

COUNCIL – 26 FEBRUARY 2019

BUDGET AND COUNCIL TAX 2019/20

REVISED BUDGET AND COUNCIL TAX 2019/20 REPORT

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

COUNCIL – TUESDAY, 26 FEBRUARY 2019

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| Title of Report | BUDGET AND COUNCIL TAX 2019/20 |
| Contacts | <p>Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk</p> <p>Strategic Director of Housing and Customer Services 01530 454819 glyn.jones@nwleicesettershire.gov.uk</p> <p>Head of Finance (Section 151 Officer) 01530 454707 tracy.bingham@nwleicestershire.gov.uk</p> |
| Purpose of Report | To allow the Council to approve the 2019/20 budgets and the appropriate Council Tax setting resolution. |
| Council Priorities | The budget assists the Council to achieve all its priorities. |
| Implications | |
| Financial / Staff | Details are contained within the report.. |
| Risk Management | Arrangements are in place for regular monitoring of the Council's revenue and capital budgets. The appropriate management action will be taken where variations are projected. |
| Equalities Impact Screening | No impact identified. |
| Human Rights | None identified |
| Transformational Government | Not applicable |
| Comments of Head of Paid Service | Report is satisfactory |

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| Comments of Section 151 Officer | Report is satisfactory |
| Comments of Deputy Monitoring Officer | Report is satisfactory |
| Consultees | Cabinet, Policy Development Group, Representatives of the Business Community, Parish and Town Councils, Staff, Trade Unions |
| Background Papers | General Fund and Special Expenses Revenue Budgets Proposals for 2019/20, Housing Revenue Account (HRA) Budget Proposals for 2019/20, 2019/20 -2023/24 Capital Programmes and 2019/20 Capital Strategy and 2019-2024 Medium Term Financial Strategy – Cabinet 5 February 2019 |
| Recommendations | <p>COUNCIL IS RECOMMENDED:</p> <ol style="list-style-type: none"> 1. TO NOTE THE MEDIUM TERM FINANCIAL STRATEGY APPROVED BY CABINET ON 5 FEBRUARY 2019. 2. TO NOTE THE S151 OFFICER'S COMMENTS ON THE ROBUSTNESS OF THE ESTIMATES AND ADEQUACY OF RESERVES. 3. TO APPROVE THE GENERAL FUND REVENUE BUDGET FOR 2019/20 4. TO APPROVE THE SPECIAL EXPENSES REVENUE BUDGET FOR 2019/20 5. TO FREEZE THE DISTRICT COUNCIL TAX IN 2019/20 6. TO APPROVE THE TRANSFER OF ANY SURPLUS INCOME OVER EXPENDITURE IN 2019/20 TO THE SELF SUFFICIENCY RESERVE (CURRENTLY BUDGETED AS £161,090) 7. TO APPROVE THE DECREASE IN COUNCIL HOUSE RENTS FOR 2019/20 BY 1% 8. TO APPROVE THE INCREASE OF 3.3% IN GARAGE RENTS FOR 2019/20 9. TO APPROVE CENTRAL HEATING CHARGES FOR 2019/20 REMAINING AT THE SAME LEVEL AS FOR 2018/19. 10. TO APPROVE THE AVERAGE INCREASE OF 8.07% IN SERVICE CHARGE FOR 2019/20. |

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| | <p>11. TO APPROVE THE GROUND RENT INCREASE AT APPLEBY MAGNA CARAVAN SITE OF 3.3% ON THE ANNIVERSARY OF EACH INDIVIDUAL RENT AGREEMENT IN 2019/20.</p> <p>12. TO APPROVE INCREASING THE LIFELINE CHARGES FOR EAST MIDLANDS HOUSING AND PRIVATE CUSTOMERS BY 3.3%.</p> <p>13. TO APPROVE INCREASING SHOP LEASE RENTS BY AN AVERAGE OF 14% TO GRADUALLY MOVE THEM TO MARKET LEVELS. THIS APPROACH WAS AGREED BY CABINET IN NOVEMBER 2014.</p> <p>14. TO APPROVE THE TRANSFER OF ANY SURPLUS HOUSING REVENUE ACCOUNT INCOME OVER EXPENDITURE IN 2019/20 INTO THE LOAN REDEMPTION RESERVE IN ORDER TO REPAY THE 2022 LOAN COMMITMENTS.</p> <p>15. TO NOTE THE PROPOSAL THAT SURPLUS HOUSING REVENUE ACCOUNT INCOME IS NOT AUTOMATICALLY TRANSFERRED TO THE LOAN REDEMPTION RESERVE ONCE THE 2022 LOAN COMMITMENTS CAN BE REPAID AS DETAILED IN THE REPORT ON THE TREASURY MANAGEMENT STRATEGY STATEMENT ON THE AGENDA FOR THIS MEETING.</p> <p>16. TO APPROVE THE PROPOSED GENERAL FUND, SPECIAL EXPENSES AND HOUSING REVENUE ACCOUNT CAPITAL PROGRAMMES FOR 2019/20 AND PLANNED FINANCING.</p> <p>17. TO APPROVE THE VEHICLE REPLACEMENT PROGRAMME FOR 2020/21.</p> <p>18. TO APPROVE THE CAPITAL PROGRAMMES 2020/21 – 2023/24 FOR INDICATIVE PURPOSES ONLY.</p> <p>19. TO APPROVE THE 2019/20 CAPITAL STRATEGY (IN LINE WITH THE PRUDENTIAL CODE).</p> <p>20. TO APPROVE THE FOLLOWING AMOUNTS FOR THE YEAR 2019/20 IN ACCORDANCE WITH SECTION 31B OF THE LOCAL GOVERNMENT FINANCE ACT 1992 AS AMENDED:</p> <p>(1) 33,678 BEING THE AMOUNT CALCULATED BY THE COUNCIL, IN ACCORDANCE WITH REGULATION 3 OF THE LOCAL AUTHORITIES (CALCULATION OF COUNCIL TAX BASE) (ENGLAND) REGULATIONS 2012, AS ITS COUNCIL TAX BASE FOR THE YEAR.</p> <p>(2) THE AMOUNTS SPECIFIED IN APPENDIX 6 TABLE A OF THIS REPORT BEING THE AMOUNTS CALCULATED BY</p> |
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THE COUNCIL, IN ACCORDANCE WITH SECTION 34 OF THE LOCAL GOVERNMENT FINANCE ACT 1992, AS THE AMOUNTS OF ITS COUNCIL TAX BASE FOR THE YEAR FOR DWELLINGS IN THOSE PARTS OF ITS AREA TO WHICH ONE OR MORE SPECIAL ITEMS RELATE.

