants to undertake regeneration projects in the district. This includes refurbishment of Moira furnace and provision of office spaces
Environment, Climate Change and Zero Carbon:	The budget sees investment of £1.5m in the replacement of council vehicles and reducing our carbon emissions. There's £0.8m investment in bins and recycling containers to increase recycling from households. The Council also has a permanent Climate Change Programme Manager post
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	Paul Stone Director of Resources Paul.stone@nwleicestershire.gov.uk

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 9 JANUARY 2024

Title of Report	**DRAFT CAPITAL STRATEGY, TREASURY STRATEGY AND PRUDENTIAL INDICATORS**	
Presented by	Councillor Nick Rushton Corporate Portfolio Holder PH Briefed Y	
Background Papers	Capital Strategy, Treasury Management Strategy and Prudential Indicators – Council 23 February 2023	**Public Report:** Yes **Key Decision:** Yes
Financial Implications	The report sets out the annual update of the core strategies which underpin the council's approach to managing its capital investment. **Signed off by the Section 151 Officer**: Yes	
Legal Implications	There are no direct implications arising from this report. **Signed off by the Monitoring Officer**: Yes	
Staffing and Corporate Implications	There are no staffing and corporate implications arising from this report. **Signed off by the Head of Paid Service:** Yes	
Purpose of Report	For Cabinet to approve the draft 2024/25 Capital Strategy, Treasury Management Strategy and Prudential Indicators for statutory consultation.	
Reason for Decision	Required as part of the 2024/25 budget setting process.	
Recommendations	**CABINET IS RECOMMENDED TO APPROVE THE DRAFT 2024/25 CAPITAL STRATEGY, TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION (MRP) STRATEGY AND NON-INVESTMENT STRATEGY AS SET OUT IN APPENDICES 1-4 FOR STATUTORY CONSULTATION.**	

1.0 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
- Department for Levelling Up, Housing and Communities (DLUHC) Investment Guidance
- DLUHC 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 financial year. The statement is proposed to the full Council by the Cabinet. The Council's Section 151 Officer has delegated responsibility for implementing and monitoring the statement. The Section 151 Officer 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 approve for statutory consultation:

- Appendix 1 - Draft Capital Strategy 2024/25;

- Appendix 2 - Draft Treasury Management Strategy Statement 2024/25;
- Appendix 3 - Draft Minimum Revenue Provision (MRP) Statement 2024/25; and
- Appendix 4 - Draft Non-Treasury Investment Strategy 2024/25.

2.2 There are no major changes to the 2023/24 version of the strategies, other than the updating of the financial values.

2.3 The strategies are based on draft versions of the capital programmes and will be updated once the capital programmes have been finalised.

2.4 The above strategies are due to be considered by Corporate Scrutiny on the 4 January 2024. 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 2)
The most likely, prudent view of the level of gross external indebtedness. External debt includes both borrowing and long-term liabilities (e.g. finance leases). It encompasses all borrowing, whether for capital or revenue purposes. This indicator will be subject to the level and timing of borrowing decisions and so the actual level of borrowing can, therefore, be below or above this initial estimate. However, what cannot be breached without a further report to Council is the authorised borrowing limit.

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

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

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

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

4. Gross External Borrowing and the Capital Financing Requirement (Treasury Strategy – Appendix 2)

The level of external borrowing is required to be compared to the Capital Financing Requirement which represents the underlying need to borrow. Requires that borrowing in the medium term can only be for capital purposes.

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

6. Principal sums invested for greater than one year (Treasury Strategy – Appendix 2)
This indicator measures the exposure of a local authority to investing for periods of greater than one year.

7. Ratio of Financing Costs to Net Revenue Stream (Capital Strategy – Appendix 1)
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.

4.0 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 10 January 2024. 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 Capital Strategy and Treasury Management Strategy Statement help the Council achieve all its priorities:
Policy Considerations:	None
Safeguarding:	Not applicable

Equalities/Diversity:	Not applicable
Customer Impact:	Not applicable
Economic and Social Impact:	Not applicable
Environment, Climate Change and Zero Carbon:	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.
Consultation/Community/Tenant Engagement:	Corporate Scrutiny Committee – 04/01/24 Public consultation will begin 10 January to 23 January 2024
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 Head of Finance anna.crouch@nwleicestershire.gov.uk

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Appendix 1

Draft Capital Strategy 2024/25

1. Background and Scope

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

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

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

- Corporate Plan
- HRA Business Plan
- Asset Management Strategy

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

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

2. Economic

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

3. Capital Expenditure

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

3.2 The five aims of the Capital Strategy are:

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

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

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

3.4 In 2024/25, the Council is planning capital expenditure of £27.4 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

	2022/23 actual	2023/24 forecast*	2024/25 budget
General Fund services	5.8	9.4	11.9
Council housing (HRA)	6.7	10.2	15.5
TOTAL	**12.5**	**19.6**	**27.4**

* 2023/24 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

	2022/23 actual	**2023/23 forecast**	**2024/25 budget**
General Fund			
Financing costs (£m)	1.8	1.8	2.2
Proportion of net revenue stream	11%	10%	12%
Housing Revenue Account			
Financing costs (£m)	1.2	1.2	1.2
Proportion of net revenue stream	7%	6%	6%

5. Financing the Capital Investment Programme

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

- Capital Receipts
- Revenue and Reserves
- Prudential Borrowing

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

5.3 For the General Fund, in the medium term, for 2024/25 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

	2022/23 actual	**2023/24* forecast**	**2024/25 budget**
External sources	0.9	1.3	3.7
Capital receipts	1.1	3.1	6.2
Revenue resources	5.4	11.0	11.6
Debt	5.1	4.2	5.8
TOTAL	**12.5**	**19.6**	**27.4**

* 2023/24 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 2024/25.

<u>Revenue and Reserves</u>

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

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

a) MTFP Reserve - 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

	2022/23 Actual	**2023/24 Forecast**	**2024/25 Actual**
Minimum revenue provision (MRP) – General Fund	1.8	1.8	2.2
Minimum revenue provision (MRP) – HRA	1.2	1.2	1.3
Capital receipts	0.0	0.0	0.0
TOTAL	**3.0**	**3.0**	**3.5**

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 2024/25.

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

Housing Revenue Account (HRA)

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

- HRA Self-Financing (the Major Repairs Reserve)
- Capital Receipts (HRA – Right to Buy and other asset sales)
- Revenue and Reserves (HRA contributions from revenue)

- Capital grants from government and other bodies
- Borrowing

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

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

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

6. Governance of the Capital Strategy

Approval of Capital Strategy and Capital Programme

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

Strategic Oversight and Delivery

6.2 The Capital Strategy 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 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 Group. The Project Boards are responsible for developing, managing and progressing capital projects; as well as reporting into the Capital Strategy 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 quarterly budget monitoring 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 (Director of Resources) 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 Corporate Director of Resources (Section 151 Officer) and Head of Finance (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.

8.3 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.

8.4 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.

Capital Strategy Prudential Indicators

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

	2022/23 actual	2023/24 forecast*	2024/25 budget	2025/26 budget	2026/27 budget	2027/28 budget	2028/29 budget
General Fund services	5.8	9.4	11.9	5.5	2.9	1.0	0.7
Council housing (HRA)	6.7	10.2	15.5	14.3	11.1	9.7	13.2
TOTAL	**12.5**	**19.6**	**27.4**	**19.8**	**14.0**	**10.7**	**13.9**

* 2023/24 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

	2022/23 actual	2023/24 forecast	2024/25 budget	2025/26 budget	2026/27 budget	2027/28 budget	2028/29 budget
General Fund							
Financing costs (£m)	1.8	1.8	2.2	2.2	2.2	2.2	2.1
Proportion of net revenue stream	11%	10%	12%	13%	13%	13%	13%
Housing Revenue Account							
Financing costs (£m)	1.2	1.2	1.3	1.3	1.3	0.6	0.6
Proportion of net revenue stream	7%	6%	6%	6%	6%	2%	2%

Capital financing in £ millions

	2022/23 actual	2023/24 forecast	2024/25 budget	2025/26 budget	2026/27 budget	2027/28 budget	2028/29 budget
General Fund							
External sources	0.6	1.3	3.7	0.7	0.7	0.7	0.7
Capital receipts	0.0	0.1	0.1	0.0	0.0	0.0	0.0
Revenue resources	0.1	3.8	5.0	3.6	2.2	0.3	0.0
Debt	5.1	4.2	3.1	1.2	0.0	0.0	0.0
TOTAL	**5.8**	**9.4**	**11.9**	**5.5**	**2.9**	**1.0**	**0.7**
Housing Revenue Account							
External sources	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Capital receipts	1.1	3.0	6.2	3.0	2.5	2.0	3.4
Revenue resources	5.3	7.2	6.6	3.6	3.2	3.0	2.2
Debt	0.0	0.0	2.7	7.7	5.4	4.7	7.6
TOTAL	**6.7**	**10.2**	**15.5**	**14.3**	**11.1**	**9.7**	**13.2**
Total							
External sources	0.9	1.3	3.7	0.7	0.7	0.7	0.7
Capital receipts	1.1	3.1	6.3	3.0	2.5	2.0	3.4
Revenue resources	5.4	11.0	11.6	7.2	5.4	3.3	2.2
Debt	5.1	4.2	5.8	8.9	5.4	4.7	7.6
TOTAL	**12.5**	**19.6**	**27.4**	**19.8**	**14.0**	**10.7**	**13.9**

Appendix C

Replacement of prior years' debt finance in £ millions

	2022/23 actual	2023/24 forecast	2024/25 budget	2025/26 budget	2026/27 budget	2027/28 budget	2028/29 budget
Minimum revenue provision (MRP) – General Fund	1.8	1.8	2.2	2.2	2.2	2.2	2.1
Minimum revenue provision (MRP) – HRA	1.2	1.2	1.3	1.3	1.3	0.6	0.6
Capital receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**3.0**	**3.0**	**3.5**	**3.5**	**3.5**	**2.8**	**2.7**

Appendix D

Flexible Use of Capital Receipts Strategy 2024/25

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 2024/25, which commences on 1 April 2024.

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 2024/25 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 2024/25 budget proposal does not include any proposal to utilise the flexible use of capital receipts. However, if during the year projects are identified that satisfy the definition above these will be considered by Cabinet and approval for the use of capital receipts will be requested through the relevant channels in line with the Council's Budget and Policy Framework Rules.

5. Impact on Prudential Indicators

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

Appendix 2

North West Leicestershire District Council

Draft Treasury Management Strategy Statement 2024/25

1 Introduction

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

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

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

2 External Context (Provided by Arlingclose, Treasury Management Advisors)

2.1 **Economic background:** The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will be major influences on the Authority's treasury management strategy for 2024/25.

2.2 The Bank of England (BoE) increased Bank Rate to 5.25% in August 2023, before maintaining this level in September and then again in November. Members of the BoE's Monetary Policy Committee voted 6-3 in favour of keeping Bank Rate at 5.25%. The three dissenters wanted to increase rates by another 0.25%.

2.3 The November quarterly Monetary Policy Report (MPR) forecast a prolonged period of weak Gross Domestic Product (GDP) growth with the potential for a mild contraction due to ongoing weak economic activity. The outlook for CPI inflation was deemed to be highly uncertain, with near-term risks to CPI falling to the 2% target coming from potential energy price increases, strong domestic wage growth and persistence in price-setting.

2.4 Office for National Statistics (ONS) figures showed CPI inflation was 6.7% in September 2023, unchanged from the previous month but above the 6.6% expected. Core CPI inflation fell to 6.1% from 6.2%, in line with predictions. Looking ahead, using the interest rate path implied by financial markets the BoE expects CPI inflation to continue falling, declining to around 4% by the end of calendar 2023 but taking until early 2025 to reach the 2% target and then falling below target during the second half 2025 and into 2026.

2.5 ONS figures showed the UK economy grew by 0.2% between April and June 2023. The BoE forecasts GDP will likely stagnate in Q3 but increase modestly by 0.1% in Q4, a deterioration in the outlook compared to the August MPR. The BoE forecasts that higher interest rates will constrain GDP growth, which will remain weak over the entire forecast horizon.

2.6 The labour market appears to be loosening, but only very slowly. The unemployment rate rose slightly to 4.2% between June and August 2023, from 4.0% in the previous 3-month period, but the lack of consistency in the data between the two periods made comparisons difficult. Earnings growth remained strong, with regular pay (excluding bonuses) up 7.8% over the period and total pay (including bonuses) up 8.1%. Adjusted for inflation, regular pay was 1.1% and total pay 1.3%. Looking forward, the MPR showed the unemployment rate is expected to be around 4.25% in the second half of calendar 2023, but then rising steadily over the forecast horizon to around 5% in late 2025/early 2026.

2.7 Having increased its key interest rate to a target range of 5.25-5.50% in August 2023, the US Federal Reserve paused in September and November, maintaining the Fed Funds rate target at this level. It is likely this level represents the peak in US rates, but central bank policymakers emphasised that any additional tightening would be dependent on the cumulative impact of rate rises to date, together with inflation and developments in the economy and financial markets.

2.8 US GDP grew at an annualised rate of 4.9% between July and September 2023, ahead of expectations for a 4.3% expansion and the 2.1% reading for Q2. But as the impact from higher rates is felt in the coming months, a weakening of economic activity is likely. Annual CPI inflation remained at 3.7% in September after increasing from 3% and 3.2% consecutively in June and July.

2.9 Eurozone inflation has declined steadily since the start of 2023, falling to an annual rate of 2.9% in October 2023. Economic growth has been weak, and GDP was shown to have contracted by 0.1% in the three months to September 2023. In line with other central banks, the European Central Bank has been increasing rates, taking its deposit facility, fixed rate tender, and marginal lending rates to 3.75%, 4.25% and 4.50% respectively.

2.10 **Credit outlook:** Credit Default Swap (CDS) prices were volatile during 2023, spiking in March on the back of banking sector contagion concerns following the major events of Silicon Valley Bank becoming insolvent and the takeover of Credit Suisse by UBS. After then falling back in Q2 of calendar 2023, in the second half of the year, higher interest rates and inflation, the ongoing war in Ukraine, and now the Middle East, have led to CDS prices increasing steadily.

2.11 On an annual basis, CDS price volatility has so far been lower in 2023 compared to 2022, but this year has seen more of a divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities once again.

2.12 Moody's revised its outlook on the UK sovereign to stable from negative to reflect its view of restored political predictability following the volatility after the 2022 mini-budget. Moody's also affirmed the Aa3 rating in recognition of the UK's economic resilience and strong institutional framework.

2.13 Following its rating action on the UK sovereign, Moody's revised the outlook on five UK banks to stable from negative and then followed this by the same action on five rated local authorities. However, within the same update the long-term ratings of those five local authorities were downgraded.

2.14 There remain competing tensions in the banking sector, on one side from higher interest rates boosting net income and profitability against another of a weakening economic outlook and likely recessions that increase the possibility of a deterioration in the quality of banks' assets.

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

2.16 **Interest rate forecast (November 2023):** Although UK inflation and wage growth remain elevated, the Authority's treasury management adviser Arlingclose forecasts that Bank Rate has peaked at 5.25%. The Bank of England's Monetary Policy Committee will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. Arlingclose sees rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.

2.17 Arlingclose expects long-term gilt yields to eventually fall from current levels (amid continued volatility) reflecting the lower medium-term path for Bank Rate. However, yields will remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

2.18 Like the BoE, the Federal Reserve and other central banks see persistently high policy rates through 2023 and 2024 as key to dampening domestic inflationary pressure. Bond markets will need to absorb significant new supply, particularly from the US government.

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

2.20 For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate/yield of 3.61%, and that new long-term loans will be borrowed at an average rate of 5.35%.

3 Local Context

3.1 On 1 December 2023, the Council held £60.4 million of borrowing and £56.4 million of treasury investments. This is set out in further detail at Appendix B. Forecast changes in these sums are shown in the balance sheet analysis in Table 1 below. Please note that due to not having the 2021/22 accounts finalised this forecast uses financial data from the draft 2021/22 Statement of Accounts. Where available these figures have been updated with current positions, but the overall position is still subject to some change.

Table 1: Balance sheet summary and forecast.

	31.3.23 Actual £m	31.3.24 Forecast £m	31.3.25 Forecast £m	31.3.26 Forecast £m	31.3.27 Forecast £m
Capital financing requirement	**97.1**	**97.6**	**100.6**	**106.6**	**109.2**
Less: External borrowing **	62.6	59.8	58.6	57.3	56.0
Internal borrowing	**34.6**	**37.7**	**42.0**	**49.3**	**53.2**
Less: Balance sheet resources	81.2	70.0	67.0	68.0	69.3
Treasury investments	**46.6**	**32.3**	**25.0**	**18.6**	**16.1**

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 2024/25.

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.

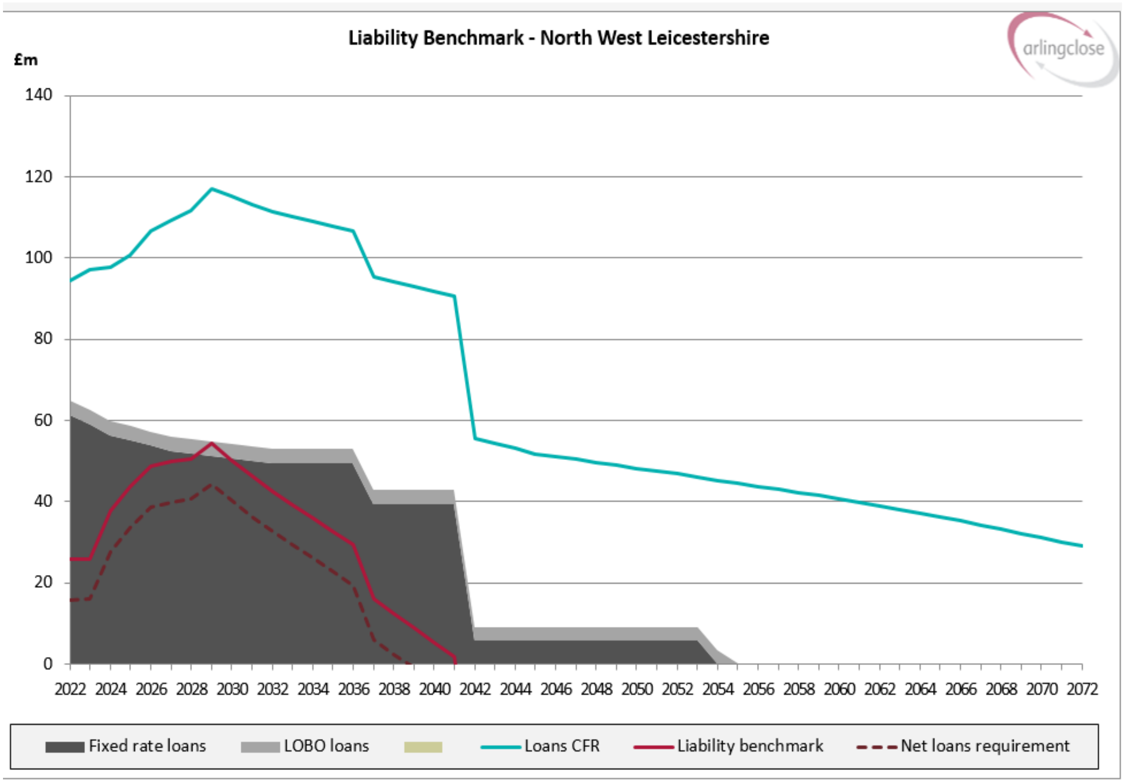
3.5 The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external 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 2021/22 unaudited accounts. Therefore, it is subject to change.

Table 2: Prudential Indicator: Liability benchmark

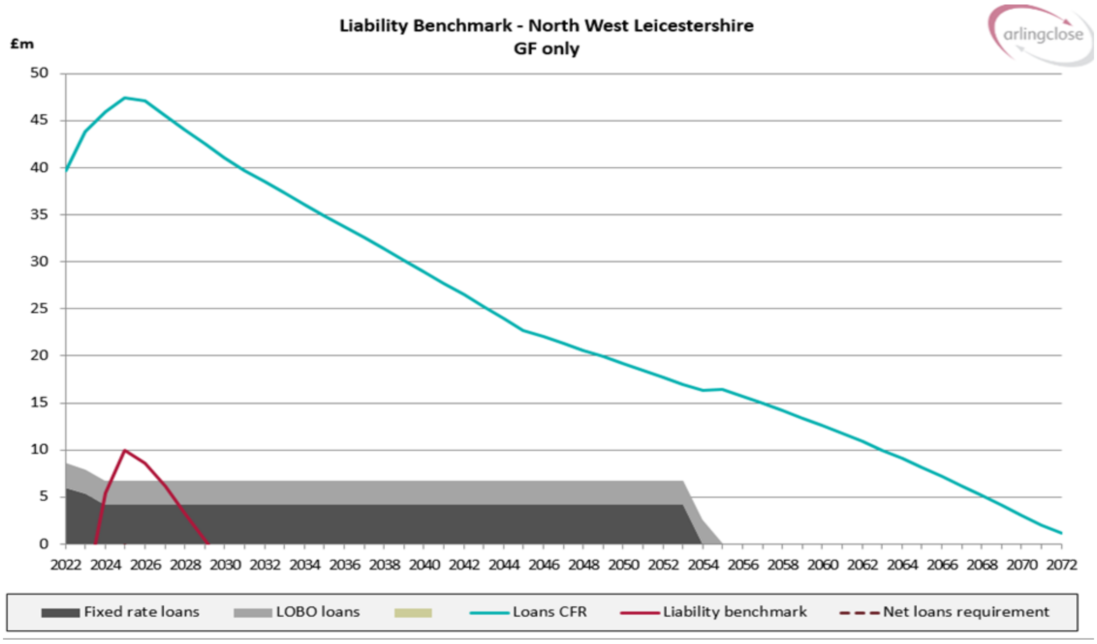
	31.3.23 Actual £m	31.3.24 Forecast £m	31.3.25 Forecast £m	31.3.26 Forecast £m	31.3.27 Forecast £m
Loans CFR	97.1	97.6	100.6	106.6	109.2
Less: Balance sheet resources	62.6	59.8	58.6	57.3	56.0
Net loans requirement	**34.6**	**37.7**	**42.0**	**49.3**	**53.2**
Plus: Liquidity allowance	10.0	10.0	10.0	10.0	10.0
Liability benchmark	**44.6**	**47.7**	**52.0**	**59.3**	**63.2**

3.7 Following on from the medium-term forecasts in Table 2 above, the long-term liability benchmark assumes capital expenditure funded by borrowing only for the HRA, minimum revenue provision on new capital expenditure based on local decisions on asset life and income, expenditure and reserves all increasing by inflation of 2.5% a year. This measure is shown in the charts below initially for the Council as a whole and then split into the General Fund and HRA together with the maturity profile of the Council's existing borrowing. Please note that as with the above graph these figures are in part using the 2021/21 unaudited accounts and may be subject to change:

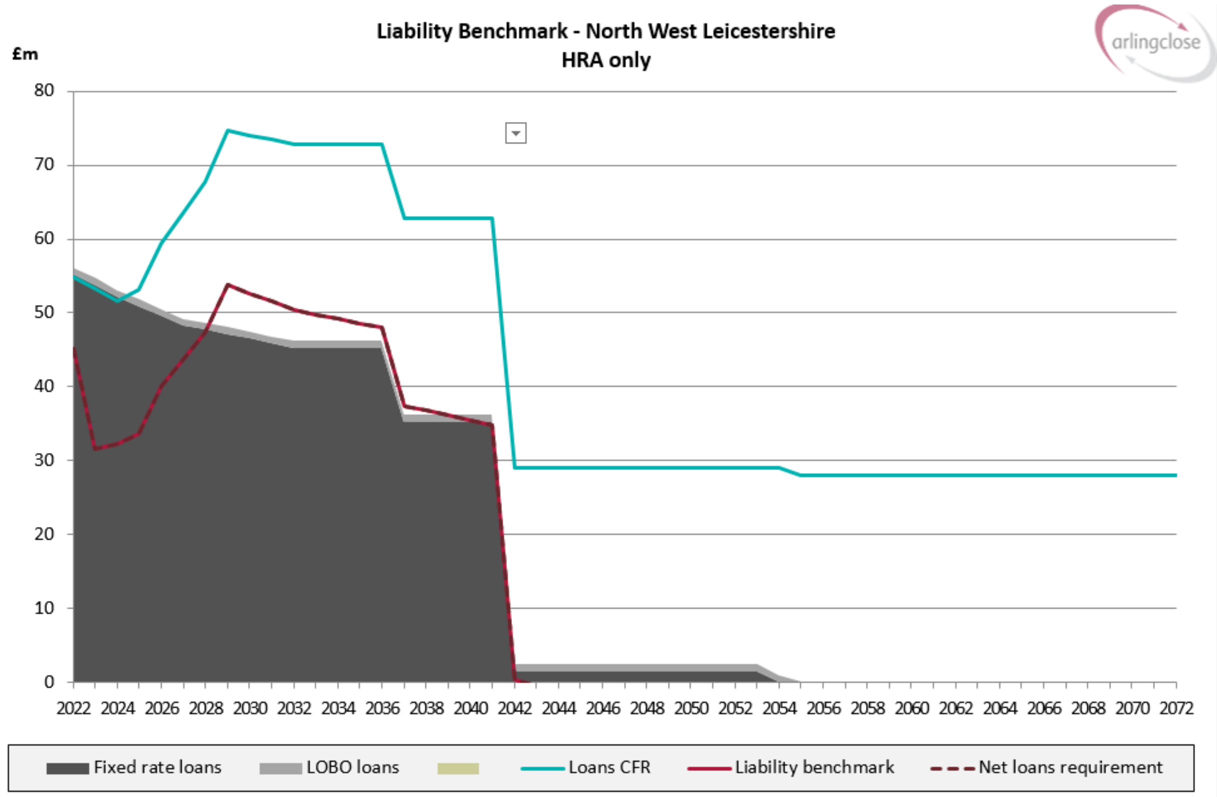


3.8 The above graph demonstrates the Council's overall forecasted borrowing requirement and anticipated underlying need to borrow. It shows that the Council is funding its CFR through a mixture of both internal and external borrowing.

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



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



4. Borrowing Strategy

4.1 As at 1 December 2023, the Council holds £60.4 million of loans, a decrease of £2.1million 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 in 2024/25, 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 £110.6 million as outlined below.

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

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

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

	31.3.23 Limit	31.3.24 Limit	31.3.25 Limit	31.3.26 Limit	31.3.27 Limit
Authorised limit - borrowing	107.1	107.6	110.6	116.6	119.2
Authorised limit - PFI and leases	0.0	0.0	TBC	TBC	TBC
Authorised limit - total external debt	107.1	107.6	110.6	116.6	119.2
Operational boundary - borrowing	97.1	97.6	100.6	106.6	109.2
Operational boundary - PFI and leases	0.0	0.0	TBC	TBC	TBC
Operational boundary - total external debt	97.1	97.6	100.6	106.6	109.2

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

4.5 **Strategy:** Given the significant cuts to public expenditure and to local government funding, the Authority'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 much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead**.** 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 / short-term 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 Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2024/25 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 most of its long-term borrowing from the Public Works Loan Board (PWLB) but will consider long-term loans from other sources including banks, pensions, and local authorities, and will investigate the possibility of issuing bonds and similar instruments, 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 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)
- UK Infrastructure Bank ltd
- 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
- Similar asset-based finance.

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

4.13 **Lender's Option Borrower's Option (LOBOs):** The Council holds £3.5 million of LOBO loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. £3.5 million of these LOBOs have options during 2024/25, and with interest rates having risen recently, there is now a reasonable chance that lenders will exercise their options. If they do, the Council will take the option to repay LOBO loans to reduce refinancing risk in later years. Total borrowing via LOBO loans will be limited to £3.5 million.

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

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

5 Treasury Investment Strategy

5.1 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. Since 31 March 2023, the Council's treasury investment balance has ranged between £68.2 million and £43.3 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, 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 Authority'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 Authority 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

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 Authority's "business model" for managing them. The Authority aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

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

Table 4: Treasury investment counterparties and limits

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	5 years	£60m	n/a
Local authorities & other government entities	5 years	£5m	£60m
Secured investments *	5 years	£5m	£60m
Banks (unsecured) *	13 months	£2.5m	£60m
Building societies (unsecured) *	13 months	£2.5m	£5m
Registered providers (unsecured) *	5 years	£2.5m	£12.5m
Money market funds *	n/a	£5m	£60m
Strategic pooled funds	n/a	£5m	£25m
Real estate investment trusts	n/a	£5m	£12.5m
Other investments *	5 years	£2.5m	£5m

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

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

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

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

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

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

5.14 **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government, and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

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

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

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

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

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

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

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

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

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

5.23 **Reputational aspects**: The Authority is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be considered when making investment decisions.

5.24 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, 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.

5.25 **Investment limits**: The Council's revenue reserves available to cover investment losses are forecast to be £16.5 million on 31 March 2024 and £16.5 million on 31 March 2025. In order that no more than 50% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £5 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

5.26 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.

5.27 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

5.28 **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.

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

6 Treasury Management Prudential Indicators

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

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

Credit risk indicator	**Target**
Portfolio average credit rating	A-

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

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

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

Interest rate risk indicator	External Borrowing Limit	Internal Borrowing Limit
Upper limit on one-year revenue impact per a 1% rise in interest rates	£550,000	£400,000
Upper limit on one-year revenue impact per a 1% fall in interest rates	£550,000	£400,000

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 01/04/2023
Under 12 months	0%	70%	38%
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%	3%
10 years and within 20 years	0%	90%	45%
20 years and above	0%	30%	9%

**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 £34.6 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	2024/25	2025/26	2026/27	No fixed date
Limit on principal invested beyond year end	£60m	£10m	£10m	£10m

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

7 Related Matters

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

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

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

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

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

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

7.7 **External Funds:** The Council manages S106 funds. These funds contribute towards the investment balances. Therefore, interest earnt on S106 balances are repaid to the S106 fund. The value of the S106 funds as at 31 December 2023 equals £6.9 million. Reducing our overall interest earnt forecast by an estimated £130,000.

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

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

8 Financial Implications

8.1 The risk adjusted budget for investment income in 2024/25 is £981,300, based on an average investment portfolio of £55.8 million at an interest rate of 3.61%. Deductions largely consisting of S106 Balances will reduce this by £189,300 leaving a total forecasted interest income of £792,000.

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

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

8.4 The budget for debt interest paid in 2024/25 is £2.2 million. Of this £520,000 refers to the General Fund and £1.7 million to the HRA. This is based on a debt portfolio of £62.6 million at an average interest rate of 3.6%. £51.9 million of this forecast is HRA Borrowing and £10.7 million is General Fund.

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

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

9 Other Options Considered

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

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less Certain

Appendix A

Arlingclose Economic & Interest Rate Forecast – November 2023

Underlying assumptions:

- UK inflation and wage growth remain elevated but, following a no-change MPC decision in November, Bank Rate appears to have peaked in this rate cycle. Near-term rate cuts are unlikely, although downside risks will increase as the UK economy likely slides into recession and inflation falls more quickly.
- The much-repeated message from the MPC is that monetary policy will remain tight as inflation is expected to moderate to target slowly. In the Bank's forecast, wage and services inflation, in particular, will keep CPI above the 2% target until 2026.
- The UK economy has so far been relatively resilient, but recent data indicates a further deceleration in business and household activity growth as higher interest rates start to bite. Global demand will remain soft, offering little assistance in offsetting weakening domestic demand. A recession remains a likely outcome.
- Employment demand is easing, although the tight labour market has resulted in higher nominal wage growth. Anecdotal evidence suggests slowing recruitment and pay growth, and we expect unemployment to rise further. As unemployment rises and interest rates remain high, consumer sentiment will deteriorate. Household spending will therefore be weak. Higher interest rates will also weigh on business investment and spending.
- Inflation will fall over the next 12 months. The path to the target will not be smooth, with higher energy prices and base effects interrupting the downtrend at times. The MPC's attention will remain on underlying inflation measures and wage data. We believe policy rates will remain at the peak for another 10 months, or until the MPC is comfortable the risk of further 'second-round' effects has diminished.
- Maintaining monetary policy in restrictive territory for so long, when the economy is already struggling, will require significant policy loosening in the future to boost activity.
- Global bond yields will remain volatile, particularly with the focus on US economic data and its monetary and fiscal policy. Like the BoE, the Federal Reserve and other central banks see persistently high policy rates through 2023 and 2024 as key to dampening domestic inflationary pressure. Bond markets will need to absorb significant new supply, particularly from the US government.
- There is a heightened risk of geo-political events causing substantial volatility in yields.

Forecast:

- The MPC held Bank Rate at 5.25% in November. We believe this is the peak for Bank Rate.
- The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. We see rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.
- The immediate risks around Bank Rate remain on the upside, but these diminish over the next few quarters and shift to the downside before balancing out, due to the weakening UK economy and dampening effects on inflation.
- Arlingclose expects long-term gilt yields to eventually fall from current levels (amid continued volatility) reflecting the lower medium-term path for Bank Rate. However,

yields will remain relatively higher than in the past, due to quantitative tightening and significant bond supply.

	Current	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	1.00	1.00
Central Case	5.25	5.25	5.25	5.25	5.00	4.75	4.25	4.00	3.75	3.50	3.25	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	1.00	1.00
Central Case	5.40	5.40	5.40	5.30	5.15	4.80	4.30	4.10	3.80	3.50	3.25	3.05	3.05
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
5yr gilt yield													
Upside risk	0.00	0.50	0.70	0.70	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.28	4.35	4.30	4.25	4.10	4.00	3.75	3.50	3.40	3.30	3.30	3.30	3.35
Downside risk	0.00	-0.55	-0.75	-0.85	-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	0.50	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20
Central Case	4.32	4.40	4.35	4.30	4.25	4.15	4.00	3.80	3.75	3.65	3.60	3.65	3.70
Downside risk	0.00	-0.55	-0.75	-0.85	-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	0.50	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20
Central Case	4.78	4.70	4.65	4.55	4.45	4.35	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Downside risk	0.00	-0.55	-0.75	-0.85	-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	0.50	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20
Central Case	4.38	4.30	4.25	4.20	4.15	4.15	4.10	4.10	4.10	4.10	4.10	4.10	4.10
Downside risk	0.00	-0.55	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

PWLB Standard Rate = Gilt yield + 1.00%
PWLB Certainty Rate = Gilt yield + 0.80%
PWLB HRA Rate = Gilt yield + 0.40%
UK Infrastructure Bank Rate = Gilt yield + 0.40%

Appendix B

Existing Investment & Debt Portfolio Position - 01 December 2023

	01/12/2023 Actual portfolio £m	01/12/2023 Average rate %
External borrowing:		
Public Works Loan Board	53.0	3.2%
LOBO loans from banks	3.5	4.8%
Other loans	3.9	4.7%
Total external borrowing	**60.4**	**3.4%**
Treasury investments:		
The UK Government	21.0	5.3%
Local authorities	15.0	5.1%
Banks (unsecured)	2.0	4.8%
Money market funds	17.5	5.3%
Total treasury investments	**55.5**	**5.2%**

Appendix 3

North West Leicestershire District Council

Draft Minimum Revenue Provision Statement 2024/25

1. Annual Minimum Revenue Provision Statement 2024/25

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

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

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

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

- For capital expenditure funded by borrowing incurred between 1 April 2008 and 31 March 2019, MRP will be determined as 4% of the capital financing requirement in respect of that expenditure. This will be charged on a straight-line basis over 25 years.

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

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

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

- For capital expenditure loans to third parties, the Authority will make nil MRP unless (a) the loan is an investment for commercial purposes and no repayment was received in year or (b) an expected credit loss was recognised or increased in-year 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 on loans that are investments for commercial purposes, 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. Sufficient MRP will be charged to ensure that the outstanding capital financing requirement (CFR) on the loan is no higher than the principal amount outstanding less the expected credit loss. This option was proposed by the government in its recent MRP consultation and in the Authority's view is consistent with the current regulations.

- No MRP will be charged in respect of assets held within the Housing Revenue Account but depreciation on those assets will be charged instead in line with regulations.

- 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 2024/25 will not be subject to a MRP charge until 2025/26.

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 2024, the budget for MRP has been set as follows:

	31.03.2024 Estimated CFR **£m**	**2024/25 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
Unsupported capital expenditure after 31.03.2019	34.1	1.4
Transferred debt	0.1	0.0
Total General Fund	**45.9**	**1.8**
Assets in the Housing Revenue Account	3.3	0.0
HRA subsidy reform payment	48.4	1.3
Total Housing Revenue Account	**51.7**	**1.3**
Total	**97.6**	**3.2**

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Appendix 4

North West Leicestershire District Council

Draft Non-Treasury Investment Strategy Report 2024/25

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 (known as **Commercial investments** where this is the main purpose). 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.

1.4 The statutory guidance defines investments as “all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios.” The Authority interprets this to exclude (a) trade receivables which meet the accounting definition of financial assets but are not investments in the everyday sense of the word and (b) property held partially to generate a profit but primarily for the provision of local public services. This aligns the Authority’s definition of an investment with that in the 2021 edition of the CIPFA Prudential Code, a more recent piece of statutory guidance.

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 £43.3 million and £68.2 million during the 2024/25 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 2024/25 for treasury management investments are covered in a separate document, the Treasury Management Strategy Statement 2024/25.

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	31.3.2023 actual			2024/25
	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	31.3.2023 actual			2024/25
	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.

Table 3: Property held for investment purposes in £ millions

Property	**31.3.2022 actual**		**31.3.2023 actual**	
	Gains or (losses)	**Value in accounts**	**Gains or (losses)**	**Value in accounts**
Industrial Units	-5.19	7.72	-0.32	7.4
Market Hall	0.26	0.45	0	0.45
Whitwick Business Centre	-0.01	1.82	-1.15	0.67
Land	0	0.26	0.08	0.34
TOTAL	**-4.94**	**10.25**	**-1.39**	**8.86**

5.2 **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.

5.3 **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.

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

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

Table 4: Proportionality of Investments £'000

	2022/23 Actual	2023/24 Forecast	2024/25 Budget	2025/26 Budget	2026/27 Budget
Investment income	709	651	651	651	651
Net service expenditure	17,030	17,087	17,358	17,465	17,216
Proportion	4%	4%	4%	4%	4%

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 2024/25.

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	**01.12.2023 Actual £m**	**31.03.2024 Forecast £m**	**31.03.2025 Forecast £m**
Treasury management investments	55.5	35.9	31.6
Commercial investments: Property	10.0	8.5	8.5
TOTAL INVESTMENTS	**65.5**	**44.4**	**40.1**
Commitments to lend	0	0	0
Guarantees issued on loans	0	0	0
TOTAL EXPOSURE	**65.5**	**44.4**	**40.1**

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	31.03.2023 Actual £m	31.03.2024 Forecast £m	31.03.2025 Forecast £m
Treasury management investments	4.9	2.9	2.7
Service investments: Loans	0	0	0
Service investments: Shares	0	0	0
Commercial investments: Property	1.8	1.1	1.0
Total Funded by Borrowing	**6.7**	**4.0**	**3.7**

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	2022/23 Actual	2023/34 Forecast	2024/25 Forecast
Treasury management investments	2%	4%	4%
Commercial investments: Property	4%	4%	4%

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 9 JANUARY 2024

Title of Report	**DRAFT GENERAL FUND BUDGET 2024/25**	
Presented by	Councillor Nick Rushton Corporate Portfolio Holder PH Briefed: Y	
Background Papers	General Fund Budget and Council Tax 2023/24 – Council 23 February 2023	**Public Report:** Yes **Key Decision:** Yes
Financial Implications	This report sets out the draft General Fund Revenue budget and Capital Programme and the Special Expenses draft budget for 2024/25. 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 2024/25 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 2024.	
Reason for Decision	Required as part of the budget setting process for 2024/25.	
Recommendations	**CABINET IS RECOMMENDED TO:** **1. PROPOSE THE 2024/25 DRAFT GENERAL FUND REVENUE, CAPITAL AND SPECIAL EXPENSES BUDGET, THE MEDIUM-TERM FINANCIAL PLAN (MTFP) FOR 2024/25 TO 2028/29 AND THE BUDGET PROPOSALS CONTAINED WITHIN THE REPORT AND THE PROPOSED FEES AND CHARGES FOR 2024/25 FOR STATUTORY CONSULTATION.** **2. NOTE THE COUNCIL'S KEY RISKS TO THE BUDGET.**	

	3. DELEGATE RESPONSIBILITY TO THE CHIEF EXECUTIVE IN CONSULTATION WITH THE DIRECTOR OF RESOURCES (SECTION 151 OFFICER) AND THE RELEVANT PORTFOLIO HOLDER TO SPEND £500K FROM THE MEDIUM TERM FINANCIAL PLAN (MTFP) RESERVE ON THE TRANSFORMATION PROGRAMME.

1.0 BACKGROUND AND DISCUSSION

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

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

1.1 Context

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

1.2 <u>Economic</u>

1.2.1 The recent report by the Office of Budget Responsibility (OBR) in respect of the Economic and Fiscal Outlook describes how the economy has proved to be more resilient to the shocks of the Covid pandemic and energy crisis than anticipated. GDP stood nearly 2% above its pre-pandemic level and around 3% above the OBR March forecast but is now expected the economy will grow more slowly over the medium term.

1.2.2 Inflation was expected to fall below 5% the end of the calendar year, which was achieved with the Consumer Prices Index (CPI) being confirmed at 4.6% in October. However, it is not forecast to return to its 2% target until the first half of 2025.

1.3 <u>Local Government</u>

1.3.1 High inflation, energy prices and pay awards have put substantial financial pressure on councils. The Local Government Association has estimated that councils face a funding gap of £2.4bn in 2023/24 and £1.6bn in 2024/25. These gaps relate to funding needed to maintain services at their current level.

1.3.2 The Autumn Statement 2023 announced in November 2023 was silent on wider issues in respect of local government funding for 2024/25 and beyond, including council tax referendum principles, grant funding and total increase in spending power. However, there were announcements welcomed by district councils including:

- Increasing the Local Housing Allowance (LHA) rate to the 30th percentile of local market rents from April 2024, The LHA is designed to ensure that people receive enough hosing benefit to cover the cost of renting a typical home in their area that is large enough for their needs.
- £120m funding for local authorities in England and the devolved administrations to invest in homelessness prevention, including to support Ukrainian households who can no longer remain in sponsorship.
- Extending 'thank you' payments for Homes for Ukraine sponsors into a third year
- Creating the flexibility for Local Planning Authorities to charge a locally-set premium fee for major planning applications, allowing them to recover the full cost.
- £110m Local Nutrient Mitigation Fund for councils to mitigate the impact of nutrient pollution in waterways and deliver thousands of homes that have been on hold. The Council would use monies secured from the Local Mitigation Fund to appoint specialist consultants to develop a detailed mitigation strategy and to identify short, medium and long term potential mitigation measures that could enable phosphate nutrient neutrality to be achieved for anticipated new housing and economic development in the River Mease Special Area of Conservation catchment.