21. TO APPROVE THAT THE FOLLOWING AMOUNTS BE NOW CALCULATED BY THE COUNCIL FOR THE YEAR 2019/20 IN ACCORDANCE WITH SECTIONS 31A AND 31B OF THE LOCAL GOVERNMENT FINANCE ACT 1992 AS AMENDED:

- (1) DISTRICT / PARISH GROSS EXPENDITURE
£61,447,550 BEING THE AGGREGATE OF THE AMOUNTS WHICH THE COUNCIL ESTIMATES FOR THE ITEMS SET OUT IN SECTION 31A (2) OF THE ACT.
- (2) INCOME
£53,519,082 BEING THE AGGREGATE OF THE AMOUNTS WHICH THE COUNCIL ESTIMATES FOR THE ITEMS SET OUT IN SECTION 31A (3) OF THE ACT.
- (3) DISTRICT / PARISH NET EXPENDITURE
£7,928,468 BEING THE AMOUNT BY WHICH THE AGGREGATE AT 20(1) ABOVE EXCEEDS THE AGGREGATE AT 20(2) ABOVE, CALCULATED BY THE COUNCIL IN ACCORDANCE WITH SECTION 31A (4) OF THE ACT AS ITS COUNCIL TAX REQUIREMENT FOR THE YEAR.
- (4) BASIC AMOUNT OF TAX (INCLUDING AVERAGE PARISH PRECEPTS)
£235.42 BEING THE AMOUNT AT 21(3) ABOVE, DIVIDED BY THE AMOUNT STATED AS THE COUNCIL TAX BASE IN PARTS OF THE COUNCIL'S AREA, CALCULATED BY THE COUNCIL IN ACCORDANCE WITH SECTION 31 B OF THE ACT AS THE BASIC AMOUNT OF ITS COUNCIL TAX FOR THE YEAR.
- (5) PARISH PRECEPTS/SPECIAL EXPENSES
£2,587,811 BEING THE AGGREGATE AMOUNT OF ALL SPECIAL ITEMS REFERRED TO IN SECTION 35(1) OF THE ACT.
- (6) BASIC AMOUNT OF TAX (BASIC COUNCIL TAX – DISTRICT)
£158.58 BEING THE AMOUNT AT 21(4) ABOVE LESS THE RESULT GIVEN BY DIVIDING THE AMOUNT AT 21(5) ABOVE BY THE AMOUNT AS STATED AS THE COUNCIL TAX BASE FOR THE WHOLE OF THE COUNCIL AREA, CALCULATED BY THE COUNCIL IN

ACCORDANCE WITH SECTION 34(2) OF THE ACT, AS THE BASIC AMOUNT OF ITS COUNCIL TAX FOR DWELLINGS IN THOSE PARTS OF ITS AREA TO WHICH NO SPECIAL ITEM RELATES.

(7) BASIC AMOUNT OF TAX (PARISHED AREAS)

THE AMOUNTS LISTED IN COLUMN 5 OF TABLE B APPENDIX 6 TO THIS REPORT, BEING THE AMOUNTS GIVEN BY ADDING TO THE AMOUNT AT 21(6) ABOVE, THE AMOUNTS OF THE SPECIAL ITEM OR ITEMS RELATING TO DWELLINGS IN THOSE PARTS OF THE COUNCIL'S AREA MENTIONED, DIVIDED IN EACH CASE BY THE AMOUNT STATED AS THE COUNCIL TAX BASE IN PARTS OF THE COUNCIL AREA, CALCULATED BY THE COUNCIL IN ACCORDANCE WITH SECTION 34(3) OF THE ACT AS THE BASIC AMOUNTS OF ITS COUNCIL TAX FOR THE YEAR FOR DWELLINGS IN THOSE PARTS OF ITS AREA TO WHICH ONE OR MORE SPECIAL ITEMS RELATE.

(8) DISTRICT /PARISH COUNCIL TAX RATES

THE AMOUNTS SET OUT IN TABLE C APPENDIX 6 TO THIS REPORT BEING THE AMOUNTS GIVEN BY MULTIPLYING THE AMOUNTS AT 21(6) AND 21(7) ABOVE BY THE NUMBER WHICH, IN THE PROPORTION SET OUT IN SECTION 5(1) OF THE ACT, IS APPLICABLE TO DWELLINGS LISTED IN A PARTICULAR VALUATION BAND DIVIDED BY THE NUMBER WHICH IN THAT PROPORTION IS APPLICABLE TO DWELLINGS LISTED IN VALUATION BAND D, CALCULATED BY THE COUNCIL IN ACCORDANCE WITH SECTION 36(1) OF THE ACT AS THE AMOUNTS TO BE TAKEN INTO ACCOUNT FOR THE YEAR IN RESPECT OF CATEGORIES OF DWELLING LISTED IN DIFFERENT VALUATION BANDS.

22. MAJOR PRECEPTING AUTHORITIES

THAT IT BE NOTED THAT THE AMOUNTS SET OUT IN TABLE D APPENDIX 6 TO THIS REPORT ARE THE AMOUNTS NOTIFIED BY LEICESTERSHIRE COUNTY COUNCIL, LEICESTERSHIRE POLICE AND CRIME COMMISSIONER AND THE COMBINED FIRE AUTHORITY IN ACCORDANCE WITH SECTION 40 OF THE LOCAL GOVERNMENT FINANCE ACT 1992 AS THEIR PRECEPTS FOR 2019/20 FOR EACH OF THE CATEGORIES OF DWELLINGS LISTED.