1.3.3 Ahead of the Provisional Local Government Finance Settlement, the Government released a Policy Statement 2024 to 2025. It sets out the Government's intentions for the Local Government Finance Settlement 2024/25. It confirmed the Council Tax referendum principles for 2024/25, this being a principle of up to 3% or £5, whichever is higher, for shire district councils.

1.3.4 The Provisional Local Government Finance Settlement was announced on the 18 December. As the draft budget was prepared prior to the announcement, the draft budget has been compared to the finance settlement, overall, the funding allocations are broadly in line with the estimates set out in this report but will be updated accordingly for the Final Budget Report.

1.4 <u>Local – North West Leicestershire</u>

1.4.1 North West Leicestershire District Council continues to face increased costs from high inflation and pay awards.

1.4.2 In recent years the Council 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.

1.4.3 This continues to present 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 which is expected to be implemented in 2026.

1.4.4 Recognising the wider context within which the budget is being set, the Council made improvements to financial management in the last 12 months and has continued to use processes to develop its draft budget plans for 2024/25 and over the medium term. This recognises the greater focus within the organisation on its finances. The process, coupled with that used in previous years, has involved:

- Services completing budget proposals to justify the need for any changes to the budget.
- Budget STAR Chamber sessions between Directors 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.

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 2024/25 and MTFP 2024-29
Financial Stability and Sustainability	• Plan ahead for potential Government funding changes (including Business Rates Reset) • Do not become overly reliant on Business Rates funding for on-going service provision • Use future surpluses in Business Rates funding for future one off investment to reduce ongoing revenue costs or generate income
Resources Focussed on Priorities	• Align resources to Council Delivery Plan objectives
Maximising Our Sources of Income	• Fees and Charges maximised in accordance with the Corporate Charing Policy (increased by inflation)
Managing our Risks	• Acceptable level of risk tolerance • Review of reserves strategy and position

1.6 Budget Assumptions

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

- Pay award – additional 2.75% for 2023/24 (4% had been included within the 2023/24 budgets), 3% in 2024/25 and 2% thereafter.

- Contracts have been linked to the CPI/Retail Prices Index (RPI) as per individual agreements

- Inflation – fuel and utilities inflation are very volatile which was reflected in the large increases in the budget in 2023/24 (see table below). After reviewing the current prices and future indications based on the best information available, the decision has been taken that there is sufficient budget in 2024/25 to meet demand.

Cost	Increase in Budget

	2023/24
Fuel	30%
Gas	86%
Electricity	100%

- Fees and charges – budgets have been increased by 7% which was slightly higher than the September CPI of 6.7%. This is in line with the Corporate Charging Policy and supports cost recovery where the Council has not increased charges in previous years. There are also some charges where the charge has been increased above the 7% which are included in the budget options on Appendix 2. See section 2.4 for more detailed information on fees and charges.

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

2.0 GENERAL FUND BUDGET 2024/25

2.1 General Fund Budget Summary

2.1.1 Appendix 1 shows the general fund budget position for 2023/24 and the draft budget for 2024/25 to 2028/29.

2.1.2 Table 1 below highlights that in 2024/25 the net revenue expenditure has increased by £1,004k compared to 2023/24 and the anticipated funding has also increased by (£271k). However, it should be noted that £850k of this sum relates to one-off expenditure and will be funded from reserves.

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

	2023/24 £'000	2024/25 £'000	Movement £'000
Total Funding	(17,087)	(17,358)	(271)
Net Revenue Expenditure	17,353	18,384	1,031
Funding (surplus)/deficit	**266**	**1,026**	**760**
Contributions to/(from) reserves	(266)	(1,026)	(760)

2.1.3 To balance the budget in 2024/25, £1,026k is being met from reserve. Of this £850k is to fund one-off budget expenditure proposals which are discussed in further detail in section 2.2 below and is being met from the Medium-Term Financial Plan (MTFP) reserve. A further £176k is a contribution from the Business Rates Reserve (BRR) to fund the current budget gap in 2024/25.

2.1.4 It is anticipated that when the Final Local Government Finance Settlement is received from government that additional funding over and above the amount in the draft budget will be sufficient to cover the forecast funding gap. There is also additional work required to complete on finalising budget options which may also help to reduce this gap.

2.1.5 The forecast financial position for the medium term is set out in Appendix 1. Although the Council currently has a balanced budget for 2024/25 with the shortfall of £176k being funded from the BRR, there is uncertainty for the future as the budget gap for 2025/26 is £319k increasing to £2,007k in 2028/29. It is not part of the Council's financial strategy to continue to use the BRR to fund revenue expenditure as detailed above in section 1.5.1.

2.1.6 It should be noted that this is a much-improved position from last financial year when the budget gap for 2024/25 was £1,628k increasing to £3,905k in 2027/28. The budget options proposed for 2024/25 have helped to reduce the base funding position. However, there is still a funding gap over the medium-term coupled with an uncertain economic climate and ambiguity in respect of the local government finance funding regime.

2.1.7 A robust corporate and financial plan is required to bridge the funding gap and ensure the Council can balance its budget for 2025/26 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. There is a Transformation Programme planned to support this which is detailed in section 2.3.1 below.

2.2 Budget Changes to the MTFP

2.2.1 Appendix 2 sets out the most significant planned changes to the general fund budgets for 2024/25 to 2028/29.

2.2.2 Looking at 2024/25 specifically, the total budget proposals show an overall saving of £367k and include:

- **Cost pressures totalling £1.2m.** The most significant cost pressures relate to:

  - pay related costs which are due to increase by £0.5m, due to a combination of funding the unbudgeted balance of the pay award for 2023/24 and incremental increases for 2024/25. These additional costs have been offset by an increase in the vacancy allowance saving of 1% (from 2% to 3%) which provides an additional £200k saving to offset the increased budgeted pay costs in 2024/25 of 3%.

  - service pressures of £887k which includes £700k for one off-costs funded from reserves, the largest being £500k investment to provide capacity for the Transformation Programme. Other significant pressures include £40k increase on insurance costs due to the additional premiums mainly in relation to property and motor because of inflation and the Council's claim history, £60k one-off costs for additional finance systems administration support required for the finance system and £32k for additional security costs required for Council premises.

- **Budget Options totalling (£369k)** – these are net savings which have been identified across all service areas and are detailed in Appendix 2. Heads of Service were tasked with trying to achieve 10% net saving across their services. These are discussed in further detail in section 2.3 below. The main areas of savings/increased income are:

- **Housing £120k –** £50k reduction in temporary accommodation demand along with £70k increase in income from a change to the temporary accommodation charging policy.

- **Planning Skills Delivery Fund £95K** (one-off) - bid to assist with validation of planning applications for urban design and conservation processes.

- **Property Services £68k** – achieved through the closure of the Council Offices at Whitwick Road.

- **Planning £67k –** reduction in contribution to the Strategic Growth Plan.

* **Changes to income, which see a net income increase of £372k.** The largest increase in income relates to investment income of £275k due to higher interest rates and investment balances previously predicted, along with increased income of £90k from a 7% increase on fees and changes which is set out in paragraph 1.6.1 above. Other changes to income relate to changes to recharges to both the Housing Revenue Account (HRA) and Special Expenses. There are some changes to income which have been included as part of Budget Options.

* **Budget efficiencies totalling £46k.** This is where the Council has identified where some budgets can be decreased by identifying efficiencies from centralisation and removal of nominal budgets to achieve budget savings.

* **Technical Adjustments totalling £725k.** The main area adjusted is Financing Costs (cost of debt) which shows a reduction of £768k, due to the outturn of the 2022/23 and the forecast outturn for 2023/24 being lower than originally predicted for the general fund capital programme.

2.3 The Year Ahead by Service Area

2.3.1 Transformation

2.3.1.1 The transformation programme aims to improve the performance, efficiency and effectiveness of the Council. It may involve redesigning processes, systems and structures, as well as changing the culture, behaviours and skills of the workforce.

2.3.1.2 The benefits of the transformation programme include better outcomes for citizens, customers and stakeholders, as well as reduced costs and increased productivity. It will align with the priorities as set out in the Council Delivery Plan (CDP).

2.3.1.3 A transformation programme requires significant investment in terms of time, resources and money. This one-off investment is necessary to enable the changes to be implemented and sustained, as well as to overcome the challenges and risks that may arise during the transition. Therefore, it is important to justify the investment by demonstrating how it will contribute to the strategic objectives and priorities of the Council. One of the main priorities, as set out in the CDP, is to close the funding gap over the medium-term that has resulted from reduced central government grants, the planned business rates reset, increased demand for services and rising costs.

2.3.1.4 If the funding gap is left unaddressed, it could lead to financial instability, service deterioration and statutory failure. The transformation programme can help to close the funding gap by delivering efficiencies and savings across the Council. By streamlining processes, eliminating waste and duplication, and optimising resources, the programme can reduce the operational costs of delivering services. By enhancing quality, responsiveness and innovation, the programme can increase customer satisfaction, loyalty and retention, as well as generate new income streams.

2.3.1.5 By aligning services with needs, expectations and preferences, the programme can improve outcomes for citizens, communities and partners, as well as reduce demand for costly interventions. Therefore, investing in the transformation programme is not only desirable but essential for the future sustainability and success of the Council. It will enable the Council to achieve its vision of being a modern, efficient and customer-focused organisation that delivers value for money and excellent services for all.

2.3.1.6 The programme aims to achieve the following outcomes:

- Streamline processes and reduce duplication of work across departments and functions
- Enhance collaboration and communication among staff, partners and stakeholders
- Implement innovative solutions and best practices to deliver better outcomes for our customers
- Increase customer satisfaction and trust in the local government services.

2.3.1.7 The transformation programme requires an upfront investment to cover the costs of planning, designing and implementing the changes. However, this investment will be offset by the savings and benefits that will be generated by the programme in the long term.

2.3.1.8 One of the key aspects of the transformation programme is to ensure that the Council listens to and involves staff in the process. That is why several workshops and feedback sessions were recently held with senior leaders and staff where they had the opportunity to share opinions, concerns and suggestions about areas of focus for transformation. The feedback will help the Council to identify the main challenges and opportunities that it faces as an organisation, and to prioritise the actions and initiatives that will enable the Council to achieve our strategic goals.

2.3.1.9 The workshops focused on the following themes:

- Culture and Values
- Getting the Basics Right, Doing the Basics Well
- Delivering Our Priorities
- Customer Experience
- Value for Money
- Financial Sustainability

2.3.1.10 The initial feedback included the following:

- Visible leadership at every staff location
- Sharing knowledge
- Streamline ICT systems
- Improve digital access for staff and customers
- Rolling programme of service reviews to optimise the customer experience
- Review of all assets
- Customer insight and feedback to drive continuous improvement in process and provision

- Consistent customer engagement across the Council
- Review current service providers and suppliers to prioritise key contracts for essential services
- Identify and maximise commercial opportunities
- Ensure fees and charges are aligned to the market.

2.3.1.11 The Council has already commenced work to review all of its contracts to establish where procurement savings can be made. There are also service reviews in train which include waste and housing.

2.3.1.12 A Steering Group made up of senior officers will be a key governance mechanism that provides strategic direction, oversight and decision-making for the programme. The Group will:

- Define the vision, objectives, scope and benefits of the transformation programme
- Approve the programme plan and priorities, budget, resources and the risk management strategy
- Monitor and review the programme progress, performance and outcomes
- Resolve any issues, conflicts or dependencies that arise during the programme
- Ensure alignment and coordination with other programmes and projects within the Council
- Communicate and engage with internal and external stakeholders to secure their support and feedback
- Manage any changes or deviations from the original programme plan.

2.3.1.13 It is proposed that an initial investment of £500k will be spent on the programme to provide the necessary resources to align with the programme's objectives and priorities. It is recommended that responsibility for spending the £500k is delegated to the Chief Executive, in consultation with the Director of Resources (Section 151 Officer) and relevant Portfolio Holder. The investment will be met from the Medium-Term Plan Reserve.

2.3.2 ICT

2.3.2.1 Moving to a hybrid/agile working operating model has meant that the service supports 350 officers, as well as councillors, which is a pressure on ICT services. There is a greater focus on IT audits and this will continue over the short and medium term to ensure that the Council is compliant with ICT standards and practices.

2.3.2.2 There are a number of ICT systems which require upgrades as the software reaches end of life or end of contract.

2.3.2.3 There are likely to be several projects emerging from the Transformation Programme which will require ICT support.

2.3.2.4 The service will review the numerous ICT contracts in places across the Council with a view to reducing them, as well as ensuring that the systems deliver value for money.

2.3.3 Finance

2.3.3.1 During 2024/25, the finance team will continue to develop the Unit 4 finance system which went live in April 2023. Further development will allow more tasks to be completed in the system, such as budget monitoring and forecasting and continue to automate processes. To aid the development, two service pressures have been requested, £60k in relation to enable Embridge Consulting to support with Systems Administration and £50k for additional resources for Phase 3 of the project.

2.3.3.2 Key objectives for the year will be to ensure that the team is fully resourced, and the Statutory Accounts and Returns are completed in a timely manner. The team will also be leading on the procurement of the corporate insurance contract which will be live from October 2024. A £40k budget pressure has been included in the budget for the insurance contract until September 2024. The Council is looking for savings from the new contract commencing in October 2024.

2.3.4 Legal and Support Services

2.3.4.1 A priority for the Democratic Services Team will be to manage the Local Government Boundary Commission Review of Electoral Arrangements. Additional capacity has been secured to support this work through the Association of Electoral Administrators. This cost has been managed through existing budgets within the service. The Democratic Services Team will also be managing elections (PCC and Parliamentary) in 2024. Strong project management is in place for forthcoming elections.

2.3.4.2 In terms of Legal Services, there remains a vacant post on the establishment which is currently filled with locum support. This cost is being met from existing budgets within the service. Work is ongoing with the Head of Human Resources and Organisational Development to review the approach to recruitment of this post.

2.3.4.3 The resources and structure of the Internal Audit team were reviewed in 2023 to ensure that appropriate audit coverage was provided to the Council, both in terms of General Fund and Housing Revenue Account (HRA). The number of Audit days per year was increased from 130 to 315. This was necessary to provide an appropriate level of audit assurance to managers and members of Audit and Governance Committee. It is necessary to review the level of recharges to the HRA to ensure that they are commensurate with the number of audit days provided to the Housing Service.

2.3.5 Organisational Development

2.3.5.1 A key focus for the HR team in the next few years will be recruitment and retention issues affecting parts of the workforce and ensuring the Council remains an attractive employer to both new applicants while retaining existing employees. The Council will also be seeking to achieve greater efficiency through the reduction of sickness absences.

2.3.6 Strategic Housing

2.3.6.1 There continues to be increasing demand for the Council’s statutory homelessness service. This has led to increasing expenditure in recent years, in particular in relation to emergency accommodation.

2.3.6.2 This year the Council has developed a new Homelessness Strategy and revised the allocations policy to place a greater emphasis on reducing demand for temporary accommodation and ensuring on those occasions that such provision is required it is delivered in the most cost-effective way possible. The budget has been adjusted to reflect the expected impact of that work.

2.3.6.3 The Housing Choices Service is the only section of the Council to be accessible through freephone numbers. As communication preferences have changed it is felt that this is no longer necessary to ensure that the service is accessible.

2.3.7 Community Services

2.3.7.1 As a front facing function within the Council incorporating waste, parks, car parks, toilets, burials, leisure, markets, licencing, environmental health, community safety, community focus, environmental protection and fleet, the service continues to be affected by significant inflationary pressures related to contracts, fuel, materials, vehicle costs and utilities.

2.3.7.2 It is anticipated that the government will announce how much they will pay councils for the roll out of a domestic food waste collection scheme early in 2024 for which the service needs to mobilise for and there is currently a review being carried out on the Council's waste service which will feed into future service change decisions.

2.3.7.3 Other service changes anticipated focus on the service areas of Disabled Facilities Grants, public toilets, burials, trade waste, pest control and the parking service. Work is also underway to ensure that the new checks carried out on goods entering Great Britain from the EU are carried out on a full cost recovery basis at East Midlands Airport.

2.3.7.4 Work continues on zero carbon measures 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 own operations.

2.3.8 Planning and Development

2.3.8.1 The Planning Skills Delivery Fund refers to the £24m of government funding available to local authorities over two years to help with the implementation of the proposed reforms in the Levelling Up and Regeneration Act. This fund has been allocated in recognition of the fact that support is needed to help planning services deal with a variety of issues currently facing the planning system. Local Authorities in England were given the opportunity to apply for funding of up to £100k to help support the processing of planning applications. The Planning and Development Team has bid £95k to contribute to some additional Urban Design and heritage resource and support with validation of planning applications and is awaiting confirmation from DLUHC, due in the Autumn.

2.3.8.2 With the recent cancellation of the eastern leg of HS2 from Birmingham to East Midlands Parkway, the existing budget of £25k for the consultants who have been supporting the Council (SLC Rail) support will no longer be required.

2.3.8.3 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 any unanticipated requirement for additional evidential work over and above that currently budgeted for. As a result of upcoming changes to Regulations, the Local Plan will need to be submitted by the end of June 2025. If it is not possible to meet this deadline, then some of the existing evidence is at risk of being dated and so will need to be renewed at a significant cost to the Council. The new Regulation may also result in the need for new evidence or requirements which would add to the cost. Should this deadline be met there is a risk that the Local Plan Examination is longer and more contentious than might be anticipated and as such more expensive with the increased risk of the plan being found unsound.

2.3.8.4 The key service issue for the Planning and Development Team is to maintain the high level of performance achieved in meeting government targets for the determination of planning applications. Planning application fee income has dropped significantly so far in the first three quarters of 2023/24 because of the current economic situation and cost of living crisis. However, planning application fees increases of 35% for majors and 25% for all other applications came into force on 6 December 2023 and the impact of this in Quarter 4 of 2023/24 and also in 2024/25 will continue to be closely monitored. Officers are aware of a small number of major planning applications expected in 2024/25 which could secure up to half of the projected fee income for the year. Any additional fee income received over and above the projected budget will be put in reserve to manage workload peaks and troughs and to balance the Planning and Development budget in future years.

2.3.9 Property Services and Economic Regeneration

2.3.9.1 The Council's portfolio of properties suffers from a backlog of maintenance issues as a result of historic funding challenges within the public sector. The stock also continues to age, presenting increased maintenance needs. It will be necessary to continue to prioritise repair and refurbishment works going forward which will be assisted by the planned introduction of a new Asset Management system.

2.3.9.2 The Council's historic prioritisation of economic growth has delivered a local economy with higher employment rates and job availability than many comparable areas. The district is also a highly attractive area to potential inward investors. A priority set out in the Council Delivery Plan is to develop a district-wide regeneration framework which will help ensure that future activities are focused on the most important challenges or greatest opportunities.

2.4 Fees and Charges

2.4.1 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 2024/25.

2.4.2 The fees and charges have been increased by 7% which is slightly higher than the September CPI of 6.7%. Where appropriate, it has been considered, areas where demand has changed which impacts on the income.

2.4.2 There have been some changes to the income targets for 2024/25 which are detailed as part of the Budget Options shown in Appendix 2.

2.5 Funding

2.5.1 The funding position for the general fund remains uncertain at the time of publication. The Provisional Local Government Finance Settlement 2024/25 will provide further detail on key funding sources for the General Fund. As this is not anticipated until late in December 2023 the draft budgets have been prepared based on the assumptions set out in the medium term financial plan, which Council considered in February 2023, and adjusted for new information and intelligence that has been received following the Government's Autumn Statement and Local Government Finance Settlement Policy Statement 2024/25. 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 is now expected in 25/26.

- **Minimum Funding Guarantee** - This is estimated to be £1.2m in 2024/25 and £2.2m in 2025/26. 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 in 23/24.

- **Increase in Business Rates** - Growth in the district is expected to result in an increase in business rate income, from £16.6m currently forecast for this year to £17.1m for 2024/25. It is recommended that the additional income 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 2026/27. 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.

- **Revenue Support Grant –** There is estimated to be a small increase of £6k in this grant in 2024/25 to £96k but reducing back down to £90k in 25/26.

- **Reduction in Services Grant** - It is estimated that this grant will reduce from £93k in 2023/24 to £81k in 2024/25 and will cease after 2025/26.

- **Council Tax income is assumed to increase by £350k** - This is caused by growth in the district, an increase in Council Tax 2.75% and an increase in collection rate of 0.5%. This has been set based on the council tax base calculated for 2024/25. For more information see the Council Tax Base report which is on the agenda for consideration at this meeting.

2.5.2 The draft budget assumes the value of the district's share of council tax is increased by 2.75%.

2.5.3 The net impact is an increase in anticipated funding of £300k. This is highly likely to change once the Provisional Local Government Finance settlement is announced, which is expected to occur in late December 2023. An addendum paper explaining the changes will be provided to Cabinet ahead of its meeting.

2.6 General Fund Reserves

2.6.1 The Medium-Term Financial Plan (MTFP) reserve is to help manage deficits and funding volatility. The value of this reserve is forecast to be £7.9 million as at 31 March 2024.

2.6.2 In addition to these reserves, the Council also has earmarked reserves estimated to be £4.7m as at 31 March 2024, falling to £4.4m by 31 March 2025 and general balances of £1.5m. A summary of these reserves can be found in table 2 below.

Table 2: Summary of estimated reserves 2024/25 – 2028/29

Reserve Name	Estimated Balance as at 1/4/24 £	Commitments & Budget Proposals 24/25 £	Estimated balance as at 31/3/25 £	Future commitment incl budget proposals 25/26 to 28/29 £	Estimated Balance 31/3/29 £
Earmarked reserves - General Fund	4,662,553	(235,205)	4,427,348	(2,018,988)	2,408,360
MTFP Reserve	7,936,684	(700,000)	7,236,684	0	7,236,684
Business Rates Reserve	7,321,254	3,399,266	10,720,520	3,756,349	14,476,869
General Balance (minimum level of reserves) - General Fund	1,544,493	0	1,544,493	0	1,544,493
TOTAL ALL RESERVES - GENERAL FUND	**21,464,984**	**2,491,061**	**23,929,045**	**1,737,361**	**25,666,406**

2.6.3 Earmarked reserves are those reserves that have been earmarked for a specific purpose. The estimated balances include items currently committed and also £400k used to fund one off budget proposals over the four years from 2024/25 to 2027/28. A table showing details by service can be found in Appendix 5.

2.6.4 The MTFP reserve is expected to be £7.2m after taking into account the funding of one-off budgets for 2024/25. It will be used to mitigate unbudgeted pressures (including anticipated Government funding reduction), pump-priming invest to save opportunities and the transformation programme, and funding the capacity to deliver a medium-term financial plan.

2.6.5 Contributions into the business rates reserve are expected to be £8m in 2024/25 and £10m in 2025/26. 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. The figures in Table 2 are net of forecast funding of the capital programme.

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

3.0 CAPITAL PROGRAMME 2024/25 TO 2028/29

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 2024/25 and future years' programme.

3.1.3 A key change introduced in 2023/24, 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 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 2024.

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 Capital Strategy 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 2024/25-2028/29 Capital Programme

3.2.2 The proposed General Fund capital programme is outlined in Appendix 4. The five-year programme totals £21.9 million, a £4.7million increase on the previous five-year programme.

- **Stenson square public realm:** This is a £2m investment to create a new public realm. This scheme will invest in Council owned land at Stenson square and London Road car park to create improved facilities for the general public.

- **Investment in Council owned land:** Investment of £3.7m. Business cases will be developed to explore further developments to support regeneration and bring employment to the district as well as generate income to support council services.

- **UK Shared Prosperity Investment Programme:** The Council has been awarded £1.3m capital grant from the Department of levelling-up, housing and communities to undertake various projects in the district. This is year three of a three-year programme to deliver schemes including refurbishment of Moira furnace, development at memorial square to provide new office accommodation and the creation of an eco-park among other schemes.

- **Fleet replacement programme:** A programme to replace old vehicles with environmentally friendly fleet for services such as waste, parks and housing. The old vehicles would be sold and the receipts from sales re-invested in the programme. This is year three of this programme. A business case is currently in progress for investment required for future years.

- **Marlborough Centre purchase and renovation:** The Council acquired the Marlborough centre property in 2022/23. The building will be redeveloped to provide residential apartment properties and commercial units. The residential units will be sold after completion to generate capital receipts and the commercial units will be let to businesses to generate income to support service provision.

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

	24/25 Budget £'000	**25/26 Indicative £'000**	**26/27 Indicative £'000**	**27/28 Indicative £'000**	**28/29 Indicative £'000**
Capital Receipts	48	0	0	0	0
Government Grants	3,692	670	670	670	670
Reserves	4,933	3,642	2,229	301	0
Revenue Contributions	34	0	0	0	0
Prudential Borrowing	3,146	1,203	0	0	0
Total	**11,852**	**5,515**	**2,899**	**971**	**670**

3.3.2 The monies set out in the Reserves line in the table above 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 2024/25 and 2025/26.

4.0 SPECIAL EXPENSES 2024/25

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

4.2 The special expenses budget includes a five- year Planned and Preventative Maintenance (PPM) programme which should provide sufficient budget to cover future planned maintenance along with a programme for play equipment replacement. The PPM programme has been reviewed and updated as part of the budget preparation.

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

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

4.5 2024/25 Budget Setting

4.5.1 As part of the process of setting the 2024/25 budget for special expenses and the requirement to set a balanced budget, the Director of Resources requested a root and branch review of all income and expenditure in relation to special expenses. During this review and after seeking legal advice it was identified that the expenditure in relation to 'Closed Churchyards' and the subsidy in relation to grounds maintenance at Owen Street Coalville has been incorrectly treated as a special expense rather than General Fund expenditure.

4.5.2 The special expenses areas affected are: Appleby Magna, Coalville, Coleorton, Hugglescote and Donington-le-Heath, Lockington-cum-Hemington, Measham, Ravenstone with Snibstone, Stretton-en-le-field and Whitwick.

4.5.3 For 2024/25 the expenditure in relation to 'Closed Churchyards' has been removed from the special expenses and included in the General Fund. For four special expense areas (Appleby Magna, Lockington-cum-Hemington, Measham, Ravenstone with Snibstone, Stretton-en-le-field) this was the only expenditure. Therefore, the precept for 2024/25 has been removed. This will reduce the special expense areas to six.

4.5.4 For Coleorton, Hugglescote and Donington-le-Heath, Ravenstone with Snibstone and Whitwick the expenditure for 'Closed Churchyards' has been removed from future budgets and the precept has been reviewed and reduced accordingly.

4.5.5 The subsidy in relation to grounds maintenance at Owen Street Coalville has been removed from future Coalville special expense budgets and included in the general fund.

4.5.6 Due to the short budget setting timetable and the need to undertake further work on the treatment of previous years expenditure, a report will be taken through the governance process (Corporate Scrutiny, Cabinet and Council (if necessary) in spring 2024.

4.5.7 To enable consultation to commence, a draft budget requirement covering the period 2024/25 to 2028/29 has been produced for each special expense area and is available at Appendix 6. Also included in Appendix 6, is the movement from the 2023/24 to 2024/25 base budget and details of the Planned and Preventative Maintenance (PPM) included in the draft budget.

4.5.8 All of the special expense areas include a budget for 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.

4.5.9 The Council Tax Base has been calculated for 2024/25 and there is a separate report on the same agenda.

4.6 Special Expense Precepts 2024/25

4.6.1 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 Oakthorpe, Donisthorpe and Acresford, all special expense accounts have sufficient balances forecast for 2024/25.

4.6.2 In relation to Oakthorpe, Donisthorpe and Acresford, there is a deficit balance brought forward from 2022 due to the replacement of fencing at the play area. The proposal is to increase the precept to enable the recovery of the deficit over the next three years.

4.6.3 Table 4 below shows the proposed Band D Council Tax for the special expense areas.

Table 4 – Band D Annual Precept for each Special Expense Area

Special Expense Area	Council Tax Band D 2023/24	Increase/ (Decrease)	Council Tax Band D 2024/25
Appleby Magna	7.08	-7.08	0.00
Coalville	73.81	5.17	78.98
Coleorton	10.63	-7.12	3.51
Hugglescote/Donington-le-Heath	15.27	-6.44	8.83
Lockington-Cum-Hemington	13.72	-13.72	0.00
Measham	1.87	-1.87	0.00
Oakthorpe, Donisthorpe & Acresford	6.10	6.10	12.20
Ravenstone with Snibstone	1.29	-0.13	1.16
Stretton-en-le-field	73.11	-73.11	0.00
Whitwick	9.55	-2.90	6.65
Notes: The table excludes funding from localised council tax support grant, Section 106 contributions, income (e.g. event or rents) and earmarked reserves.			

4.6.4 Special expense budgets, just like all council budgets, are subject to the inflationary pressures of the current economic environment. To ensure a balanced budget is proposed and mitigate any funding gaps, action has been taken to minimise PPM expenditure. As well as seeking to increase income from Section 106 contributions and fees & charges.

4.6.5 There are potential risks in these mitigating actions. For example, minimising PPM expenditure in 2024/25 by deferring non-essential spend to future years, may lead to higher routine maintenance in the short term. This may take time to implement the impact of reductions in service levels which could lead to short term cost pressure on the wider general fund.

5.0 KEY RISKS TO THE BUDGET

5.1 Table 5 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 5: Key Risks to the Budget

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	The 2023/24 financial monitoring is showing a projected overspend of £252k on the General Fund. 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 2024/25 and the medium term.
Are arrangements for monitoring and reporting performance against the savings plans robust?	Y & N	In recent years the Council has not been required to make significant savings to maintain its financial position. With such a significant funding gap estimated for 2024/25, there are a range of budget options proposed for the General Fund Budget 2024/25. Where it is appropriate, delivery of savings/efficiencies will be monitored throughout the financial year and reported to stakeholders alongside the financial monitoring reports on a quarterly basis. Therefore, clear savings plans and delivery has not been required. As part of the Council's Transformation Programme, project management principles will be adopted with a suite of guidance and templates to support good practice, which, in turn will help the Council manage and monitor large scale transformation programmes.
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 Management 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 Council Delivery Plan (CDP) has been developed and was approved by Council on 14 November 2023. The CDP is aligned to the resources available and risks faced by the Council. The Council's ambition to be carbon neutral by 2030 is likely to require additional investment, however, the Council will look to maximise grant funding made available to it to support this priority. An exercise to identify the costs of getting to net zero will be completed in 2024/25.
A review of the major risks	Y	The major risks within the budget have been

Area	Y/N	Comments
associated with the budget		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 General Fund of (£1.5m). In the Audit Commission's 'Striking a Balance' report published in 2012, the majority of Chief Finance Officers at the national level regarded an amount of between three and five per cent of Council's net spending as a prudent level for risk-based reserves. Over the medium term the Council's forecast figure is between £264k and £1,556k. 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. Fees and charges have been increased, where it is appropriate to do so, in accordance with the Council's Corporate Charging Policy.
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.
Has a reasonable estimate of future income been made?	Y	The budget proposals presented by services were reviewed by finance and subject to budget challenge sessions.
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	For 2023/24, quarterly financial reporting to Cabinet and Scrutiny Committee has been introduced. The new finance system is intended to bring enhanced financial reporting for budget holders to support robust and regular monitoring of budgets.

Area	Y/N	Comments
		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.
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 implemented a new financial system in April 2023 to improve its reporting. Further enhancements to the system are required in the short-term to deliver this. A review of the Financial Procedures Rules is planned.
Have the previous years Accounts been signed off by external audit to verify balances?	N	The Council's Accounts for 2021/22 are currently being audited. The audit for the 2022/23 accounts will commence in Spring 2024. Budget estimates and reserves balances for 2024/25 and beyond are based on the latest information incorporated into the 2021/22 and 2022/23 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 continuation of the improvements introduced to the budget setting process last year. This has included a series of budget challenge sessions between the Directors 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 MTFP 2024-29 for income and expenditure, the Council can set a balanced draft budget for 2024/25.

6.2 Further work will need to be carried out going forward on balancing the budget gap for future years from 2025/26 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 At the time of publishing the draft budget for 2024/25 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.

6.5 Shown below in Table 6 is the key deadlines and meetings Finance are working towards in the budget approval cycle:

Table 6: Budget Timetable

Key Meetings in Budget Approval Cycle	Date
Corporate Scrutiny Meeting - to scrutinise draft budgets and related strategies	04/01/2024
Cabinet Meeting - to consider draft budget proposals , related strategies and launch consultation	09/01/2024
Cabinet Meeting - to approve the 2024/25 Council Tax Base	09/01/2024
Commencement of statutory consultation	10/01/2024
End of statutory consultation	23/01/2024
Cabinet Meeting - to receive consultation feedback and recommend final budget to Council	31/01/2024
Council - approval of final budget and MTFP	22/02/2024

6.6 As can be seen from the timelines above, we will be consulting with the public between 10 January and 23 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 10 January 2024. 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

Policies and other considerations, as appropriate	
	changes to fees and charges and District and special expenses precepts set out in this report. Equality Impact Assessments will be completed as part of the budget process.
Economic and Social Impact:	The General Fund capital programme allocates £7.9m to investing in Coalville Regeneration Projects over five years. £3.7m is being invested in Council owned land to support regeneration and bring employment to the district. The Council has been awarded £1.3m in government grants to undertake regeneration projects in the district. This includes refurbishment of Moira Furnace and provision of office spaces.
Environment and Climate Change:	The budget sees investment of £1.5m 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 Council also has a permanent Climate Change Programme Manager post
Consultation/Community Engagement:	Corporate Scrutiny Committee – 4 January 2024 Public consultation will begin 10 January to 23 January 2024 Parish and town councils, trade unions and the Federation of Small Businesses - 10 January to 23 January 2024.
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	Anna Crouch Head of Finance anna.crouch@nwleicestershire.gov.uk

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Appendix 1

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL GENERAL FUND SUMMARY BUDGET 2024/25 to 2028/29

2023/24 Budget £	Service	2024/25 Indicative £	2025/26 Indicative £	2026/27 Indicative £	2027/28 Indicative £	2028/29 Indicative £
277,030	Chief Executive	207,370	207,370	207,370	207,370	207,370
740,310	Human Resources	748,990	751,070	753,560	756,220	756,220
1,654,930	Legal & Support Services	1,921,310	1,928,710	1,935,230	1,940,850	1,940,850
2,672,270	**Total Chief Executive's Directorate**	**2,877,670**	**2,887,150**	**2,896,160**	**2,904,440**	**2,904,440**
340,600	Strategic Director of Place	147,730	147,730	147,730	147,730	147,730
1,141,250	Property & Economic Regeneration	1,313,220	1,164,840	1,166,490	1,168,170	1,168,170
985,399	Planning & Infrastructure	1,028,040	1,123,040	1,123,040	1,130,895	1,130,895
9,080	Joint Strategic Planning	8,440	6,640	4,800	2,930	2,930
2,476,329	**Total Place Directorate**	**2,497,430**	**2,442,250**	**2,442,060**	**2,449,725**	**2,449,725**
959,610	Director of Communities (incl Customer Services)	1,036,771	1,038,191	1,039,641	1,041,121	1,041,121
6,321,690	Community Services	6,764,095	6,559,863	6,393,297	6,201,547	6,001,607
797,733	Strategic Housing	697,669	697,669	697,669	697,669	697,669
8,079,033	**Total Community Services Directorate**	**8,498,535**	**8,295,723**	**8,130,607**	**7,940,337**	**7,740,397**
114,980	Strategic Director of Resources	242,730	242,730	242,730	242,730	242,730
1,086,770	Finance	1,075,180	1,007,000	1,008,530	1,010,130	1,010,130
1,131,260	Revenues & Benefits	1,196,330	1,217,100	1,238,710	1,261,190	1,261,190
1,208,970	ICT	1,237,390	1,177,030	1,177,030	1,187,030	1,187,030
70,810	Business Change	567,990	0	0	0	0
3,612,790	**Total Resources Directorate**	**4,319,620**	**3,643,860**	**3,667,000**	**3,701,080**	**3,701,080**
107,530	Non Distributed - Revenue Expenditure on Surplus Assets	115,140	116,120	117,120	118,140	118,140
67,380	Non Distributed - Retirement Benefits	69,980	71,330	72,710	74,120	74,120
70,410	Corporate & Democratic Core	92,570	92,570	92,570	92,570	92,570
651,230	Estimated Pay Award	0	350,930	720,840	1,090,670	1,460,660
17,736,972	**NET COST OF SERVICES**	**18,470,945**	**17,899,933**	**18,139,067**	**18,371,082**	**18,541,132**
(1,827,750)	Net Recharges from General Fund	(1,834,456)	(1,834,456)	(1,834,456)	(1,834,456)	(1,834,456)
15,909,222	**NET COST OF SERVICES AFTER RECHARGES**	**16,636,489**	**16,065,477**	**16,304,611**	**16,536,626**	**16,706,676**
	CORPORATE ITEMS AND FINANCING					
	Corporate Income and Expenditure					
1,763,264	Net Financing Costs	2,158,138	2,198,424	2,190,564	2,154,334	2,125,438
(335,200)	Investment Income	(410,200)	(400,200)	(400,200)	(400,200)	(400,200)
15,871	Localisation of CT Support Grant - Parish & Special Expenses	0	0	0	0	0
17,353,157	**NET REVENUE EXPENDITURE**	**18,384,427**	**17,863,701**	**18,094,975**	**18,290,760**	**18,431,914**
(290,195)	Budget Proposals Funded from Reserves - One-Off	(849,655)	(80,340)	(81,850)	(83,400)	(83,400)
24,116	Contribution to/(from) Balances/Reserves	(176,294)	0	0	0	0
17,087,078	**MET FROM GOVT GRANT & COUNCIL TAX**	**17,358,478**	**17,783,361**	**18,013,125**	**18,207,360**	**18,348,514**
	ANTICIPATED BASELINE FUNDING GAP	**(0)**	**318,630**	**797,593**	**1,432,497**	**2,007,399**

2023/24 Budget £	Service	2024/25 Indicative £	2025/26 Indicative £	2026/27 Indicative £	2027/28 Indicative £	2027/28 Indicative £
	Financed By					
1,219,692	New Homes Bonus	1,219,692	0	0	0	0
25,056	Transfer from/(to) Collection Fund - CT Prev Yrs Surplus/(Deficit)	0	0	0	0	0
5,771,361	Council Tax	6,121,420	6,421,844	6,756,807	7,095,357	7,458,161
2,493,566	National Non-Domestic Rates Baseline	2,493,565	2,543,537	2,593,508	2,643,479	2,698,448
6,222,377	Business Rates Retained Growth & Renewables Disregard	6,126,039	6,130,028	2,306,044	2,340,802	2,377,603
1,171,479	Minimum Funding Guarantee	1,220,492	2,197,956	0	0	0
93,369	Services Grant	81,120	81,120	0	0	
90,178	Revenue Support Grant	96,151	90,247	166,402	116,431	61,463
0	Transitional Relief	0	0	5,392,772	4,578,795	3,745,441
17,087,078	**TOTAL FUNDING AVAILABLE**	**17,358,479**	**17,464,732**	**17,215,533**	**16,774,863**	**16,341,116**

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Appendix 2

North West Leicestershire District Council

General Fund Budget Amendments to the MTFP 2024/25 to 2028/29

Change to MTFP	Proposal Description & Service Impact	Directorate	2024/25	2025/26	2026/27	2027/28	2028/29
			£	£	£	£	£
Pay Award 23/24	Budget 4%, actual £1,925 per FTE	Various	367,830	0	0	0	0
Pay Award Future Years	Including NI & Pension & other minor amendments	Various	14,120	8,320	0	0	0
Other Pay	Other salary adjustments	Various	(52,848)				
Incremental increases		Various	132,140				
Vacancy Allowance Increase	Applied a consistent 2% across the general fund	Various	(195,960)	(10,860)	0	0	0
Members allowances - Pay Award	Pay award	Chief Executives	20,000	0	0	0	0
Total Pay Related Costs			**285,282**	**(2,540)**	**0**	**0**	**0**
Increase in Legal Services Budget	Required for specialist legal advice	Chief Executives	5,000	0	0	0	0
Members allowances - Special Responsibility Allowance	Possible creation of a Scrutiny Commission SRA and levels of subsistence	Chief Executives	3,200	0	0	0	0
Local Resilience Forum	Increase in our contribution to the Local Resilience Forum	Chief Executives	2,000	0	0	0	0
Security costs	Additional costs for security required at Council Premises	Place	31,500	0	0	0	0
Insurance	Increased insurance costs net of recharge to HRA	Resources	40,000	40,000	0	0	0
ICT Firmstep Licences	Firmstep licences - entering into a 3 year contract which will mean a £5.5k increase from 23/24-25/26.	Resources	5,500	0	0	0	0
Finance System Admin Support	System admin support required for Unit 4	Resources	60,000	(60,000)	0	0	0
External Audit Fees	Increase in audit fees net of recharge to HRA	Resources	22,460	0	0	0	0
Transformation (one off costs)	Service Transformation Project Team - funded from the MTFP reserve	Resources	500,000	(500,000)	0	0	0
System Improvements (one off costs)	Finance System - Phase 3 - funded from the MTFP reserve	Resources	50,000	(50,000)	0	0	0
Feasibility Funding (one off costs)	Feasibility for Capital Projects - funded from the Business Rates Reserve	Place	150,000	(150,000)	0	0	0
Community Services	Community Safety Support Officer (focused upon significant ASB increases in the district)	Communities	17,000	0	0	0	0
Total Service Pressures			**886,660**	**(720,000)**	**0**	**0**	**0**
Audit Recharges to HRA	Review the HRA recharges to reflect the allocation of Audit days to HRA	Chief Executives	(29,000)	0	0	0	0
Project External Consultancy Support	This was originally set aside for corporate project support but has not been used as project support has been factored into the business cases assessment process where needed. This will continue to be the case in future projects.	Chief Executives	(20,000)	0	0	0	0
Emergency Planning	This is a highly unpredictable budget as it is difficult to predict emergency planning events, and as part of our Category 1 responder role we would be obliged to find any budget needed to support our communities in the event of a major incident. In quiet years the budget has not been spent historically.	Chief Executives	(2,000)	0	0	0	0
Corporate Training	Central training budget saving	Chief Executives	(15,000)	0	0	0	0
Housing Income	Charging policy for temporary accommodation	Communities	(5,000)	0	0	0	0
Housing Income	New temporary accommodation provision	Communities	(70,000)	0	0	0	0