23. COUNCIL TAX RATES – ALL BANDS

THAT, HAVING CALCULATED THE AGGREGATE IN EACH CASE OF THE AMOUNTS AT 21(8) (TABLE C APPENDIX 6) AND 22 (TABLE D APPENDIX 6) ABOVE, THE COUNCIL IN

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| | <p>ACCORDANCE WITH SECTION 30(2) OF THE LOCAL GOVERNMENT FINANCE ACT 1992 HEREBY SETS THE AMOUNTS OF COUNCIL TAX FOR THE COUNCIL'S AREA FOR THE YEAR 2019/20 FOR EACH OF THE CATEGORIES OF DWELLINGS AS SHOWN IN TABLE E APPENDIX 6.</p> <p><u>24. REFERENDUMS RELATING TO COUNCIL TAX INCREASES</u> TO NOTE THAT THE RELEVANT BASIC AMOUNT OF COUNCIL TAX FOR 2019/20 IS NOT EXCESSIVE.</p> |
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1.0 INTRODUCTION

- 1.1 The Council is required to approve the General Fund, Housing Revenue Account and Special Expenses Budgets for 2019/20 together with their respective Capital Programmes. In line with Prudential Code 2017 there is a requirement for members to approve a Capital Strategy alongside the Capital Programme for the forthcoming year.
- 1.2 There is also a statutory requirement under the Local Government Finance Act 1992 (as amended) to set the Council Tax for the area for a financial year by 11 March of the preceding financial year.
- 1.3 This action of setting the Council Tax (recommendations 20 to 24) flows from the approval of the budgets and capital programmes. The wording of the recommendations for this is largely prescribed.
- 1.4 The Council Tax setting part of this report is based on Leicestershire County Council approving the precepts that the Council has been advised of at their meeting on 20 February 2019. As this meeting does not take place until after the issue of this report, any changes made by Leicestershire County Council will be reflected in a revised paper which may need to be tabled at the meeting.
- 1.5 The precepts of Leicestershire Fire and Rescue Service and the Police and Crime Commissioner for Leicestershire (the Council's remaining two major precepting authorities) have confirmed their precepts at their respective meetings on 6 and 1 February 2019.
- 1.6 The 2019/20 General Fund, Housing Revenue Account and Special Expenses budgets together with the respective Capital Programmes were considered by Cabinet on 5 February 2019. The detailed reports are set out as below:
 - General Fund and Special Expenses Revenue Budgets – Section 3.
 - Housing Revenue Account Budget and Rent decrease – Section 4.
 - Capital Programmes – Section 5.
 - Council Tax Setting – Section 6.
- 1.7 Section 2 of this report details the Medium Term Financial Strategy 2019-2024 that was approved by Cabinet on 5 February 2019 (included in Appendix 2). The Strategy presents a high level, 5 year assessment of the financial resources required to deliver the Council's strategic priorities and essential services over the 5 period from April 2019. The strategy promotes self-sufficiency to safeguard the Council's financial position against future central government funding changes whilst also maximising the use of government grant collected.

1.8 Robustness of Estimates and Adequacy of Reserves (Statement to comply with Section 25, Local Government Act 2003)

- 1.8.1 The Local Government Act 2003 requires the Council's Chief Financial Officer (Section 151 Officer) to comment on the robustness of the estimates and also on the adequacy of the proposed reserves. Members must have regard to these comments when making a decision on the budget proposals for the forthcoming year.
- 1.8.2 The Section 151 Officer considers that the estimates which form the General Fund, Housing Revenue Account and Special Expenses budget are robust and prudent, and the proposals are deliverable for 2019/20.
- 1.8.3 The Section 151 Officer also considers that the overall level of General Fund, Housing Revenue Account and Special Expenses reserves are adequate for 2019/20.
- 1.8.4 The Section 151 notes the following in respect of the General Fund:
- a) The Section 151 Officer notes the business, housing and population growth in the district and the need for the future increased expenditure arising from future growth to be funded.
 - b) By 2020, all local authorities will have faced a reduction to core funding from the Government and the Section 151 Officer is closely monitoring the progress of the Fair Funding Review, the government's departmental Spending Review and the redesign of the national Business Rate Retention System. The council's current projections within the Medium Term Financial Strategy (MTFS) make prudent and robust assumptions around the likely level of future funding in light of these government-led reviews.
 - c) The updated MTFS presents a total deficit between 2019/20 and 2023/24 of £5.2m. By March 2020, the council's Self-Sufficiency reserve is forecast to stand at £4m, subject to funding future commercial initiatives presented to Cabinet for approval.
 - d) The MTFS will be reviewed in July 2019 and reported to Cabinet, by which time we will have further clarity surrounding the likely funding position from 2020 and will be able to present further recommendations to safeguard the council's future financial position on an ongoing basis.

1.9 Consultation Process

1.9.1 General Fund and Special Expenses Revenue Budget 2019/20

Trade Unions, Town and Parish Councils and the Federation of Small Businesses were consulted on the draft budget. No responses were received. The Cabinet's Revenue Budget Proposals and draft Capital Programmes were presented to the Policy and Development Group meeting on 9 January 2019. The comments of Policy Development Group are included in the minutes attached at Appendix 1.

1.9.2 Housing Revenue Account (HRA) Budget Proposals for 2019/20

Consultation on the Housing Revenue Account 2019/20 draft budget proposals (as approved by Cabinet on 11 December 2018) has been completed via the Council's website and involved residents via the Tenants and Leaseholder Consultation Forum (TLCF).

Members of the Performance and Finance Working Group (The Council's Resident Involvement technical finance working group who were consulted on 10 January 2019) were supportive of the recommended proposals.

The formal consultation closed on 11 January 2019. One written comment was received from a tenant via Facebook commenting that their service charge was increasing when the number of washing machines at their site had decreased. The TLCF also queried why the service charge was increasing above inflation, but were supportive when we explained it was to cover the costs of new and improved laundry services.

The draft budget was also considered by Policy Development Group on 9 January 2019 and the draft minutes are attached at Appendix 1.

1.9.3 Capital Programmes – General Fund, Coalville Special Expenses and HRA 2019/20 to 2023/24

Consultation with the business community was undertaken by letter through the Leicestershire, Northamptonshire and Rutland Federation of Small Businesses. No responses were received.

The HRA Capital Programme consultation was undertaken with council tenants as per the Housing Revenue Account proposals as detailed in 1.9.2 above.

The Cabinet's draft Capital Programmes were also presented to the Policy Development Group at its meeting on 9 January 2019. The comments of Policy Development Group are included in the minutes attached at Appendix 1.

2.0 MEDIUM TERM FINANCIAL STRATEGY 2019-2024 AND FUTURE LOCAL GOVERNMENT FUNDING

- 2.1 From 2020, the Local Government sector faces a number of funding changes as a result of the Fair Funding Review, the Business Rate Retention System review (including the introduction of the 75% system of which Leicestershire is a pilot in 2019/20), and the 2019 Local Government Spending review.
- 2.2 The Council has a good awareness of these progressing reviews and at the time of writing this report, is developing its responses to the current Fair Funding Review and Business Rate System consultations.
- 2.3 In February 2018, the 2018 – 2023 Medium Term Financial Strategy was approved by Cabinet. This strategy introduced the detail and assumed implications of these reviews, including the potential £1m reduction in retained business rate income due to the resetting of the business rate baseline as part of the review of the Business Rate Retention system, amongst other funding changes. The forecast deficit between 2018 – 2023 as per the Medium Term Financial Strategy approved in February 2018 was £5.3m.
- 2.4 The 2018 strategy created the Council's self-sufficiency agenda to safeguard the Council's financial position against these future central government funding changes and established the Self-Sufficiency reserve in 2018/19. This reserve is now projected to stand at £4m by March 2020 and will be used to fund revenue-generating initiatives that improve the council's financial position over the 5 year term or balance predicted future deficit years.
- 2.5 The 2018 Medium Term Financial Strategy also introduced a new approach to reviewing the medium term financial plans of the General Fund and Housing Revenue Account, whereby a

mid-year review and a full review as part of budget setting are undertaken. A review of the strategy's financial projections for the Council was undertaken in July 2018. The assumptions of both plans were reviewed in light of the financial outturn of the council for 2017/18, the Government's Spring Statement and other known information concerning the predictions around future income and expenditure, such as developments arising from the Fair Funding Review, the government's departmental Spending Review and progress on the development of the national Business Rate Retention System. The revised projected deficit arising on the General Fund at this time was £4.6m.

- 2.6 The Medium Term Financial Strategy 2019-2024 was approved by Cabinet at its meeting on 5 February 2019 and presents a revised position based on the projected 2018/19 financial outturn and 2019/20 budget presented to members within this report for approval and further refined assumptions around future funding in light of the reviews set out in paragraph 2.1 above. The predicted deficit arising on the General Fund over the period is £5.2m. The Housing Revenue Account remains in a balanced position over the same period.
- 2.7 Further scenario analysis has been undertaken in respect of the General Fund to demonstrate the range in effect of possible outcomes of local government funding reviews.
- 2.8 The 2019 – 2024 Medium Term Financial Strategy as approved by Cabinet on 5 February can be found in Appendix 2.

3.0 GENERAL FUND AND SPECIAL EXPENSES REVENUE BUDGET 2019/20

- 3.1 The draft General Fund and Special Expenses budget proposals for 2019/20 were considered by Cabinet on 5 February 2019 and are recommended to Council for approval. See recommendations 1 to 6, as set out at the front of this report.
- 3.2 Members are asked to note that on 29 January 2019 the Government laid before Parliament the details of the Final Local Authority Grant Settlement for 2019/20. The settlement confirmed that the Council will receive nil Revenue Support Grant in 2019/20. The level of redistributed NNDR has increased as a result of assumptions around the additional rates to be retained as part of the Council's participation in the Leicestershire Business Rate Pilot.
- 3.3 Given the proposals in respect of net revenue expenditure and funding forecasts as detailed below, the budgeted contribution to General Fund reserves 2019/20 is £161k surplus which would take the projected Self-Sufficiency reserve to £4m by March 2020. The draft Budget Summary for 2019/20 can be found in Appendix 3b.

3.4 Budget Setting Context

- 3.4.1 The budget presented within this report has been prepared in the context of the continuation of the Governments four year settlement and the provisional Local Government Finance Settlement issued in December 2018 in respect of funding, and, the final Local Government Settlement Announcement issued in January 2019 has confirmed this position.
- 3.4.2 Building on the new Finance Business Partnering service delivery of the Finance service, the approach to developing expenditure and locally generated income budgets has included a greater level of engagement with budget holders via 'Finance Clinics' where Finance Business Partners meet with budget holders. As a result there is an increased focus on more sophisticated estimates taken in order to reduce variance between budgeted and outturn position. The approach continues to project the revenue position for 2020/21 to 2023/24 for

indicative purposes only and for informing the review of the projections of the council's Medium Term Financial Strategy.