Change to MTFP	Proposal Description & Service Impact	Directorate	2024/25 £	2025/26 £	2026/27 £	2027/28 £	2028/29 £
Community Services	Increase pest control charges by 3% (7% inflation dealt with via fees and charges)	Communities	(500)		0	0	0
Community Services	Set new port health charges to ensure full cost recovery (new port health regime to be introduced in April 2024 following EU exit)	Communities	(23,000)	0	0	0	0
Community Services	Back-office administration Cost Savings - various	Communities	(24,600)	(1,400)	0	0	0
Community Services	Leisure Contract – net impact of costs associated with the contract	Communities	264,000		0	0	0
Community Services	Leisure Contract – net impact of income associated with the contract	Communities	13,170	1,940	1,370	2,370	(197,630)
Community Services	LED Lighting installations on council car parks	Communities	(4,000)	0	0	0	0
Community Services	Revise SLA with Castle Donington College meaning the school retain all the income with costs risk transfer	Communities	0	(1,000)	(1,000)	(1,000)	(1,000)
Housing	Reduction in temporary accommodation demand	Communities	(50,000)	0	0	0	0
Housing Choices	Removal of freephone number - we now have a customer services centre to provide access	Communities	(2,500)	0	0	0	0
Community Services	Adjust the budget to reflect the re-introduction of charges to use Ashby and Coalville public conveniences in early 2024 as well as operational savings as per business case approved at Full Council in September 2023	Communities	(27,000)	0	0	0	0
Community Services	Stop providing a toilet service in Ashby from April 25 and seek the asset and service transfer of Ashby public toilets	Communities	0	(21,000)	(5,000)	0	0
Community Services	Delete the Council's budget for the Free Tree Scheme. This would mean that the National Forest area will be the only part of the district benefiting from free trees fully funded by the National Forest Company	Communities	(9,000)	0	0	0	0
Community Services	Increase the charge for any additional garden waste bins to align with charges across Leicestershire. Inflation of 7% will be applied to this charge through fees and charges. (total increase from £45 pa to £57pa)	Communities	(13,000)	0	0	0	0
Community Services	No longer print and distribute annual waste collection calendars to every house in the district and instead promote Councils website. Savings amount to staff time, printing costs and travel costs which will all reduce carbon emissions	Communities	(15,000)	0	0	0	0
Community Services	Reduce the Council's Community Grant Funding budget to Age UK £21,990 reducing by a third each year over three years to zero.	Communities	(7,330)	(7,330)	(7,330)	0	0
Community Services	Reduce the Council's contribution to the running of Ibstock Leisure Centre to Zero over three years. The grant in 23/24 is £15k	Communities	(5,000)	(5,000)	(5,000)	0	0
Planning Skills Delivery Fund Grant	Planning Skills Delivery Fund (one-off) – bid to assist with validation of planning applications for urban design and conservation processes.	Place	(95,000)	95,000	0	0	0
HS2 Consultancy	HS2 – budget for consultants no longer required	Place	(25,000)	0	0	0	0
Closure of Council Offices	Council Offices Budget – to reflect closure of Whitwick Road Council offices	Place	(67,600)	0	0	0	0
Town Centre WiFi	Town Centre Wifi – service provider has decided to withdraw from the market	Place	(11,000)	0	0	0	0
Ashby Museum Grant	Ashby Museum – removal of grant	Place	(1,500)	0	0	0	0
Strategic Growth Plan	NWLDC contribution to work in connection with Strategic Growth Plan	Place	(67,000)	0	0	0	0
ICT	Resources to match demand and efficiencies from contracts	Resources	(51,800)	(60,400)	0	0	0
ICT	Increase costs due to SAN Network less maintenance savings	Resources	(5,000)				
Total Budget Options			**(368,660)**	**810**	**(16,960)**	**1,370**	**(198,630)**
Corporate Income	Investment Income	Corporate	(275,000)	0	0	0	0
Fees & Charges	Increase in fees and charges income across the authority by 7%	Various	(89,640)	0	0	0	0
Recharge Income	Increased recharges to HRA - Grounds Maintenance	Communities	(44,850)	0	0	0	0
Recharge Income	Net reduction in other recharges to HRA (buildings, postage, printing, insurance, piperlife line)	Various	37,970	0	0	0	0

Change to MTFP	Proposal Description & Service Impact	Directorate	2024/25	2025/26	2026/27	2027/28	2028/29
			£	£	£	£	£
Total Changes In Income			**(371,520)**	**0**	**0**	**0**	**0**
Budget efficiencies	Removal of nominal budgets	Various	(37,300)	0	0	0	0
Budget efficiencies	Centralisation of budgets	Various	(9,080)	0	0	0	0
Total Efficiencies			**(46,380)**	**0**	**0**	**0**	**0**
							0
Special Expenses	Special Expenses overtime transferred back to General Fund	Communities	(6,100)	0	0	0	0
Special Expenses	Owen Street Maintenance transferred to General Fund reducing subsidy by 20% annually	Communities	12,800	(2,560)	(2,050)	(1,640)	(1,310)
Corporate	Various adjustments relating to recharges	Various	35,940	0	0	0	0
Financing Costs	Changes to the net financing costs following the budget proposals for capital and the forecast carried forwards for 23/24.	Corporate	(767,706)	40,286	(7,860)	(36,230)	(28,896)
Total Technical Adjustments			**(725,066)**	**37,726**	**(9,910)**	**(37,870)**	**(30,206)**
TOTAL BUDGET AMENDMENTS TO MTFP			**(339,684)**	**(684,004)**	**(26,870)**	**(36,500)**	**(228,836)**

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Appendix 3(a)

North West Leicestershire District Council
Proposed Fees & Charges 2024/25 - Place Directorate

Service	Fee/Charge	Charging Policy	2023/24 Fees	2024/25 Proposed Fees	Percentage Change in Fees	Basis for Change
Property	Rent of Commercial Property	Rent agreement	Negotiated with tenant dependant on size of building and market rates	No change	0%	
Property	Maintenance Charge for Commercial Property	% of rent	Currently 5% of rent, increasing to 10% on extension of lease and for new tenants.	Various	5%	Where new lease negotiated.
Property	Service Charges for Commercial Property	Actual cost	As per actual costs incurred	No change	0%	
Planning	Copy Planning/ Planning App Documents		£2.50 to £100	No change	0%	
Planning	Search fees LLC1	Trfd to Land Registry	£1 to £6	£ -	-100%	Transferred to Land Registry
Planning	Search fees CON29		£0 to £128	No change	0%	
Planning	Planning Application Fees	Set Nationally	Various	Various	25-35%	Set Nationally
Planning	Planning Conditions Discharge	Set Nationally	Various	Various	25-35%	Set Nationally
Planning	Pre-application fees	Individually determined	Various	Various	25-35%	

Appendix 3(b)

North West Leicestershire District Council
Proposed Fees & Charges 2024/25 - Communities Directorate

Service	Fee/Charge	Charging Policy	2023/24 Fees	2024/25 Proposed Fees	Percentage Change in Fees	Basis for Change
Waste Services	Bulky Collections	Full Cost Recovery	£28 For 1-3 items, £5.80 for each additional item	£30 For 1-3 items, £6.20 for each additional item	7%	inflationary/corporate increase
Waste Services	POP's Collections	Full Cost Recovery	£35 For 1-3 items, £7.25 for each additional item up to a maximum of 6 items	£37.50 For 1-3 items, £7.80 for each additional item up to a maximum of 6 items	7%	inflationary/corporate increase
Waste Services	Trade Refuse	Full Cost Recovery	between £9.35 to £19.80 for 240l, 360l, 1100l bins (per bin per collection)	between £10.00 to £21.20 for 240l, 360l, 1100l bins (per bin per collection)	7%	inflationary/corporate increase
Waste Services	Trade Sacks	Full Cost Recovery	£3.20 per sack (min 50 sacks)	£3.40 per sack (min 50 sacks)	7%	inflationary/corporate increase
Waste Services	Trade Recycling	Full Cost Recovery	between £4.00 to £6.80 for 240l, 360l, 1100l bins (per bin per collection)	between £4.30 to £7.30 for 240l, 360l, 1100l bins (per bin per collection)	7%	inflationary/corporate increase
Waste Services	Additional Garden Waste bin collection	Subsidised/Full Cost Recovery	£45.00	£57.00	27%	inflationary/corporate increase of 7% plus additional 20% increase to bring inline with other districts average charge
Waste Services	Emptying of litter bins	Full Cost Recovery	between £3.50 to £6.30 (per bin per wk)	between £3.80 to £6.70 (per bin per wk)	7%	inflationary/corporate increase
Waste Services	MOT's - Staff vehicles	Subsidised	£37.00	£40.00	8%	inflationary/corporate increase & competitive rate
Waste Services	Air Con Service - Staff vehicles	Full Cost Recovery	£40.00	£43.00	7%	inflationary/corporate increase
Leisure Services	Football pitch fees	Subsidised	Per match - Junior £33.00, Adult £56.00. Per season - Junior £312.00, Adult £563.00	Per match - Junior £35.00, Adult £60.00. Per season - Junior £334.00, Adult £602.00	7%	inflationary/corporate increase
Leisure Services	3G Pitch fees (Hermitage Rec Grd)	Subsidised/Full Cost Recovery	between £31.75 to £79.30 depending on pitch size and Adult/Junior	between £34.00 to £85.00 depending on pitch size and Adult/Junior	7%	inflationary/corporate increase
Environmental Prot (Leisure Services -Special Expenses)	Burial fees	Full Cost Recovery	between £62 to £1,905	Fees vary from £79.00 to £2,244.00	between 17% - 27%	10% increase for Hugglescote and Whitwick to bring in line with Coalville, plus inflationary/corporate increase and further 10% increase to bring in line with other authorities
Environmental Protection	Public Conveniences - Ashby & Coalville	Full Cost Recovery	from no charge for children to £0.10p per adult	flat rate of £0.30p	200%	Hasn't been charged since covid started. Increase to bring charge in line with other authorities
Environmental Protection	EV	Profit Generating	70p kwh	70p kwh	0%	
Environmental Protection	New Market	Full Cost Recovery	Fees vary from £17.50 to £60	Fees vary from £17.50 to £60	7%	inflationary/corporate increase
Environmental Protection	Private Sector Housing	Full Cost Recovery	From £106 to £475	From £113 to £508	7%	inflationary/corporate increase
Environmental Protection	Scrap Metal Dealers - Licenses	Full Cost Recovery	Fees vary from £38 to £553	Fees vary from £41 to £592	7%	inflationary/corporate increase
Environmental Protection	High Hedges	Full Cost Recovery	£553.00	£592.00	7%	inflationary/corporate increase
Environmental Protection	Noise surveys	Full Cost Recovery	£451.00	£483.00	7%	inflationary/corporate increase

Service	Fee/Charge	Charging Policy	2023/24 Fees	2024/25 Proposed Fees	Percentage Change in Fees	Basis for Change
Environmental Protection	Caravans/Mobile Homes	Full Cost Recovery	Fees vary from £79 to £412	Fees vary from £85 to £441	7%	inflationary/corporate increase
Environmental Health	Licensing	Subsidised/Full Cost Recovery	Fees vary between £3 and £64,000	Fees vary between £3.21 and £64,000	0%	Statutory Fees
Environmental Health	Health and Food Safety	Full Cost Recovery	Fees vary between £5 and £160	Fees vary between £5.50 and £172	7%	inflationary/corporate increase
Environmental Health	Border Inspection Post	Full Cost Recovery	Fees vary between £26.00 and £196	Fees vary between £10 and £199	7%	New regulations coming in April 2024 - fees & charges still being reviewed
Environmental Health	Pest Control	Subsidised/Full Cost Recovery	Fees vary between £18 and £200	Fees vary between £19.80 and £220	10%	increase of 7% due to inflation and a further 3% to bring charge in line with private sector charges
GF Housing	Caravan Site Rental	Rental Agreement	£39.84 from April 2023 on anniversary of individual rental agreement	£43.39 from April 2023 on anniversary of individual rental agreement	8.9%	September RPI
GF Housing	Lifelines for Private Customers - Basic	Contract	£4.78 pw	£5.10 pw	6.7%	September CPI
GF Housing	Lifelines Private Customers - Enhanced	Contract	£7.20 pw	£7.68 pw	6.7%	September CPI
GF Housing	Lifelines for Registered Providers - Basic	Contract	£2.18 to £3.81 pw	£2.33 to £4.07 pw	6.7%	September CPI

Appendix 3(c)

North West Leicestershire District Council
Proposed Fees & Charges 2024/25 - Resources & Chief Executive Directorates

Service	Fee/Charge	Charging Policy	2023/24 Fees	2024/25 Proposed Fees	Percentage Change in Fees	Basis for Change
Legal	Legal fees various		Various hourly rates depending on grade of person doing the work	Various	0	No Change
Democratic Services	Electoral Registration sale of register	Statutory	Data - per 1000 electors or part thereof £1.50 + handling fee £20 Printed copy per 1000 electors or part thereof £5 + handling fee £10 Certificate of Registration (subject to review) £10.	Data - per 1000 electors or part thereof £1.50 + handling fee £20 Printed copy per 1000 electors or part thereof £5 + handling fee £10 Certificate of Registration (subject to review) £0.	0	No Change on sale of register, but no longer allowed to charge for Certificate of Registration.
Democratic Services	Address Management		Renaming existing property £42.25 Naming/numbering existing property £42.25 Naming/numbering a development of up to 5 plots £42.25 per Plot Naming/numbering a development of more than 5 plots £211.25 + £22.25 for each plot from 6 onwards Naming a street £158 Change to development after notification: Admin £55.50 plus £28.25 per plot Street re-naming at residents request £276.50 plus all compensation met by applicant Confirmation of postal address details £28.25 Number a new flat complex £28.25 per flat	Renaming existing Property £46.50. Naming/numbering existing property £46.50. Naming/numbering a development of up to 5 plots £46.50 per plot. Naming/numbering a development of more than 5 plots £232.50 + £24.50 for each plot from 6 onwards. Naming a street £174. Change to development after notification: Admin £61.25 plus £31.25 per plot Street re-naming at residents request £305 plus all compensation met by applicant Confirmation of postal address details £31.25 Number a new flat complex £31.25 per flat.	10%	inflationary/corporate increase including additional as not increased for a few years.
ICT	Print Room Sales	Cost plus 25%	Mono 6p + paper and finishing Colour 7.5p + paper and finishing +25% for external customers	Mono 7p + paper and finishing Colour 8p + paper and finishing +25% for external customers	6.67%-16.67%	Inflationary
Finance - Fin Planning	External charges (Insurance)	Cost		Cost	Various	As per cost

GENERAL FUND CAPITAL PROGRAMME 2024/25-2028/29

Appendix 4

PROJECT	2024/25 For Approval £	2025/26 Indicative £	2026/27 Indicative £	2027/28 Indicative £	2028/29 Indicative £	Funding Source
ACTIVE PROJECTS						
Coalville Regeneration Projects						
Marlborough Square Improvements	991,713					**Reserves and Prudential Borrowing**
Marlborough Centre Purchase and Renovation	2,238,028	1,152,923				
Total Coalville Regeneration Projects	**3,229,741**	**1,152,923**	-		-	
Systems / ICT Schemes						
Laptop replacements	8,727					**Reserves**
SharePoint	10,000					
Total Systems / ICT Schemes	**18,727**	-	-	-	-	
Other Capital Schemes						
Disabled Facility Grants	2,428,745					**Grants and Reserves**
CCTV	49,969					
Memorial Clock Tower	9,000					
Total Other Capital Schemes	**2,487,714**	-	-		-	
TOTAL ACTIVE PROJECTS - MAIN PROGRAMME	**5,736,182**	**1,152,923**	-	-	-	

PROJECT	2024/25 For Approval	2025/26 Indicative	2026/27 Indicative	2027/28 Indicative	2028/29 Indicative	Funding Source
DEVELOPMENT POOL						
Coalville Regeneration Projects						
Coalville Regeneration Framework	1,041,616	500,000				**Reserves**
Demolition of Council Offices	150,000					
Total Coalville Regeneration Projects	**1,191,616**	**500,000**	**-**	**-**	**-**	
Systems / ICT Schemes						
Laptop Replacements	49,000	92,000	49,000	49,000		**Reserves**
Firewall Replacement				50,000		
Hosted SBC to Cloud	15,000					
Replacement of NetApp Storage Solution	70,000					
Total Systems / ICT Schemes	**134,000**	**92,000**	**49,000**	**99,000**	**-**	
Fleet Replacement and Infrastructure Programme						
Fleet Replacement Programme	1,496,643					**Capital receipts and Reserves**
Solar Panels - Ashby Leisure Centre/Coalville Leisure Centre	195,000					
Total Fleet Replacement and Infrastructure Programme	**1,691,643**	**-**	**-**	**-**	**-**	
Other Capital Schemes						
Disabled Facility Grants		670,310	670,310	670,310	670,310	**Grants and Reserves**
UK Shared Prosperity Investment Plan Programme	292,690					
Moira Furnace (Phase 1)	230,000					
The Courtyard Roof repair	200,000					
Hermitage Rec Ground Demolition	96,068	50,000				**Prudential Borrowing**
Hermitage Recreational Ground 3G Pitch			130,000			**Reserves**
Refuse Bins & Recycling Containers	194,000	200,000	200,000	202,000		
Electrical vehicle charging infrastructure/strategy	50,000					**Prudential Borrowing**
UKSPF - Moira Furnace (Phase 2)	300,000					**Grants**
UKSPF - Memorial Workspace	350,000					
UKSPF - National Forest	171,000					
UKSPF - Kegworth Quiet-Way	150,000					
Stenson Square Public Realm	1,000,000	1,000,000				

PROJECT	2024/25 For Approval	2025/26 Indicative	2026/27 Indicative	2027/28 Indicative	2028/29 Indicative	Funding Source
Investment in Council Owned Land		1,850,000	1,850,000			Reserves
Hermitage Play Area Fencing	18,000					
Parks depot electric gates	13,000					
Total Other Capital Schemes	**3,064,758**	**3,770,310**	**2,850,310**	**872,310**	**670,310**	
TOTAL DEVELOPMENT POOL - MAIN PROGRAMME	**6,082,017**	**4,362,310**	**2,899,310**	**971,310**	**670,310**	
TOTAL - MAIN PROGRAMME	**11,818,199**	**5,515,233**	**2,899,310**	**971,310**	**670,310**	

SPECIAL EXPENSES PROGRAMME

DEVELOPMENT POOL

Cemeteries

Hugglescote cemetery - new burial area works	34,000					**Revenue**
Total Cemeteries	**34,000**	**-**	**-**	**-**	**-**	
TOTAL DEVELOPMENT POOL	**34,000**	**-**	**-**	**-**	**-**	
TOTAL GENERAL FUND CAPITAL PROGRAMME	**11,852,199**	**5,515,233**	**2,899,310**	**971,310**	**670,310**	

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Appendix 5

North West Leicestershire District Council
Estimated Reserves 2024/25 to 2028/29

TEAM	Estimated Balance as at 1/4/24 £	Commitments & Budget Proposals 24/25 £	Estimated balance as at 31/3/25 £	Future commitment incl budget proposals 25/26 to 28/29 £	Estimated Balance 31/3/29 £
Earmarked Reserves:					
Chief Exec	334,000	0	334,000	0	334,000
Human Resources	30,000	0	30,000	0	30,000
Legal & Support Services	121,413	0	121,413	(121,413)	0
Property & Economic Regeneration	1,696,390	(73,300)	1,623,090	(1,623,090)	0
Planning	764,810	(12,250)	752,560	(28,895)	723,665
Joint Strategic Planning	91,017	0	91,017	0	91,017
Customer Services	6,273	0	6,273	0	6,273
Community Services	1,066,415	(78,850)	987,565	(245,590)	741,975
Strategic Housing	338,786	0	338,786	0	338,786
Finance	0	0	0	0	0
ICT	0	0	0	0	0
Revenues & Benefits	142,645	0	142,645	0	142,645
Business Change	70,805	(70,805)	0	0	0
MTFP Reserve	7,936,684	(700,000)	7,236,684	0	7,236,684
Business Rates Reserve	7,321,254	3,399,266	10,720,520	3,756,349	14,476,869
Total earmarked reserves - General Fund	**19,920,492**	**2,464,061**	**22,384,553**	**1,737,361**	**24,121,914**
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**
TOTAL ALL RESERVES - GENERAL FUND	**21,464,985**	**2,464,061**	**23,929,046**	**1,737,361**	**25,666,407**
Total earmarked reserves - Special Expenses	**31,668**		**31,668**	**0**	**31,668**
Other reserves Special Expenses:					
General Balance	0	0	0	0	0
Total other Reserves - Special Expenses	**0**	**0**	**0**	**0**	**0**
TOTAL ALL RESERVES - SPECIAL EXPENSES	**31,668**	**0**	**31,668**	**0**	**31,668**