- 3.4.3 Members will be aware that the decision to outsource the Council's Hermitage and Hood Park leisure centre facilities and creation of a new facility and subsequent closure of the Hermitage centre was approved by Council on 21 November 2017. The procurement exercise to secure an operator to manage the council's existing leisure centres and to build a new facility and subsequently close the Hermitage facility has now concluded with a preferred bidder selected. The full details of the procurement process and successful bidder can be found in a report on the agenda for Cabinet on 5 February 2019. The budgetary forecasts in relation to the cost of the leisure centres has been based on the contracted revenue costs associated with running the leisure centres until transfer date, the ongoing costs that will be incurred post outsourcing date (but that will cease later in the year or in the following year), and the anticipated reduction in corporate support overheads that will be achieved by reviewing the council's internal support functions. The council is required to make a management fee payment to the operator in the first three years of the contract before the arrangement transfers to one which the council benefits from a payment from the operator for the remainder of the contract. The management fee payable to the operator is included in the budget is now based on the preferred supplier.
- 3.4.4 As a result of Cabinet decision to apply for VAT exemption on the provision of sporting goods and services, the council is estimated to receive in the region of £1m in reclaimed VAT. The details of this reclaim and the intended use is covered in more detail in a report on the agenda for Cabinet on 5 February 2019. The final budget has been updated to include assumptions around the amount of reclaimed VAT and expenditure of this.
- 3.4.5 The council, along with all counterparties in respect of Business Rates in Leicester and Leicestershire, entered a bid to undertake in a 1 year pilot of 75% business rate retention. The successful Leicestershire bid was announced as part of the provisional Local Government Finance Settlement on 13 December. At the time of developing the bid, it was projected that Leicestershire could retain an additional £13.8m. At the time of writing this report, work is ongoing to finalise the council's own projections in respect of business rates in 2019/20 and similarly this is the same for all other Leicestershire authorities. However, it is predicted that the additional funds retained will exceed £13.8m. The budgeted position in respect of business rates for the council includes a provisional share of the additional rates pending agreement of the allocations between all District parties. Expenditure in line with the bid principles of support financial sustainability and infrastructure growth has also been included on this basis.
- 3.4.6 The approved 2019/20 budget will undergo regular monitoring and scrutiny during the financial year through quarterly performance monitoring and finance clinics, so that when they arise any variances can be identified at an early stage and remedial action taken to deal with them where necessary.

3.5 General Fund 2018/19 – Projected Outturn

- 3.5.1 The uncommitted balance on the General Fund is currently £1.5m which reflects the minimum operating balance approved as part of the 2018 Medium Term Financial Strategy.
- 3.5.2 The Self-Sufficiency Reserve remains at £2.76m and there has been no expenditure against the reserve since it was created. As part of the Journey to Self-Sufficiency Programme and development of the council's Commercial Strategy, members will be presented with proposals to utilise this fund for investing in income generating opportunities or delivering savings.

3.5.3 The third quarter Performance Report is due to be considered by Cabinet in April and will present outturn projections for the current year. A surplus of £1.1m is forecast compared to the original budget of £299k. A number of favourable movements have contributed to this position including an increase in the anticipated level of business rates (£190k) and salary savings. Full details of the main variances to Quarter 2 can be found in the Quarter 2 Performance Management Report presented to Cabinet on the 11 December 2018. A full update in respect of further variances will be presented as part of the forthcoming Quarter 3 report due to be presented to Cabinet in April 2019.

3.5.4 The Self-Sufficiency reserve is forecast to stand at £3.86m by March 2019.

3.5.5 The forecast outturn position presented as part of Appendix 3b is based on the forecast outturn at period 9.

3.6 2019/20 General Fund Net Revenue Expenditure

3.6.1 The Councils net revenue expenditure position is affected by three main elements which include: the revenue expenditure in relation to the provision of services net of income generated through fees and charges and other income (including additional grants authorities apply for, which are not part of central government funding); and financing costs, broadly made up of investment income, interest charged in respect of loans and the minimum revenue provision charge made in respect of unsupported borrowing to fund capital expenditure.

3.6.2 For 2019/20, there has been an increase in net revenue expenditure for 2019/20 compared to 2018/19 of £1.5m, made up of budgetary pressures (increased expenditure or reduced income) and savings (increased income or reduced expenditure).

3.6.3 Budget proposals presented in this report have been considered and approved by the Corporate Leadership Team and are categorised as either:

a) Savings Challenge - Savings put forward as part of the organisational wide savings challenge to achieve savings of 2.5% (or £300k) in the net cost of delivering each General Fund service, including the net position of changes under the de-minimis level of £5k. In total, the budget holders put forward proposals with a combined value of £270k saving. De-minimis budget movements across the General Fund totalled a saving of £264k, taking the total reduction in the net cost of service to £534k.

b) Staffing increases – which include the cost of pay award, pension increases and incremental salary progression for 2019/20. The additional cost in 2019/20 of staffing is £396k.

c) Cost Pressure – additional budget provision to cover unavoidable cost pressures. The total of these is £353k and a breakdown is included in Appendix 3a.

d) Service Development – additional budget provision to cover enhancement of the service. The total value of service development proposals is £1.2m.

3.6.4 Since presentation of the draft budget to Cabinet in December, the following changes have been made:

Cost Pressures

a) Revenues and Benefits

Following the production of the draft budget by the Revenues and Benefits Partnership Management Board, an additional partner contribution is required of £26k by the council compared to the draft budget. Since the draft budget, grant reductions have also been confirmed resulting in additional cost pressures:

- The Department of Work and Pensions (DWP) have confirmed the Administration Subsidy Grant for 2019/20 and there is a reduction of £24k compared to 2018/19.
- There is also an estimated reduction in the Local Council Tax Scheme (LCTS) Admin Subsidy payable by Ministry of Housing, Communities and Local Government (MHCLG) of £6k.

b) Finance – Additional Licence Fees

The software provider of the council's finance system increased the licence fees from October 2018. The draft budget only included the increase for 6 months, an additional £13k has been included in the final budget to reflect the full year increase.

c) Brexit Contingency

A £10k one-off contingency has been included within the budget to cover any additional costs to the council in the preparation of the UK's exit from the European Union.

d) Insurance

The draft budget for insurance provision did not reflect the annual price increase or the transfer of the leisure centres from May 2019. The net effect is an increase of budget of £9k.

e) Net Financing Costs

Further analysis undertaken since the December Cabinet report has identified that the net financing costs for 2019/20 will represent an additional cost of £12k, which represents an extra £3k from the draft budget presented.

Service Developments

a) Leicester and Leicestershire Enterprise Partnership (LLEP)

A budget provision of £450k for the purposes of match funding up to two LLEP bids to support local town centres. For example, some of this funding could be utilised to support Kegworth in the redesign of the town centre following the bypass works.

b) Financial Sustainability and Infrastructure

As detailed in paragraph 3.4.5, the council is taking part in a 1 year pilot of 75% retention of business rates. An expenditure budget of £550k has been included within the final budget to cover costs associated with activities that meet the definitions of 'financial sustainability and infrastructure', in line with the bid principles of the Leicestershire business rate pilot bid. A corresponding increase in business rate income has also been factored in as per 3.7.4 below and as such this has a nil impact on the budget.

Other Changes Affecting Net Cost of Services

a) Staffing

Since the December budget an additional £45k of staffing costs have been identified, of which £39k relates to the change in policy that requires additional holiday pay to be paid to staff who undertake paid overtime.

b) Leisure

As detailed in paragraph 3.4.3, the council now has the details of the management fee payable to the preferred supplier. An additional £206k has been included in the final budget to reflect the actual fee payable in 2019/20. The full details of the procurement process and successful bidder can be found in a report on the agenda for Cabinet on 5 February 2019.

c) VAT Reclaim

As detailed in paragraph 3.4.4, the council is estimated to receive in the region of £1m in reclaimed VAT. The details of this reclaim and the intended use is covered in more detail in a separate report on this agenda. The final budget has been updated to include assumptions around the amount of reclaimed VAT and expenditure of this. This has a nil impact on the budget.

d) De-minimus service developments

Additional service developments and budgetary pressures of £5k and below, identified following the December Cabinet meeting, totalling £21k.

- 3.6.5 A full breakdown of proposals showing the movement from the 2018/19 budgeted position can be found in Appendix 3a.

3.7 2019/20 Funding

- 3.7.1 The provisional local government finance settlement was announced on 13 December 2018 and confirmed the level New Homes Bonus, Revenue Support Grant and the tariff and levy charges against business rates to be retained by the Council. As detailed in paragraph 3.4.5 the settlement also included the successful outcome of the Leicestershire wide bid to become a Business Rate pilot. Budgetary estimates below are therefore based on the 4 year settlement and other assumptions as detailed below.

- 3.7.2 For 2019/20 there is an estimated increase in total funding of £1.4m.

- 3.7.3 The Council will receive nil Revenue Support Grant in 2019/20 as per the 4 year settlement.

- 3.7.4 Forecast Business Rates income for 2019/20 has been estimated based on the period 9 performance of Business Rates plus assumptions around the anticipated level of growth in the district in 2019/20 based on an assessment of commercial developments underway. The Council has now submitted its final projections of Business Rates for 2019/20 to the Government and this information has been used to determine the final budget position. As per paragraph 3.4.7 above, an indicative £550k share of the circa £13.8m additional rates to be retained in Leicestershire to cover 'Financial Sustainability and Infrastructure' demands has also been included. In addition, a marginal gain of £30k compared to original forecasts is also included. The budgeted position for Business Rates in 2019/20 therefore now stands at £6.4m.

- 3.7.5 The Council is not planning to increase the District's share of the Council Tax in 2019/20. This will be the tenth year without an increase. The net income foregone by not increasing council tax for 2019/20 from its 2018/19 level is £168k. The cumulative loss of income as a result of

this policy from 2010/11 to 2019/20 will be £8.5m and the cumulative average saving to residents of £286 over the ten years. The budgeted level of Council tax income has now been assessed on the approved council tax base which includes the level of anticipated housing growth in 2019/20 and a non-collection rate of 2%. This has resulted in an additional £45k worth of council tax income in addition to the £86k projected as part of the draft budget. The total increase of £131k therefore takes the council tax budget from £5.2m for the 2018/19 year to £5.3m for the 2019/20 year.

- 3.7.6 The Council Tax Collection Fund is monitored throughout the year and the forecast income will be available from the fund towards next year's budget. The budget for 2019/20 has reduced by £199k from £289k to £90k. This is a favourable change of £26k compared to the draft budget submitted to Cabinet in December 2018. This step-change in anticipated Collection Fund surplus is as a result of the council more accurately predicting its housing growth in year which has reduced the effect of a surplus received a year in arrears.
- 3.7.7 The level of New Homes Bonus for next year is determined by the Council Tax Base report (CTB1) which was completed and returned to Central Government in October. The Government had previously announced that it may increase the national baseline for housing growth of 0.4% of council tax base (weighted by band), below which the Bonus will not be paid. As a result, it had been assumed as part of the council's draft budget that the baseline will be increased to 0.6% for 2019/20. The provisional settlement confirmed that the baseline would be maintained at 0.4% and therefore there is an additional £72k in addition to the increase of £91k in New Homes Bonus funding in 2019/20 compared to 2018/19. The total budget for 2019/20 therefore stands at £3.1m compared to £2.9m in 2018/19.

3.8 Indicative Budget Position 2020/21-2023/24

- 3.8.1 Included in Appendix 3b for illustrative purposes only is the forecast revenue budget position for 2020/21-2023/24. These estimates have been developed by budget holders across the Council, taking into consideration known budgetary changes and assumed inflationary increases. These estimates are then included as the Council's forecast base budget within the Medium Term Financial Strategy.

3.9 Special Expenses

- 3.9.1 The forecast outturn for 2018/19 Special Expenses forecast outturn remains at £527k net expenditure as per the approved budget. However, the contribution to/from reserves has changed from a contribution to reserves of £13k to a contribution from reserves of £14k, a net effect of £27k. Further information to available in the Finance Update reports to the Coalville Special Expenses Working Party.
- 3.9.2 For 2019/20, the expenditure budget has increased by £23k as a result of service management increases (£5k), grounds maintenance increases (£16k) which includes an additional site at Lillehammer drive, events (£2k), motor vehicle activated signs (£3k) and a reduction in cemetery income (£7k), partly offset by reduced general repairs and operational purchases budgets for Coalville park and recreation grounds (-£10k).
- 3.9.3 The Special Expenses Budget Summary for 2019/20 can be found in Appendix 3c.