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Appendix 6

COALVILLE SPECIAL EXPENSES BUDGET REQUIREMENT 2024/25-2028/29

COALVILLE	**2023/24 Budget**	**2024/25 Budget**	**2025/26 Budget**	**2026/27 Budget**	**2027/28 Budget**	**2028/29 Budget**
Cemetery	730	- 14,440	- 14,440	- 14,440	- 14,440	- 14,440
Planned Preventative Maintenance (Cemetery)	4,130	12,090	116,740	7,670	7,980	8,300
Other Expenses	-	5,000	5,000	5,000	5,000	5,000
Parks, Recreation Grounds & Open Spaces	303,640	294,190	293,850	293,490	297,710	297,540
Planned Preventative Maintenance (Parks/Recreation Grounds)	21,880	24,400	123,860	234,390	20,740	342,760
Events	84,440	96,950	95,120	95,120	95,120	95,120
Net Cost of Services	**414,820**	**418,190**	**620,130**	**621,230**	**412,110**	**734,280**
Service & Committee Management	99,880	89,760	89,760	89,760	89,760	89,760
Net Cost of Services after Recharges	**514,700**	**507,950**	**709,890**	**710,990**	**501,870**	**824,040**
Funded By:						
Contribution To/ (From) Reserves	- 2,402	32,826	- 164,063	- 160,065	54,200	- 262,776
Precept (Council Tax)	- 497,701	- 540,776	- 545,827	- 550,925	- 556,070	- 561,264
Localisation of Council Tax Support Grant	- 14,597	-	-	-	-	-
Total Funding	**- 514,700**	**- 507,950**	**- 709,890**	**- 710,990**	**- 501,870**	**- 824,040**

WHITWICK	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget
Cemetery	9,710	- 4,440	- 4,440	- 4,440	- 4,440	- 4,440
Open Space and Car Park	4,220	4,220	4,220	4,220	4,220	4,220
Planned Preventative Maintenance	-	4,730	3,280	3,610	5,270	4,370
Net Cost of Services	**13,930**	**4,510**	**3,060**	**3,390**	**5,050**	**4,150**
Service Management	12,640	13,140	13,140	13,140	13,140	13,140
Net Cost of Services after Recharges	**26,570**	**17,650**	**16,200**	**16,530**	**18,190**	**17,290**
Funded By:						
Contribution To/ (From) Reserves	6	691	2,178	1,886	263	1,201
Precept (Council Tax)	- 26,177	- 18,341	- 18,378	- 18,416	- 18,453	- 18,491
Localisation of Council Tax Support Grant	- 399	-	-	-	-	-
Total Funding	**- 26,570**	**- 17,650**	**- 16,200**	**- 16,530**	**- 18,190**	**- 17,290**

HUGGLESCOTE & DONINGTON-LE-HEATH	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget
Cemetery	9,590	- 190	- 190	- 190	- 190	- 190
Planned Preventative Maintenance	9,170	9,980	36,750	7,430	3,330	3,660
Net Cost of Services	**18,760**	**9,790**	**36,560**	**7,240**	**3,140**	**3,470**
Service Management	13,110	13,640	13,640	13,640	13,640	13,640
Net Cost of Services after Recharges	**31,870**	**23,430**	**50,200**	**20,880**	**16,780**	**17,110**
Funded By:						
Contribution To/ (From) Reserves	5,717	- 242	- 26,316	3,722	8,561	8,992
Precept (Council Tax)	- 37,091	- 23,188	- 23,884	- 24,602	- 25,341	- 26,102
Localisation of Council Tax Support Grant	- 496	-	-	-	-	-
Total Funding	**- 31,870**	**- 23,430**	**- 50,200**	**- 20,880**	**- 16,780**	**- 17,110**

COLEORTON	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget
Open Space	4,650	1,010	1,010	1,010	1,010	1,010
Planned Preventative Maintenance	-	1,300	880	970	1,070	1,180
Net Cost of Services	**4,650**	**2,310**	**1,890**	**1,980**	**2,080**	**2,190**
Service Management	-	-	-	-	-	-
Net Cost of Services after Recharges	**4,650**	**2,310**	**1,890**	**1,980**	**2,080**	**2,190**
Funded By:						
Contribution To/ (From) Reserves	1,650	- 239	197	124	40	- 53
Precept (Council Tax)	- 6,197	- 2,071	- 2,087	- 2,104	- 2,120	- 2,137
Localisation of Council Tax Support Grant	- 103	-	-	-	-	-
Total Funding	**- 4,650**	**- 2,310**	**- 1,890**	**- 1,980**	**- 2,080**	**- 2,190**

OAKTHORPE, DONISTHORPE & ACRESFORD	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget
Play Areas	4,320	4,250	4,250	4,250	4,250	4,250
Planned Preventative Maintenance	-	1,660	-	-	-	50,200
Net Cost of Services	**4,320**	**5,910**	**4,250**	**4,250**	**4,250**	**54,450**
Service Management	-	-	-	-	-	-
Net Cost of Services after Recharges	**4,320**	**5,910**	**4,250**	**4,250**	**4,250**	**54,450**
Funded By:						
Contribution To/ (From) Reserves	1,373	5,424	7,241	7,401	7,563	- 42,473
Precept (Council Tax)	- 5,582	- 11,334	- 11,491	- 11,651	- 11,813	- 11,977
Localisation of Council Tax Support Grant	- 111	-	-	-	-	-
Total Funding	**- 4,320**	**- 5,910**	**- 4,250**	**- 4,250**	**- 4,250**	**- 54,450**

RAVENSTONE	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget
Open Space	480	480	480	480	480	480
Planned Preventative Maintenance	-	640	700	770	850	940
Net Cost of Services	**480**	**1,120**	**1,180**	**1,250**	**1,330**	**1,420**
Service Management	-	-	-	-	-	-
Net Cost of Services after Recharges	**480**	**1,120**	**1,180**	**1,250**	**1,330**	**1,420**
Funded By:						
Contribution To/ (From) Reserves	887	117	70	13	- 53	- 129
Precept (Council Tax)	- 1,358	- 1,237	- 1,250	- 1,263	- 1,277	- 1,291
Localisation of Council Tax Support Grant	- 9	-	-	-	-	-
Total Funding	**- 480**	**- 1,120**	**- 1,180**	**- 1,250**	**- 1,330**	**- 1,420**

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 9 JANUARY 2024

Title of Report	**HOUSING REVENUE ACCOUNT BUDGET AND RENTS 2024/25**	
Presented by	Councillor Andrew Woodman Housing, Property & Customer Services Portfolio Holder PH Briefed: Yes	
Background Papers	Housing Revenue Account Budget and Rents 2023/24 - Council 23 February 2023	**Public Report:** Yes **Key Decision:** Yes
Financial Implications	This report sets out the draft Housing Revenue Account (HRA) budget including both capital and revenue for 2024/25 to 2028/29. It also sets out the proposed increase in rents along with other planned changes to the fees and charges levied by the Council for some services delivered within the scope of the HRA.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	No direct legal implications arising.	
	Signed off by the Deputy Monitoring Officer: Yes	
Staffing and Corporate Implications	No direct staffing or corporate implications arising.	
	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 and Rents for 2024/25 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 2024.	
Reason for Decision	To allow Cabinet to consider the Housing Revenue Account Budget 2024/25.	
Recommendations	**CABINET IS RECOMMENDED TO PROPOSE THE FOLLOWING FOR CONSULTATION:** • **DRAFT 2024/25 HOUSING REVENUE ACCOUNT BUDGET** • **RENT INCREASE**	

	• **DRAFT MTFP FOR 2024/25 TO 2028/29** • **DRAFT 2024/25 BUDGET PROPOSALS** • **DRAFT 2024/25 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 <u>Economic</u>

1.2.2 The recent report by the Office of Budget Responsibility (OBR) in respect of the Economic and Fiscal Outlook describes how the economy has proved to be more resilient to the shocks of the Covid pandemic and energy crisis than anticipated. GDP stood nearly 2% above its pre-pandemic level and around 3% above the OBR March forecast but it is now expected the economy will grow more slowly over the medium term.

1.2.3 Inflation is expected to fall below 5% by the end of the calendar year but not returning to its 2% target until the first half of 2025.

1.3 <u>Housing</u>

1.3.1 In response to health and safety issues which came in to focus following the 2017 Grenfell tragedy as well as several disrepair cases and fatalities highlighted in the media, the Social Housing Act (2023) has received royal assent. The Act gives greater enforcement powers to the Regulator for Social Housing on breaches of consumer standards.

1.3.2 Recognising the wider context within which the budget is being set, the Council made improvements to financial management in the last 12 months and has continued to use processes to develop its draft budget plans for 2024/25 and over the medium term. This recognises the greater focus within the organisation on its finances. The process, coupled with that used in previous years, has involved:

- Services completing budget proposals to justify the need for any changes to the budget.

- Budget STAR Chamber sessions between Directors 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.

1.4 Budget Assumptions

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

- Pay award – additional 2.75% for 2023/24 (4% had been included within the 2023/24 budgets), 3% in 2024/25 and 2% thereafter.

- Each budget line for the HRA has been reviewed to reflect the forecast actual value for future years, taking into account contract values, expected activity levels and previous years' expenditure. With inflation added as per contracts.

- Staffing requirements have been considered to ensure the delivery of an effective housing service with best outcomes for tenants.

- Contracts have been linked to the Consumer Price Index (CPI)/ Retail Price Index (RPI) as per individual agreements.

- Inflation – fuel and utilities inflation are very volatile which was reflected in the large increases in the budget in 2023/24 of between 30% and 100%. After reviewing the current prices and future indications based on the best information available, the decision has been taken that there is sufficient provision in the draft 2024/25 budget in to meet demand.

- 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).

- Rents are assumed to increase as per the rent standard at the 12 month CPI from September 2023 which was 6.7% plus 1%, a total increase of 7.7%.

- Number of properties sold through Right to Buy is assumed to reduce from previous years' estimate of 44 down to 20 per year. Lower numbers of homes have been sold through Right to Buy so far in the current financial year. This can be viewed in the context of cost of living increases and high interest rates.

- Future borrowing is assumed to cost 5.5% in interest.

2.0 HOUSING REVENUE ACCOUNT BUDGET AND MTFS 2024/25 to 2028/29

2.1 HRA Budget Summary

2.1.1 Appendix 1 shows the HRA budget position for 2023/24 and the budget for 2024/25 to 2028/29.

2.1.2 Table 1 below highlights that in 2024/25 the budgeted net operating expenditure has reduced by £1.995m compared to 2023/24 whilst the anticipated income has increased by £1.161m.

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

	2023/24 £'000	2024/25 £'000	Movement £'000
Income	-20,139	-21,300	-1,161
Operating Expenditure	17,077	18,838	1,761
Operating (surplus)/deficit	**-3,062**	**-2,462**	**600**
Appropriations	7,541	4,946	-2,595
Net (surplus)/deficit	**4,479**	**2,484**	**-1,995**

2.1.3 The appropriations in the table are 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 lower in 2024/25 as the HRA balance has a lower capacity to fund capital.

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. From 2016/17 to 2020/21 the Welfare Reform Act (2016) required all social rents to be reduced by 1% each year. This negatively impacted on the budget and the Council's ability to fund improvements. In 2023/24 a rent cap was imposed which capped rent increases at 7% which was 3.1% below inflation. This real terms rent cut further impacted on available funding.

2.2.2 For 2024/25 the Council proposes to increase the rents by 7.7% which is in line with the Rent Standard of CPI +1% for 2024/25. (The rent standard is a policy that registered providers of social housing in England must comply with and is overseen by the Regulator of Social Housing.) The increase is expected to result in a total rental income of £20.2 million in 2024/25.

2.2.3 The average weekly rent for the 3,965 Social Rent properties, will increase from £92.98 to £99.28, an average increase of £6.30 per week. Those tenants who are more vulnerable are protected via benefits increases above this level, meaning that the worst off in the district will be no worse off.

2.3 Budget Proposals

2.3.1 Appendix 2 summarises the most significant proposed changes to the HRA budgets. Looking at 2024/25 specifically, the total budget proposals of £0.6m include:

- **Net increase in income totalling £1.24m.** This is largely due to the increased rental income described in paragraph 2.2.1.

- **Cost pressures totalling £3.68m.** The most significant cost pressures relate to:
  - repairs backlog costs totalling £2m.
  - Inflation of £0.3m which is across the service but £0.094m recharges from general fund and £0.046m heating maintenance inflation are particularly significant.
  - pay related costs are due to increase by £0.61m, due to ensuring staffing matches the demand for the service
  - corporate pressures totalling £0.7m which is the increase in depreciation costs which increase due to inflation and the changing number of properties and works.

- **Efficiencies totalling £1.85m.** This is largely due to the comprehensive review of all budget lines ensuring all income and all expenditure is budgeted for at the correct level.

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 2024/25 are listed in Appendix 3. The main changes are listed below:

- Most service charges increased by 6.7%, September CPI in line with the corporate charging policy.

- A new charge for use of storage and charging for mobility scooters. The amount of charge depends on the scheme.

3.0 HRA CAPITAL PROGRAMME 2024/25 TO 2028/29

3.1.1 The proposed HRA capital programme is outlined in Appendix 4. In 2023/24 governance improvements were made via the Capital Strategy for managing capital programmes through their life cycle. In 2024/25, the programme has again been split into Approved and Development Pool to allow development schemes in early stages to go through further governance before being allocated a budget appropriate to complete each stage of development. A summary of the capital programme is shown in Table 2.

Table 2: Summary Capital Programme

	2024/25 Budget £'000	2025/26 Indicative £'000	2026/27 Indicative £'000	2027/28 Indicative £'000	2028/29 Indicative £'000	Total £'000
Stock Investment	10,025	7,400	7,400	7,400	7,400	39,625
Estate Improvements	670	500	500	500	500	2,670

Other Capital	1,430	600	600	600	600	3,830
Total Approved Programme	12,125	8,500	8,500	8,500	8,500	46,125
Total Development Pool	3,400	5,810	2,640	1,190	4,660	17,700
Housing Revenue Account Total	**15,525**	**14,310**	**11,140**	**9,690**	**13,160**	**63,825**

3.1.2 Over the five-year period, the total programme comes to £63.825m, an increase of £1.3m over the previous five-year programme. The difference is mainly due to a £3.8m increase in New Supply offset by a £2m increase in Home Improvement Programme.

- **New Supply:** The programme has been extended to include sites being initially developed by registered providers.

- **Home Improvement Programme:** The increase of £2million is to cover the cost of a backlog of works.

Work has commenced on a revised Asset Management and Business Plan for the HRA. This will complete during 2024/5 and will inform the future programming of the HRA in future years.

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

	2024/25 Budget £'000	2025/26 Indicative £'000	2026/27 Indicative £'000	2027/28 Indicative £'000	2028/29 Indicative £'000
Reserves	4,349	3,642	3,225	3,035	2,219
Capital Receipts	6,230	2,968	2,452	2,001	3,389
Revenue contributions	2,280	0	0	0	0
External Borrowing	2,666	7,700	5,463	4,654	7,552
Housing Revenue Account Total	**15,525**	**14,310**	**11,140**	**9,690**	**13,160**

3.2.2 Table 3, above, shows a borrowing requirement of £28m over five years to fund the programme. This has increased by £3.6m compared to the five year plan from 2023/24. The increase is due to a combination of reserves being used to fund 2023/24 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 £51.1m at the end of 2023/24. There are annuity loan repayments of approximately £1.2m to make each year, these repayments are usually funded from working balances but once working balances reach the £1m 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 £10m repayment in 2036/37. In accordance with the strategy agreed in 2012 when self-financing for the HRA was introduced, the Council sets aside funding each year in a Debt Repayment Reserve to ensure there is sufficient funding to repay debt when it matures. The budget assumes £2.7m is set aside in 2024/25 from capital resources in order to make the scheduled repayments at maturity, this increases each year as there is further borrowing to finance the capital programme.

4.3 The HRA business plan is to be reviewed over the next few months and it will be investigated whether the approach of using a debt repayment reserve presents the best approach for a well-funded HRA and best use of resources. The findings will be presented to Scrutiny and Cabinet.

5.0 RESERVES

5.1 The Council has a number of reserves for the use of the HRA. Most of the reserves are used for capital financing as shown in 3.2.1. Table 4 shows the projected reserve balances over the MTFS period.

Table 4: Reserve balances

Reserve	31.3.25 £000	31.3.26 £000	31.3.27 £000	31.3.28 £000	31.3.29 £000
Major Repairs Reserve	0	0	0	0	0
Capital Receipts	4,605	4,400	4,711	5,472	4,845
Debt Repayment Reserve	4,764	7,956	11,556	15,473	19,801
Total Capital Reserves	**9,369**	**12,356**	**16,267**	**20,945**	**24,646**
HRA Reserve	3,618	1,135	1,000	968	747
Ear Marked Reserves	510	510	510	510	510
Total Revenue Reserves	**4,128**	**1,645**	**1,510**	**1,478**	**1,257**

6.0 KEY RISKS TO THE BUDGET

6.1 Table 5 provides an assessment of the key risk areas to determine the robustness of the estimates and adequacy of reserves included in the HRA budgets:

Table 5: Key Risks to the Budget

Area	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	The 2023/24 financial monitoring is showing a projected overspend of £0.436m 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 2024/25 and the medium term.
The reasonableness of the underlying budget assumptions	Y	External review has also been undertaken by the treasury advisers, Arlingclose, on the Treasury Management 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 Council Delivery Plan (CDP) has been developed and was approved by Council on 14 November 2023. The CDP is aligned to the resources available and risks faced by the Council.
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 HRA (£1m). This level is to be reviewed as part of the HRA business planning process.
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 most significant area of income is from dwelling rents. The budget for this is produced with reference to current stock levels and expected stock loss, reconciling data and changes from previous year to current year. Fees and charges have been increased, where it is appropriate to do so, in accordance with the Council's Corporate Charging Policy.
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.

Area	Y/N	Comments
Has a reasonable estimate of future income been made?	Y	The budget proposals presented by services were reviewed by finance and subject to budget challenge sessions.
Have one-off cost pressures been identified?	Y	All pressures have been reviewed to assess if they are one-off or ongoing in nature. 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	For 2023/24, quarterly financial reporting to Cabinet and Scrutiny Committee has been introduced. The new finance system is intended to bring enhanced financial reporting for budget holders to support robust and regular monitoring of budgets. 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.
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 implemented a new financial system in April 2023 to improve its reporting. Further enhancements to the system are required in the short-term to deliver this. A review of the Financial Procedures Rules is planned.
Have the previous years Accounts been signed off by external audit to verify balances?	N	The Council's Accounts for 2021/22 are currently being audited. The audit for the 2022/23 accounts will commence in Spring 2024. Budget estimates and reserves balances for 2024/25 and beyond are based on the latest information incorporated into the 2021/22 and 2022/23 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 continuation of the improvements introduced to the budget setting process last year. This has included a series of budget challenge sessions between the Directors and Heads of Service, as well as engagement with Corporate Leadership Team, Portfolio Holders, Strategy Group and an all councillor briefing.

7.0 CONCLUSIONS AND NEXT STEPS

7.1 Based on the assumptions made for the HRA in the Draft Budget 2024/25 and MTFP for 2024-29 for income and expenditure, the Council can set a balanced HRA budget for 2024/25 and indicative budgets to 2028/29.

7.2 There is still further work to be carried out between the draft and final budget position to make any further changes to budget proposals, further detailed work on net financing costs, capital financing, ensuring the minimum balance for the HRA is maintained and technical finance work around recharges. There will also be equality impact assessments carried out during this period.

7.3 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	04/01/2024
Cabinet Meeting - to consider draft budget proposals, related strategies and launch consultation	09/01/2024
Cabinet Meeting - to approve the 2024/25 Council Tax Base	09/01/2024
Commencement of statutory consultation	10/01/2024
End of statutory consultation	23/01/2024
Cabinet Meeting - to receive consultation feedback and recommend final budget to Council	31/01/2024
Council - approval of final budget and MTFP	22/02/2024

7.4 As can be seen from the timelines above, we will be consulting with the public between 10 January and 23 January and will feedback these responses to Cabinet on 31 January when a final budget will be recommended.