4.0 HOUSING REVENUE ACCOUNT (HRA) BUDGET PROPOSALS FOR 2019/20

- 4.1 The draft Housing Revenue Account budget proposals for 2019/20 were considered by Cabinet on 5 February 2019 and are recommended to Council for approval. See recommendations 7 to 15, set out at the front of this report.
- 4.2 The 2019/20 budget, the proposed HRA capital programme and the 30 year business plan referred to in this report include the impact of the proposals contained within the addendum which was considered at Policy Development Group on 9 January 2019.
- 4.3 The budget has been prepared in the context of the continuation of four years of 1% per annum rent reductions from 2016/17 in accordance with the Work and Welfare Reform Act 2016. The impact of that rent reduction was fully incorporated into the HRA Budgets from 2016/17 onwards and the long term business plan. The Government has announced that from 2020/21 rent increases can be applied (limited to 1% above CPI), which provides more certainty for medium term financial planning. However, ongoing inflationary pressures, coupled with the 1% rent reduction for 2019/20, will certainly present financial challenges to the Housing service in the short term.
- 4.4 The budget summary for 2019/20 can be found in Appendix 4a.

4.5 2018/19 Budget Position

- 4.5.1 The budgeted outturn position for 2018/19 was a £2.946m surplus. The overall forecast for the current year at period 9 shows a surplus of £3.308m resulting in an increase to the forecast surplus of £362,000. This is largely as a result of savings in energy costs, partly as a result of an over accrual in 2017/18, savings in Council Tax as a result of fewer empty properties, together with additional income from rents, mainly as a result of increased void performance and additional income from interest on balances.
- 4.5.2 As a result of this the balance on the Housing Revenue Account at 31 March 2019 is estimated to be £12.7m. This balance significantly exceeds our agreed minimum working balance on the HRA of £1m and this has been developed to provide a loan repayment reserve provision for the future repayment of debts taken out on a maturity repayment basis, within the HRA Business Plan. The first maturity loans of £10m and £3m fall due for repayment on 28 March 2022. It is proposed that the balances over the £1m minimum working balance on the HRA continue to be transferred to a savings reserve for the purposes of repaying these loan commitments in 2022, until the loan repayment reserve has sufficient capacity to meet the repayments.
- 4.5.3 After 2022, it is proposed that the council will not automatically use any surpluses to pay into a loan redemption reserve for the repayment of maturity loans that next become payable in 2037. This will allow the council more flexibility and the ability to use future surpluses to either invest in capital improvements, new housing stock, service improvements or repayment of debt. The existing annuity loans will of course continue to be repaid as outlined in Appendix 4d. This decision was presented to members formally as part of the Treasury Management Strategy Statement for 2019/20 at Cabinet in December 2018.

4.6 2019/20 Budget Position

- 4.6.1 Budget proposals are based on prices and levels of charges for Council Housing related services at September 2018 plus other known increases, for example contractual uplift obligations.

- 4.6.2 A number of accounting and budget estimate amendments have been made from 2018/19, and these are set out in Appendix 4b. The most significant of those are an increase in employee costs of £243k and savings of £200k from increased efficiency within our repairs and maintenance work.
- 4.6.3 For 2019/20, the level of revenue contribution to capital outlay (RCCO) will be £1.7m.
- 4.6.4 We have updated our 2018/19 forecast figures with our latest estimate of outturn since we first presented the budget to Cabinet on 11 December. This has increased our forecast surplus in 2018/19 by £92k. We have also reflected this in the 2019/20 budget by reducing estimated expenditure by £28k.
- 4.6.5 As a result, the draft budget for 2019/20 is estimated to produce an operating surplus of £0.1m, after making a contribution of £1.3m to the debt repayment reserve, which will take total estimated HRA balances at 31 March 2020 to £14.1m. The HRA working balance will be £1.1m and the remaining £13m will be held in the debt repayment reserve to repay the debt that matures in 2021/22.

4.7 2019/20 Budget – Rents

- 4.7.1 During 2014, the Government announced that from 2015/16 rent guidance required rent increases to be via a formula of September CPI + 1% for the next 10 years. On the introduction of that guidance the former rent restructuring policy ceased, with the exception of re-letting properties at the converged rent level ('target rent') on re-let.
- 4.7.2 As part of the 2015/16 budget, Cabinet agreed to adopt an accelerated convergence approach that increased 2014/15 rents following the guidance of CPI + 1%, but also continued to converge rents not already at the target rent at an accelerated rate of up to £4 per week. Cabinet also agreed to the expansion of the approach to letting properties at target rent to include transfers by existing tenants.
- 4.7.3 However, at the end of October 2018, only 60% of properties were at their target rent, a much lower percentage compared to the vast majority of local authorities.
- 4.7.4 The Work and Welfare Reform Act 2016 required rents to be reduced by 1% below their 2015/16 levels, with the exception of those for supported housing. An exemption was granted for supported housing and those rents were increased by CPI + 1%. However, the Secretary of State for Work and Pensions announced on 15 September 2016 that the 1% rent reduction would apply for supported housing for 2017/18 and the following two years.
- 4.7.5 Earlier this year the Government announced a new five-year rent policy from April 2020 which enables annual rent increases of CPI plus 1%. This has been built into the thirty-year HRA business plan.
- 4.7.6 The level of rent loss due to the void properties target included in the budgeted rental income is 0.8%, a reduction from 1.0% assumed in the previous year, and reflects improved performance on re-letting empty homes.
- 4.7.7 As a result of the 1% rent reduction for 2018/19, lower property numbers due to RTB sales but some offsetting through the effects of the new build and acquisitions programme, net budgeted rental income is £20k less than budgeted in 2018/19.