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 10 January 2024. 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 final budget to be presented to Cabinet.
Customer Impact:	Customers are likely to be impacted by the changes to rents. fees and charges.
Economic and Social Impact:	The HRA capital programme allocates £39.3m over five years to improve homes and in the same period, £17.7m 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 4 January 2024 Public consultation - 10 January to 23 January 2024 Parish and town councils, trade unions and the Federation of Small Businesses - 12 January to 23 January 2024. Tenants and Leaseholders Consultation Forum – date to be confirmed. The results of the above consultations will be detailed in the final report.
Risks:	The budgets will be monitored throughout the year to ensure the Council remains within its funding envelope and planned budget savings are delivered. Key risks to the budget are discussed in further detail in section 5 of the report.
Officer Contact	Anna Crouch Head of Finance and Section 151 Officer anna.crouch@nwleicestershire.gov.uk

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL HRA SUMMARY BUDGET 2024/25 to 2028/29

2023/24 Revised Budget	HOUSING REVENUE ACCOUNT SUMMARY	2024/25 Requested Budget	2025/26 Indicative	2026/27 Indicative	2027/28 Indicative	2028/29 Indicative
£		£	£	£	£	£
	Expenditure					
7,693,445	Repairs & Maintenance	8,803,262	9,093,770	9,284,739	9,433,295	9,621,961
3,995,193	Supervision & Management	3,802,933	3,876,780	3,958,193	4,021,524	4,101,954
100,000	Provision for Doubtful Debts	100,000	100,000	100,000	100,000	100,000
3,466,317	Depreciation	4,161,536	4,327,682	4,417,848	4,530,456	4,619,880
1,822,113	Capital Financing & Debt Management	1,970,558	2,323,374	2,676,032	3,122,825	3,466,119
17,077,068	**Total Expenditure**	**18,838,289**	**19,721,606**	**20,436,812**	**21,208,100**	**21,909,914**
	Income					
-19,791,781	Rent & Service Charges	-20,955,320	-21,774,342	-22,414,818	-22,908,079	-23,364,380
-41,000	Non-Dwelling Rents	-38,900	-38,900	-38,900	-38,900	-38,900
-20,147	Other Income	-20,147	-20,147	-20,147	-20,147	-20,147
-286,000	Investment Income	-286,000	-260,000	-338,000	-441,000	-564,000
-20,138,928	**Total Income**	**-21,300,367**	**-22,093,389**	**-22,811,865**	**-23,408,126**	**-23,987,427**
-3,061,860	**Net Operating Expenditure/-Surplus**	**-2,462,078**	**-2,371,783**	**-2,375,053**	**-2,200,026**	**-2,077,513**
	Appropriations					
3,726,138	Transfer to/from reserves	3,927,595	2,506,333	2,407,219	2,420,844	1,927,262
3,814,898	Revenue Contribution to Capital	1,018,132	0	0	0	0
7,541,036	**Total Appropriations**	**4,945,727**	**2,506,333**	**2,407,219**	**2,420,844**	**1,927,262**
4,479,176	**NET (SURPLUS)/DEFICIT**	**2,483,649**	**134,550**	**32,166**	**220,818**	**-150,251**
-6,576,920	Balance brought Forward	-3,618,209	-1,134,559	-1,000,008	-967,842	-747,024
4,479,176	-Surplus/Deficit In Year	2,483,649	134,550	32,166	220,818	-150,251
-2,097,744	Balance Carried Forward	-1,134,560	-1,000,009	-967,842	-747,024	-897,275

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Appendix 2

North West Leicestershire District Council
Housing Revenue Account- Revenue Budget Proposals 2024/25 to 2028/29

Proposal Title	Proposal Description & Service Impact	2024/25 £	2025/26 £	2026/27 £	2027/28 £	2028/29 £
Staffing	Change in staffing costs including pay awards	609,714	307,895	110,842	113,059	115,319
Total Pay Related Costs		**609,714**	**307,895**	**110,842**	**113,059**	**115,319**
Heating contract	9.7% inflation on heating maintenance contract	46,090	0	0	0	0
Recharges from the General Fund	Inflationary increases for services provided by the Genral Fund to the HRA	93,576	0	0	0	0
General inflation		156,345	106,460	161,540	98,829	153,778
Total Inflation Increases		**296,011**	**106,460**	**161,540**	**98,829**	**153,778**
"Right sizing" of budgets	Every budget line set for level of expected activity.	(1,837,688)	0	0	0	0
Total Efficiences		**(1,837,688)**	**0**	**0**	**0**	**0**
Repairs Backlog	Additional expenditure to tackle repairs backlog	2,000,000	0	0	0	0
Subscription to Regulator	Regulator of Social Housing subcription to cover costs of greater regulation	32,000	0	0	0	0
Change Consultant	Change Consultant to advise and assist with service transformation in 24/25	50,000	(50,000)	0	0	0
Cost Pressures		**2,082,000**	**(50,000)**	**0**	**0**	**0**
Investment Income	Investment income on HRA balances	0	26,000	(78,000)	(103,000)	(123,000)
Loan interest	Changes in loan interest due to capital financing requirements	(7,900)	352,816	352,658	446,793	343,293
Depreciation	Depreciation changes due to inflation and changing number of properties.	695,219	166,145	90,167	112,607	89,424
Total Other Corporate Proposals		**687,319**	**544,961**	**364,825**	**456,400**	**309,718**
Dwellings Rents	Dwellings Rent Increase	(1,137,219)	(797,000)	(626,000)	(482,000)	(442,000)

Proposal Title	Proposal Description & Service Impact	2024/25 £	2025/26 £	2026/27 £	2027/28 £	2028/29 £
Service Charges	Service Charge Increase	(26,320)	(22,022)	(14,476)	(11,261)	(14,302)
Central heating charges	Central heating charges	(49,360)	0	0	0	0
Recharge	Recharge to Genral Fund for servics deliverd by HRA	(26,775)	0	0	0	0
Income	One proposal below £15k	2,100				
Total Changes In Income		**(1,237,574)**	**(819,022)**	**(640,476)**	**(493,261)**	**(456,302)**
	Total Budget Proposals	**599,782**	**90,295**	**(3,270)**	**175,027**	**122,513**

Appendix 3

North West Leicestershire District Council
Proposed Fees & Charges 2024/25 - 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: £9.01pw 1 Bed: £10.88pw 2 Bed: £12.47pw 3 Bed: £14.36pw	5%	Energy cost inflation
Garage and Site Rent	Garage: £8.09pw Garage Site: £5.18pw	Garage: £8.63pw Garage Site: £5.53pw	6.7%	Sept CPI
Service charges:				
Cleaning & Window Cleaning	£0.65 to £10.09	£0.69 to £10.77	6.70%	Sept CPI
Grounds Maintenance	£0.35 & £7.38 pw	£0.37 to £7.87	6.75%	Sept CPI
Repairs to common parts	£0.02 & £0.39 pw	£0.02 to £0.42	6.70%	Sept CPI
Repairs/replacement of items in Laundry	£0.09 to £8.01 pw	£0.10 to £8.55	6.70%	Sept CPI
Admin Fee	15% of chargeable services	15% of chargeable services	0.00%	
Cleaning Blocks £0.87 to £11.55 pw	£0.87 to £11.55 pw	£0.93 to £12.32	6.70%	Sept CPI
Fire Extinguishers	£0	£0	0.00%	No charge, majority removed.
Control Centre Link Equipment	£3.18 pw	3.39 pw	6.70%	Sept CPI
Door Entry Systems	£0.03 to £0.12 pw	£0.03 to £0.13	6.70%	Sept CPI
Heating (Electricity)	£8.58 to £13.11 pw	£9.15 to £13.99	6.70%	Sept CPI
Utility Cost of Shared/Common Parts	As per bill			As per cost
Older Persons Service Management Fee (incl. 15% management Fee~)	£3.71pw	3.58 pw	8.9%	Sept RPI
Scooter Store	New charge	£0.45 to £1.11pw		

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NORTHWEST LEICESTERSHIRE DISTRICT COUNCIL HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME 2024/25-2028/29 **Appendix 4**

PROJECT	2024/25	2025/26	2026/27	2027/28	2028/29	Total	Major Repairs Reserve	Capital Receipts	RCCO	Prudential Borrowing	Total
	For Approval	Indicative	Indicative	Indicative	Indicative						
	£	£	£	£	£		£	£	£	£	£
Stock Investment											
Home Improvement Programme	6,500,000	4,500,000	4,500,000	4,500,000	4,500,000	24,500,000	16,469,391	-	2,151,459	5,879,150	24,500,000
Roofs	550,000	250,000	250,000	250,000	250,000	1,550,000	-	-	28,272	1,521,728	1,550,000
Commercial Boilers	150,000	150,000	150,000	150,000	150,000	750,000	-	-	-	750,000	750,000
Stock Condition Surveys	325,000	-	-	-	-	325,000	-	-	-	325,000	325,000
Zero Carbon	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	12,500,000	-	8,753,000	-	3,747,000	12,500,000
Total Stock Investments	**10,025,000**	**7,400,000**	**7,400,000**	**7,400,000**	**7,400,000**	**39,625,000**	**16,469,391**	**8,753,000**	**2,179,731**	**12,222,878**	**39,625,000**
Estate Improvements											
Off-Street Parking	300,000	300,000	300,000	300,000	300,000	1,500,000	-	300,000	-	1,200,000	1,500,000
Estate Projects	200,000	100,000	100,000	100,000	100,000	600,000	-	200,000	-	400,000	600,000
Garage Demolition	70,000	50,000	50,000	50,000	50,000	270,000	-	70,000	-	200,000	270,000
Footpaths and Unadopted Roads	100,000	50,000	50,000	50,000	50,000	300,000	-	100,000	-	200,000	300,000
Total Estate Improvement	**670,000**	**500,000**	**500,000**	**500,000**	**500,000**	**2,670,000**	**-**	**670,000**	**-**	**2,000,000**	**2,670,000**
Other Capital											
Sheltered Scheme Improvements	350,000	100,000	100,000	100,000	100,000	750,000	-	350,000	-	400,000	750,000
Passive Fire Safety	300,000	300,000	300,000	300,000	300,000	1,500,000	-	300,000	-	1,200,000	1,500,000
Scheme Lighting	250,000	200,000	200,000	200,000	200,000	1,050,000	-	250,000	-	800,000	1,050,000
Tunstall System	30,000	-	-	-	-	30,000	-	30,000	-	-	30,000
Major Aids and Adaptations	400,000	-	-	-	-	400,000	-	400,000	-	-	400,000
Housing Management IT System	100,000	-	-	-	-	100,000	-	-	100,000	-	100,000
Total Other Capital	**1,430,000**	**600,000**	**600,000**	**600,000**	**600,000**	**3,830,000**	**-**	**1,330,000**	**100,000**	**2,400,000**	**3,830,000**
Total Active Projects	**12,125,000**	**8,500,000**	**8,500,000**	**8,500,000**	**8,500,000**	**46,125,000**	**16,469,391**	**10,753,000**	**2,279,731**	**16,622,878**	**46,125,000**
DEVELOPMENT POOL											
New Supply	3,400,000	5,810,000	2,640,000	1,190,000	4,660,000	17,700,000	-	6,287,316	-	11,412,684	17,700,000
Total Development Pool	**3,400,000**	**5,810,000**	**2,640,000**	**1,190,000**	**4,660,000**	**17,700,000**	**-**	**6,287,316**	**-**	**11,412,684**	**17,700,000**
TOTAL HRA CAPITAL PROGRAMME	**15,525,000**	**14,310,000**	**11,140,000**	**9,690,000**	**13,160,000**	**63,825,000**	**16,469,391**	**17,040,316**	**2,279,731**	**28,035,562**	**63,825,000**

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – 9 JANUARY 2024

Title of Report	**INVESTMENT PROPERTY LEASEHOLD DISPOSALS**	
Presented by	Councillor Andrew Woodman Housing, Property and Customer Services Portfolio Holder PH Briefed: Yes	
Background Papers	**N/A**	**Public Report:** Yes **Key Decision:** No
Financial Implications	Leasing out the Council's investment properties provides an income to the Council's general fund. **Signed off by the Section 151 Officer**: Yes	
Legal Implications	The Council's constitution requires all leases where the total income over the life of the tenancy is more than £30,000 to be approved by Cabinet. **Signed off by the Monitoring Officer**: Yes	
Staffing and Corporate Implications	None **Signed off by the Head of Paid Service:** Yes	
Purpose of Report	To seek Cabinet approval of the letting of a Council owned commercial property in accordance with Section G2, 8.4 of the Constitution.	
Reason for Decision	To enable the letting of a Council owned commercial property to proceed and rental income to be generated.	
Recommendations	**THAT CABINET APPROVES THE GRANT OF THE LEASE DETAILED IN TABLE 2.1.**	

1.0 BACKGROUND

The Council has a portfolio of investment properties that are rented out on a commercial basis to provide an income. The Council's Property Services Team manage this portfolio and is responsible for negotiating lease terms with prospective tenants. The current Constitution (following its recent revision) only provides authority to officers to grant leases where the total rental value does not exceed £30,000 over the life of the lease. Where the value of the rental stream over the life of the tenancy exceeds £30,000 Cabinet has reserved the power to approve the lease to itself.

2.0 CURRENT APPLICATION

An application is currently being processed where the total rental value for the term will exceed £30,000. The letting is proposed to be carried out using the Council's standard lease terms (prepared by Legal Services) and at market rent (as determined by the Council's valuer).

Table 2.1

Property	**Lease Term**	**Total rent for the term of the lease (subject to rent reviews)**
Unit 8 Whitwick Business Centre, Stenson Road, Coalville, Leics. LE67 4JP	6 years	£39,150

3.0 FINANCIAL IMPLICATIONS

Should the above lease not proceed, the Council will not generate income, the premises will remain vacant and additional holding costs will be incurred. There will be a small financial benefit of an additional £525 per annum / £3150 over the six years of the lease over and above what is already budgeted income.

4.0 RECOMMENDATION

It is recommended that Cabinet agrees to the grant of the lease set out in table 2.1 of the report.

Policies and other considerations, as appropriate	
Council Priorities:	Support for businesses and helping people into local jobs. A well run council
Policy Considerations:	Council Constitution – existing limits to delegated powers .
Safeguarding:	N/A
Equalities/Diversity:	N/A
Customer Impact:	N/A
Economic and Social Impact:	Enable businesses to take up premises within the Council's estate.
Environment, Climate Change and Zero Carbon:	N/A
Consultation/Community/Tenant	N/A

Engagement:	
Risks:	When granting leases, the Council needs to consider whether it is achieving best value in terms of rent achieved. To manage this risk the lettings recommended to Council are at market rent (as certified by the Council's valuer) and contain appropriate provisions for review of the rent during the term.
Officer Contact	Paul Wheatley Head of Economic Regeneration paul.wheatley@nwleicestershire.gov.uk

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Agenda Item 11.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 9 JANUARY 2024

Title of Report	**KEGWORTH PROJECT**	
Presented by	Councillor Tony Gillard Business and Regeneration PH Briefed: Yes	
Background Papers	Council February 2019 (Public Pack)Agenda Document for Council, 26/02/2019 18:30 Cabinet January 2023 (Public Pack)Agenda Document for Cabinet, 10/01/2023 17:00 Council February 2023 (Public Pack)Agenda Document for Council, 23/02/2023 18:30 Community Scrutiny December 2023 (Public Pack)Agenda Document for Community Scrutiny Committee, 07/12/2023 18:30 Community Scrutiny December 2023 Community Scrutiny Draft Minutes	**Public Report:** Yes **Key Decision:** Yes
Financial Implications	The Council has been successful in being allocated a £500,000 grant from the Leicester and Leicestershire Enterprise Partnership (LLEP) Business Rates Pool Fund. A budget has been allocated as part of the Council's Capital Programme and was agreed at Council in February 2023.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	An agreement will be put in place between North West Leicestershire District Council (NWLDC) and Leicestershire County Council (LCC), for LCC to undertake the project as Highways Authority. Legal Services will have oversight in the drafting of this Agreement.	

	The Council is currently liable for the delivery of the outputs under the LLEP grant agreement and the agreement with LCC will seek to ensure that the Council can deliver those relevant outputs. It is intended that the maintenance of the works once completed will be arranged between Kegworth Parish Council and LCC Legal advice has been provided to the project team regarding the delivery methodology and commissioning of the County Council.
	Signed off by the Monitoring Officer: Yes
Staffing and Corporate Implications	Delivered with existing Council staff resources.
	Signed off by the Head of Paid Service: Yes
Purpose of Report	To update Cabinet on the progress made with the Kegworth Project and to seek approval to implement Market Place public realm improvements and accessibility improvements on London Road.
Reason for Decision	To enter into an agreement with LCC for delivery of the Market Place public realm works and London Road accessibility improvements, to enable completion of the Kegworth Project.
Recommendations	**THAT CABINET:** **1. NOTE THE PROGRESS ON THE KEGWORTH PROJECT ALONG WITH THE PROPOSED IMPLEMENTATION METHOD AND ANTICIPATED COSTS.** **2. DELEGATE, TO THE HEAD OF PROPERTY AND REGENERATION, THE AUTHORITY TO SPEND THE ALLOCATED BUDGET ON THE KEGWORTH PROJECT AND TO NEGOTIATE AND ENTER INTO ANY NECESSARY AGREEMENTS WITH LCC (AS DELIVERY BODY) TO COMPLETE THE WORKS.** **3. NOTE ALL COMMENTS OF THE COMMUNITY SCRUTINY COMMITTEE (7 DECEMBER 2023) PARTICULARLY THOSE RELATING TO PARKING ENFORCEMENT**

1.0 BACKGROUND

1.1 The Council secured (and formally accepted in 2023) a grant of £500,000 from the LLEP Business Rates Pool to sit alongside £450,000 of capital resource from North West Leicestershire District Council and £50,000 from Kegworth Parish Council (KPC). Collectively these funds are identified in the Council’s Capital Programme for the delivery of a number of improvements in Kegworth.

1.2 The project proposes four elements of work (the project plan) as follows:

- Remodelling of the village Market Place as public realm to create a place for events and cultural activities, as well as its traditional use as car parking.
- Creation of new cycle routes to link the village centre to major employment areas.
- Commencement of village traffic calming through the creation of entrance gateways.
- Provision of a new public transport infrastructure (bus stand) adjacent to the Market Place.

1.3 The aim of the project is to improve the environment of Kegworth Village Centre and make it a more attractive place to live, to shop and to access services. Full details are available in the background papers. In summary, the project seeks to take advantage of the reduction in through traffic following the construction of the Kegworth bypass.

1.4 Work has been in progress since late Summer 2020 and the project has already successfully delivered the village gateways and revised bus waiting area elements of the original project plan (see Appendix 1). Delivery of the gateways and bus stand plus design fees for the Market Place and accessibility improvements has cost £378,297 leaving £621,703 available to cover the costs of implementing the Market Place and accessibility improvements (construction works).

1.5 The Market Place public realm improvements and accessibility improvements along London Road both involve significant works on the public highway, therefore, it has been necessary to involve LCC to deliver the works under its Highways Authority powers (see section 5 of this report below).

1.6 Significant design work and public engagement has been undertaken in partnership with KPC and the project has reached a point where there is a coherent scheme supported by all three councils and the general public. The schemes have been progressed sufficiently to a point where LCC has indicated that it is able to commence construction.

1.7 The Community Scrutiny Committee reviewed the Kegworth Project at its meeting on 7 December 2023 and was supportive of the proposed recommendations to Cabinet. Cabinet may wish to note that members of the Scrutiny Committee expressed a need for effective parking enforcement at Market Place. Project officers will be discussing with the Council’s Parking Enforcement Team and Leicestershire County Council how best this can be achieved within existing resources.

2.0 KEGWORTH MARKET PLACE

2.1 The current proposal to improve Kegworth Market Place is the result of collaborative working with KPC and engagement with the local businesses and residents of Kegworth.

Earlier proposals were rejected on the basis of a desire by KPC and residents to minimise the loss of available car parking. The current design not only retains the same number of parking spaces as are available today but will also provide a more attractive, flexible space that can be used for events and markets. A safety audit has been undertaken to inform the design and a landscape architect has worked on the scheme to ensure street furniture and material treatments are in keeping with the setting of the Market Place. Technical constraints represented by the size, shape and camber of the space together with the access requirements of businesses and residents have been accommodated. See Appendix 2 for the latest detailed design, Appendix 3 for a Computer Generated Image (CGI) artist's impression of what the Market Place will look like on completion and Appendices 4 and 5 for documents outlining how public engagement has fed into the design.

2.2 The new Market Place will now incorporate cycle parking, increased seating provision, shrub, flower and tree planting (in planters), an additional pedestrian crossing point on Derby Road outside the church and underground ducting to facilitate the installation of EV charging points at a future date should Kegworth Parish Council wish to pursue this.

2.3 In addition to the above proposed improvements to Kegworth Market Place, LCC Highways is considering bringing forward plans to carry out carriageway resurfacing along Derby Road and London Road. If funding can be found, this work will enhance the area further and avoid future disruption.

3.0 ACCESSIBILITY IMPROVEMENTS

3.1 A Cycling and Walking study was undertaken by Sustrans and indicated that the highest priority intervention in Kegworth would be to link the Market Place to the Kegworth Bypass via London Road. This route connects Kegworth residents to employment opportunities in Loughborough as well as for leisure journeys.

3.2 There have been a number of significant technical constraints that have beset this project, not least the identification of a large aqueduct running along the projected route. This has necessitated the taking of a pragmatic approach to the delivery of the connection. LCC designers have focussed on widening and improving the existing footway to benefit pedestrians (see Appendix 6). Additional accessibility improvements include a proposed give and take priority build-out on London Road to allow pedestrians to cross London Road more easily near the Whatton Road junction (see Appendix 7). This will also act as a traffic calming measure by slowing traffic entering the village and therefore traffic on the approach to Market Place.

3.3 Since the Scrutiny meeting of 7 December Severn Trent has indicated that it is satisfied with LCCs risk management proposals regarding working in proximity to the aqueduct. This has served to remove an outstanding delivery risk to the project.

4.0 DELIVERY PROGRAMME

4.1 The works to the Market Place and footway improvements on London Road will be undertaken concurrently, starting in February 2024. Works are expected to take 14 weeks subject to the usual caveats (inclement weather events, unforeseen circumstances etc). The first action will be to place an order for materials.

5.0 DELIVERY METHODOLOGY

5.1 LCC has advised that it is able to assist NWLDC and KPC with project delivery using its status as Highways Authority. This removes significant complexity and cost that would arise if NWLDC was to seek the necessary powers to deliver the highways works itself. It has, therefore, been agreed (subject to Cabinet approval of the scheme) that the District Council will commission LCC Highways Department to undertake the Market Place and accessibility improvements in Kegworth. A Project Agreement shall be entered into between the District and County Councils confirming this arrangement.

5.2 LCC has indicated that it will be using its own Direct Labour Organisation (DLO) to carry out the works. LCC as a public body is required to demonstrate best value when carrying out works on the Public Highway.

5.3 Legal services has advised that if the County Council as Highways Authority delivers the works under an agreement, with the District Council providing the necessary funding to meet the cost, then the agreement would not need to be competitively procured under the Council's Contract Procedure Rules.

6.0 FINANCIAL IMPLICATIONS

6.1 LCC is currently preparing detailed delivery cost information with its DLO. Initial figures have been shared with KPC and the NWLDC Community Scrutiny Committee. These indicate that the remaining available budget is sufficient to allow all works to proceed as planned. However, should it be necessary, the accessibility improvements can be scaled to ensure delivery within budget.

6.2 The available budget for delivery of Market Place and the Accessibility works is **£621,703.**

6.3 The current estimated costs as provided by LCC are detailed in Table 1 below:

Table 1

Activity	**Market Place**	**Footpath**	
	£	£	£
Detailed design and supervision of works	32,600	46,000	
Construction	300,000	200,000	
Totals	**332,600**	**246,000**	**578,600**

6.4 An agreement between LCC and NWLDC is to be drafted and will include a schedule for staged payments to LCC linked to the progress of construction.

7.0 APPENDICES

- Appendix 1 – Village gateway and bus waiting area
- Appendix 2 – Market Place design – latest version
- Appendix 3 – Market Place – CGI artist's impression
- Appendix 4 – Public engagement feedback summary
- Appendix 5 – You said We did document
- Appendix 6 – Footpath design
- Appendix 7 – Build out – CGI artist's impression
- Appendix 8 – Community Scrutiny Minutes

Policies and other considerations, as appropriate	
Council Priorities:	Planning and regeneration.
Policy Considerations:	None.
Safeguarding:	None.
Equalities/Diversity:	Market Place improvement works will have regard to people with disabilities and will ensure appropriate adaptations e.g. tactile crossings, level surfaces, no unnecessary street furniture etc are in place.
Customer Impact:	An improved Kegworth Market Place; Traffic calming measures to improve safety and liveability for Kegworth residents; Availability of an improved footway connecting Kegworth village centre to the A6 bypass and existing cycle routes.
Economic and Social Impact:	Improved retailing environment for businesses located in Kegworth. An improved Kegworth Market Place providing public space for residents and visitors to shop, rest, make travel connections, park a bike, walk safely.
Environment, Climate Change and zero carbon:	Improved public realm; Greater opportunities for active travel (cycle parking, improved footway); Increased planting.
Consultation/Community Engagement:	A number of engagement exercises have been undertaken including with businesses located on or near Market Place. Kegworth Parish Council is an active partner in the project and have kept their residents informed via regular newsletters.
Risks:	There is a risk register for the project with risks being actively managed by the Project Board.
Officer Contact	Paul Wheatley Head of Property and Regeneration paul.wheatley@nwleicestershire.gov.uk

Appendix 1

Image 1 – Sample village gateway

Image 2 – Bus waiting area

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Appendix 2

North West Leicestershire District Council

Key

- Marshalls Modal paving or similar approved. 300x200x80mm. Colour Indian Granite. Bond half stagger.
- Marshalls Modal paving or similar approved. 200x100x80mm. Colour Indian Granite. Bond half stagger.
- Marshalls Modal paving or similar approved. 300x200x80mm. Colour Charcoal. Bond 90 deg herringbone.
- Marshalls Modal paving or similar approved. 200x100x80mm. Colour Indian Granite. Soldier course.
- Marshalls Modal paving or similar approved. 200x100x80mm. Colour Indian Granite. Running course.
- Marshalls Modal paving or similar approved. 200x100x80mm. Colour Light Granite. Running course.
- Marshalls Conservation kerb or similar approved. Flush (see engineer drawing for specification).
- Marshalls Conservation kerb or similar approved. Raised (see engineer drawing for specification).
- Christmas tree socket/electrics (approximate location).

Note: For street furniture specification refer to drawing 7/23/206/4/ Rev 1

Paving

DRAFT

Leicestershire County Council

For and on behalf of
Ann Carruthers
Director of
Environment And Transport

County Hall * Glenfield * Leicester * LE3 8RJ
Tel No : 0116 3050001 | Web: www.leics.gov.uk

ENVIRONMENT & WASTE

Client:
Asset and Major Programmes

Title:
Site: Kegworth Market Place Public Realm:

Paving

Scheme Ref. / Drawing No.			Revision
7/23/206/5/ Rev 1			
Prepared By:	WEC	Scale:	1:200
Checked By:		Size:	A2
Approved By:		Date:	Oct 2023

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BUS STOP

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Kegworth public realm project

What you told us about the proposed plans

October 2023

In Spring 2023 revised plans were drawn up for the revitalisation of Kegworth's historic Market Place and improvements to one of the main routes into the village, London Road. These are the final two parts of the Public Realm project for Kegworth, following the installation of village gateways and re-siting of the bus shelter across the road from the Market Place.

The £1 million Public Realm Project is funded by the Leicester and Leicestershire Enterprise Partnership , North West Leicestershire District Council and Kegworth Parish Council.

Feedback from residents, businesses and people with an interest in the village has helped shape this project since its inception in 2019 and it was important this continued as new plans were developed.

Summary

- Residents, businesses and people with an interest in Kegworth were invited to share their thoughts on the proposed plans for Market Place and London Road (part of the Kegworth Public Realm project) from Monday 5 June until Monday 3 July – four weeks in total.
- Prior to this, the plans were publicised online and offline with businesses in and around the Market Place contacted directly
- 1,100 people visited the dedicated web page for the project, 37 completed the questionnaire, 50 people were engaged with face to face and three emails were received
- Although interest was high, feedback was low, suggesting people don't have strong feelings either way about the proposed plans
- The main themes raised through the engagement were:
    - The siting of the Blue Badge spaces
    - Lack of designated parent and child spaces
    - The build-out on London Road reducing visibility at the Whatton Road junction
    - A two-hour parking restriction in Market Place is too short for some needs
    - The need for a safe crossing point
    - Addition of trees and seating
- All the issues raised have now been discussed by the Public Realm Project Board (made up of officers from North West Leicestershire District Council and Leicestershire County Council and Councillors from Kegworth Parish Council).

How we did this

To provide plenty of opportunities for people to see the plans and give feedback, information was shared online, on paper and in person, including:

- Including a double-page spread in the Kegworth Parish Council newsletter (which goes to all households in the village – approximately 2,000) showing the Market Place plan and sharing information about how to comment
- Contacting 35 businesses in and around Market Place directly
- Putting up posters and shared leaflets with six business and organisations around Kegworth, including the Co-op and the library
- Posting 24 Facebook updates on the two main Kegworth community pages; plus information was shared by KPC and NWLDC on their Facebook pages
- Setting up a dedicated web page on the NWLDC site that included history of the project, the plans, all images of materials and street furniture, and a link to the questionnaire
- Contacting the local MP, county and district councillors and the student liaison officer for Nottingham University

And then during the period when people could provide feedback, we:

- Continued to promote the drop-in sessions at the KPC offices and online ways to provide feedback through social media
- Ensured the plans were available to view during the Parish Council office opening times
- Provided six sessions at the Parish Council Offices where members of the Project Board were available to answer questions were held – three in the evening and three in the morning
- Attended at the church coffee morning to talk about the plans, hand out information and gain feedback

What we found out

We received feedback via responses to the questionnaire, emails and face-to-face through the drop-ins and visits to shops and events. There were 39 responses to the questionnaire, we spoke to 50 people face-to-face and received three emails. There were 1,100 individual visitors to the web page to view the plans.

The questionnaire showed:

- 51% really liked or liked the plans; 19% neither liked or disliked them; 27% didn't like them
- The majority of respondents liked the black steel street furniture (51%); 24% preferred timber and stainless steel
- There was less certainty over the surface materials – 46% didn't know which they preferred, with 30% going with option two
- The majority of people who supplied an answer live in the DE74 postcode

- 89% of respondents were village residents, 8% do business in Kegworth and 5% work there
- 38% of people responding were in aged 60-79 years; 32% 40-49 years and 27% 20-39. No-one who responded via the questionnaire was under 20 or over 80.

Themes

Here are the key themes from all the feedback (the questionnaire, face-to-face and emails):

1. **Parent and child spaces** – comments from both the questionnaire and the drop-in sessions highlighted no parent and child spaces have been included in the plan.
2. **It's an improvement** – there is a general feeling the new layout for Market Place is an improvement on the current one.
3. **Disabled bays** – there have been a number of comments about the siting of the disabled bays and ease of access as they are close to the re-opened South entrance
4. **Parking restrictions** – businesses and residents want these re-introducing, however there was some feedback that two hours isn't long enough, with some suggesting four hours
5. **Crossing point** – a safe crossing point to Market Place from the church side would be welcomed
6. **London Road build-out** – has caused some concern in relation to the safety of the Whatton Road junction and whether the build-out will decrease visibility
7. **Trees and seating** – trees were suggested to introduce shade and seats were seen by most as a good idea, however one person said benches would take up valuable parking space

Next steps

All feedback from the questionnaires, emails and face to face meetings was shared with the Project Board in July. A 'you said, we did' document has been produced which addresses each of the key themes listed above and how these have influenced the next steps and will inform the final designs for Market Place and London Road. You can find this here: www.nwleics.gov.uk/kegworth.

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North West Leicestershire District Council

Kegworth public realm project

You said, we did – responses to the key issues raised

We want to thank everyone who shared their views about the proposed new designs for Market Place and the work on London Road to improve pedestrian access and reduce the speed of traffic entering the village.

All the feedback has been reviewed and below you will see the six key themes from the feedback and how we are using these to inform and shape the final designs for both Market Place and London Road. As the plans are developed, we will share these with you.

Parent and child spaces

The use of the Market Place by people with young children and pushchairs has been considered in the new design. The design includes wider footpaths, safer access to the shops and direct access to the paved areas from all car parking spaces.

Due to constraints of space and the shape and camber of Market Place, we have not been able to include specific parent and child spaces in the new layout.

Residents and businesses have also previously made it clear they don't want to see a reduction in overall parking spaces. This was an important consideration in the design and as parent and child spaces take up a bigger area than standard parking spaces, we were unable to include them.

The new layout enables people exiting their vehicles from any space immediate access to a pedestrian area instead of onto the car park, making it safer for parents with young children. There are also a number of spaces where there is room to open car doors to easily get a baby car seat out.

Two-hour parking limit

A two-hour parking limit for Market Place and one-hour limits for the spaces on London Road adjacent to Market Place, were agreed by Kegworth Parish Council at their meeting in June. The Parish Councillors listened to residents who wanted to see the limits restored after the temporary ETRO expired.

As there are a number of spaces in the area around Market Place with either four-hour limits or that have no limits at all, two hours on Market Place was considered appropriate.

Kegworth Parish Council will continue to monitor the use of Market Place and the surrounding area for car parking and the time limits available.

Crossing point

Following feedback, the design has been revised to include a dropped-kerb crossing point joining Market Place and the church side. On the church side, the plans have been updated to widen the kerb to allow a better view of on-coming traffic for pedestrians – and to make them more visible. This has the added benefit of making the pavement running along the church wall wider and better for everyone, including wheeled users and people with pushchairs. A dropped kerb and tactile paving will mark the crossing point.

On the Market Place side, the kerb has been moved to create a deeper bus stand and, again, the kerb line has been moved to allow better sight for people wanting to cross the road. By moving both kerbs, this also narrows the road and reduces the distance pedestrians need to cover to cross the road.

Whatton Road junction

Concerns were raised that the work on London Road to widen and improve the pavements and introduce a build-out to slow traffic entering the village would make it more difficult to join London Road from Whatton Road.

Modelling has so far demonstrated that the build out on London Road will make exiting Whatton Road safer as traffic coming into the village will be slower and will approach the junction on the opposite side of the road, making it more visible to road users leaving Whatton Road.

In response to the concerns, further modelling is being undertaken to confirm this and to determine whether the bus stop on the opposite side to the junction will need to be moved.

To further improve the safety of vehicles coming out of Whatton Road, double yellow lines will be introduced to remind drivers not to park illegally within 10 metres of a junction. These will be narrow and in a primrose yellow to respect the conservation status of this area of the village.

Blue badge spaces

Questions were raised during the engagement around the siting of the Blue Badge spaces in the new layout. There were suggestions that these should be moved to outside the Co-op entrance.

Re-opening the South Entrance and the constraints of the space and camber adjacent to the Co-op would make it unsafe and difficult to include two Blue Badge spaces outside the Co-op. As Blue Badge spaces take up a bigger area than standard parking spaces, there are limited places to site these while maintaining the same number of parking spaces overall.

While putting the design together, a number of options were considered, however the design shared was considered the safest, worked within the constraints of the space and maintained the overall number of spaces.

It also considered that Blue Badge holders parking in Market Place would want to access all the village centre shops and not just the Co-op.

In the initial design, provision was made for cycle parking adjacent to the Blue Badge parking spaces. These will now be moved to the opposite side of the re-opened Southern Entrance to allow more room for people to get in and out of their cars when parked in these spaces.

Addition of trees and seating

Requests were made for a seating area and the introduction of trees to the Market Place to create an area to sit with shade and to introduce some greenery.

It is not possible to plant trees directly into the ground on Market Place as, as they grow, their roots may affect the aqueduct that runs under the area. As this aqueduct carries water for thousands of businesses and homes in Leicestershire and beyond, we definitely don't want to damage this in any way!

As an alternative, we intending to introduce three or four planters large enough the hold smaller trees, such as birch, with seating adjacent.

ENDS

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Whatton Road
Priority over oncoming vehicles
Proposed double yellow lines at Whatton Road junction
Existing street parking to remain
Existing lining adjusted to accommodate proposed buildout
Proposed priority buildout with associated lining and signing
Proposed uncontrolled pedestrian dropped crossing
Give way to oncoming vehicles
28
The Cottage
Existing footway widened up to 2m where possible
New pedestrian guardrail to provide protection against drop
30
Proposed short retaining wall to enable footway widening
Proposed vehicle activated sign to be installed in verge (exact location to be determined)
London Road
The Wymeshead
Footway to be widened where possible up to junction with A6 bypass
Potential to improve existing street lighting throughout extents of scheme to be explored
North West Leicestershire District Council
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Key
Proposed footway widening
Existing verge to remain
Proposed pedestrian guardrail
Proposed kerbline
Proposed dropped kerbs
Proposed short retaining wall
Proposed sign
Proposed uncontrolled pedestrian crossing
Site Location plan
Kegworth

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MINUTES of a meeting of the COMMUNITY SCRUTINY COMMITTEE held in the Abbey Room, Stenson House, London Road, Coalville, LE67 3FN on THURSDAY, 7 DECEMBER 2023

Present: Councillor T Eynon (Chair)

Councillors M Blair-Park, M French, K Horn, S Lambeth, E Parle, L Windram and J Legrys
A Barker, P Moult and D Everitt

Portfolio Holders: Councillors K Merrie MBE and M B Wyatt

Officers: Mr J Arnold, Ms E Marquez, Mr P Wheatley and Mr T Devonshire

19. APOLOGIES FOR ABSENCE

Apologies were received from Councillor P Lees, M Ball and A Morley.

20. DECLARATION OF INTERESTS

There were no interests declared.

21. PUBLIC QUESTION AND ANSWER SESSION

There were no questions received.

22. MINUTES

Consideration was given to the minutes of the meeting held on 28 September 2023.

It was moved by Councillor S Lambeth, seconded by Councillor E Parle and

RESOLVED THAT:

The minutes of the meeting held on 28 September 2023 be approved as an accurate record of proceedings.

23. IVANHOE LINE

The Chair welcomed the representative from the Campaign to Reopen the Ivanhoe Line (CRIL) and advised the Committee that the discussion to follow would contribute to a future report, and that she welcomed points for further inquiry from the Committee. A second session, she added, was planned, and would incorporate other stakeholders.

The representative from CRIL spoke to the Committee. He advised the Committee that the CRIL was a non-partisan campaign group to reopen the Ivanhoe Line between Ashby and Leicester. He set out what CRIL had done so far, procedurally, in their campaign to reopen the Line, including how they had attempted to work with various local stakeholders as well as with Central Government, who invited them to present a Strategic Outline Business Case (SOBC). This SOBC was submitted to the Central Government; it received strong feedback and was passed onto the next phase of the process, and Network Rail were invited to get involved.

The representative praised the work of Network Rail. He clarified for Members that so far, the planned work was more focused on the section of the Line from Derby to Coalville. He was very confident that national approval for this would be attained.

Further work was planned to campaign for the phase between Coalville and Leicester. He outlined for the Committee the prospects of success in this aspect of the campaign. He advised the Committee on the various potential financial and practical hindrances to the second phase of the project. Furthermore, and further down the line, there was also various issues associated with connecting the envisaged Leicester South station to the main station at Leicester. In summary, the easy phase was Burton to Coalville, the harder phase was Coalville to Leicester, and the trickiest phase was developing the Line within Leicester city centre. Strategically, it was advisable to be pragmatic about what was on offer, even if it was an imperfect option at the moment, as it would provide immediate benefits and portend further development in the future.

A Member congratulated CRIL and concurred that the strategy of CRIL to campaign for the rest of the Line in tandem with the construction of the first phase of the Line was sensible. The representative from CRIL said that whilst it was always likely to have happened in phases, it would be better if the whole thing had been authorised simultaneously. As this had not happened, the campaign must continue to present a measured and united front to Central Government. CRIL hoped the Council would begin campaigning for phase two to begin as soon as possible.

A Member welcomed the work of CRIL and agreed with the suggestion that what was so far on offer was something that the Council should not turn down, and that the phased strategy was eminently sensible.

The Chair asked what other support CRIL required. The representative said the Council should reaffirm their wholehearted support for the project to whichever Government was in power after the next General Election. More practically and more immediately, the Council could also investigate how transport could be more holistically integrated if the entire project was completed, so to maximise use of the railway; they should also investigate how to incentivise and encourage the use of the railways amongst people who did not live within easy distance of the proposed stations.

A Member asked Officers how this project was coordinated by the Council, and whether there was an officer responsible for overseeing it, and the Head of Planning and Infrastructure advised Members on the role he played.

The Chair inquired how the best way to produce a holistically integrated transport network could be produced given the fragmentation of who was responsible for what, and the Head of Planning and Infrastructure assured the Committee that they would closely liaise with the County Council on this matter.

The Chair expressed some resident concerns that the proposed line might actually drive economic activity out of the district, inadvertently. In response, the Head of Property and Economic Regeneration advised that it would be important to highlight the improved transport links to potential businesses, therefore potentially expanding employment. His team would examine how the line could be best utilised to the benefit of the district.

The Chair asked if Members were satisfied that the second phase of the project would not be abandoned. CRIL advised the Committee that presenting the successes of the first phase of the project would be the greatest argument for the continuation of the second phase of the project.

A Member asked if the Ivanhoe Line could be considered within the Local Plan process and the Head of Planning and Infrastructure said that he would raise it with the Planning Policy and Land Charges Team Manager.

The Strategic Director of Place reminded Members that this was a discussion of great value which would contribute to a paper which would be brought to the Committee at a later date.

The Portfolio Holder for Infrastructure thanked the Chair for inviting him and CRIL for presenting the Committee with a thoroughly detailed case. He noted the strong support of the Alliance, the Labour Group, and cross-party at Leicestershire County Council. He broadly echoed the pragmatic strategy advocated by both CRIL and the Committee and suggested that the Council had already been following the proposed strategy of continuing to campaign ardently for phase two. It was also important to consider the Ivanhoe Line beside the Freeport and EMDevCo. He implored the representative to contact him from CRIL whenever he had any concerns or queries.

A Member welcomed cross-party support and suggested that the Portfolio Holder update the Committee on a regular basis on how the project was proceeding. The Portfolio Holder was happy to do so.

The representative from CRIL thanked Members for their time.

The Chair noted that this was an ongoing piece of work, and then thanked the representative from CRIL for his time and Members for their comments.

24. KEGWORTH PROJECT

The Head of Property and Regeneration presented the report.

He invited the Senior Economic Development Officer to present part of the report to the Committee.

The Chair read a statement from the relevant Ward Members, Councillors R Sutton and C Sewell. They noted the history of the proposed project, that it had been somewhat contentious, and that roughly a third of the work had already been done. Communication with residents had been enhanced and the ward Members hoped to see the project completed by May 2024.

A Member welcomed the support of the ward Members and the work of Officers in what had historically proved a tricky project. He did query about the two hour parking restriction and how it would be enforced. In response, the Head of Property and Regeneration advised that it was the County Council’s responsibility to enforce where the District Council would work as the agent.

A Member remained concerned that people would abuse the car-parking and hoped that there would be regular enforcement. The Head of Property and Economic Regeneration concurred.

By affirmation of the meeting, it was

RECOMMENDED THAT:

The following recommendation be added to the report to be presented to Cabinet: ‘after the scheme is completed, this authority ask Leicestershire County Council to review parking enforcement in the area so maximum benefit from the scheme is attained.’

25. ITEMS FOR INCLUSION IN THE FUTURE WORK PROGRAMME

Consideration was given to the inclusion of any item on the Work Programme.

The Strategic Director of Place advised the Committee on various changes to the plan and why these changes had occurred.

The Chair updated Members on the work of the Scrutiny Work Programming Group and implored Members to contribute.

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 8.14 pm

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