4.8 Service Charges, Fees and Other Charges

- 4.8.1 Approximately one third of the Council's properties have a service charge, covering a range of items such as communal heating, communal lighting, maintenance of communal areas and the older persons service charge. Service charges are covered by Housing Benefit and will be eligible for Universal Credit payments, whilst all other fees and charges are not.
- 4.8.2 For 2019/20 average weekly service charges are proposed to be increased by 8.07%. Included within this is the charge for laundry room services where applicable. Members should note that this is slightly higher than the 7.96% reported in error to Cabinet in December 2018. We updated Cabinet orally about this on 5 February 2019.
- 4.8.3 Central heating charges are proposed to be maintained at existing levels, based on forecast energy prices anticipated for 2019/20.
- 4.8.4 Garage rent levels are proposed to rise by 3.3% which is in line with the Retail Prices Index (RPI) as at September 2018.
- 4.8.5 Appleby Magna Caravan Site is a General Fund asset but managed by the Housing Service. Ground rents for the site are proposed to be increased by RPI of 3.3% on the anniversary of each individual rent agreement in 2019/20.
- 4.8.6 It is proposed that Lifeline Charges are increased by RPI of 3.3% from April 2019 for both East Midlands Housing as per the contract, and for private customers.
- 4.8.7 Most shop leases are proposed to rise by 14% as agreed by Cabinet in November 2014 as part of the process of gradually moving all of them to a market rent.
- 4.8.8 A table detailing each charge increase can be found in Appendix 4c

4.9 HRA Business Plan

- 4.9.1 Significant annual surpluses on the HRA are required in future years in order to meet the loan repayment commitments in the HRA Business Plan. As detailed in 4.5.2 and 4.5.3 above, existing balances and future annual surpluses will be transferred to the debt repayment reserve for the purposes of repaying the first £13m of maturity loans that fall due in 2021/22. Surpluses will then be retained, rather than being automatically reserved to repay debt, in order to give the council more flexibility. Please see Appendix 4d for a schedule of HRA loans.
- 4.9.2 The inclusion of the new build programme and the negotiated gifted units from developers provides some improvement in the overall business plan viability. However, given the current forecasts for the rental income stream, it is not possible to achieve a positive cash flow in future over a 30 year period where borrowing will be required to fund new development for affordable rent (and no Homes England funding or other subsidy is available).
- 4.9.3 Depending on how the Council wishes to deal with the significant sums in loans that mature later during the business plan period, further savings, additional income or refinancing will be needed to address currently forecast shortfalls of £8.4m in 2041/42 and a further £40.8m by the end of the 30 year period in 2048/49.
- 4.9.4 It should be noted that any projected level of savings requirement is very sensitive to the level of future rent increases, which is difficult to predict given the uncertainty in the medium to long term of future inflation rates and changes in central government rents policy. Therefore, as

these potential liabilities fall 25 years plus hence, there are several other variables that could change over the intervening period, and the recurring option to refinance at an appropriate juncture is available, it is not considered necessary to draw up detailed plans at the moment to address the highlighted sums.

- 4.9.5 There is a requirement for a revenue contribution to capital outlay (RCCO) for 2019/20 of £1.7m to support the acquisition of new, affordable housing through section 106 planning agreements, or other agreements with developers. Future amounts are forecast to be required in order to support the capital programme, including new build proposals, as follows:

RCCO

- 2021/22 - £0.1m
- 2022/23 - £0.6m

5.0 CAPITAL PROGRAMMES – PROPOSED GENERAL FUND, COALVILLE SPECIAL EXPENSES AND HOUSING REVENUE ACCOUNT (HRA) PROGRAMMES 2019/20 TO 2023/24

- 5.1 The proposed General Fund, Special Expenses and HRA Capital Programmes for 2019/20 to 2023/24 were considered by Cabinet on 5 February 2019 and are recommended to Council for approval. See recommendations 16 to 19, at set out at the front of this report.

- 5.2 In line with Prudential Code 2017 there is a new requirement for members to approve a Capital Strategy alongside the Capital Programme for the forthcoming year. The Strategy sets out the Council's priorities and approach to capital investment and provides a mechanism by which the Council's capital investment and financing decisions can be aligned with the Council's corporate priorities over a medium term (five year) planning timeframe. The Capital Strategy can be found in Appendix 5d.

5.3 General Fund – Estimated Outturn 2018/19

- 5.3.1 The projected outturn for 2018/19 on General Fund schemes totals £6,406,789. This is a managed increase of £3,269,536 on the original budget for the year of £3,137,253.

- 5.3.2 This managed increase is caused by the following:

| Schemes carried forward from 2017/18 | £ | £ |
|---|----------|------------------|
| Refuse Vehicles | 677,330 | |
| Vans – Medium | 56,500 | |
| Access Rd High St car park, Measham | 25,000 | |
| Belvoir Shopping Centre Main Service Road | 10,296 | |
| HPLC car Park - resurfacing section of | 15,000 | |
| Swannington Depot Demolition | 34,500 | |
| Coalville Market (phase 2) | 11,371 | |
| Coalville Park reconfigure depot | 103,552 | |
| Wellbeing centre HPLC | 399,250 | |
| Car park - Ashby Cultural Quarter | 612,535 | |
| Memorial Clock Tower | 120,000 | |
| Disabled Facilities Grant – Slippage into 2018/19 | 5,848 | |
| Total | | 2,071,182 |
| | | |

| | | |
|--|-----------|------------------|
| Additional Approved Schemes and Virements 2018/19 | | |
| Car Park - Ashby Health Cultural Quarter | (87,020) | |
| HPLC Ashby - Wall improvements and statue | 100,000 | |
| Disabled Facilities Grant – Slippage into 2018/19 | (52,849) | |
| Fleet Programme (Net overspend agreed) | 11,502 | |
| Marlborough Square | 1,100,605 | |
| Marlborough Square – further funding | 546,000 | |
| Castle Donington College - AWP resurfacing | 662 | |
| Finance System review - increase in scheme | 50,000 | |
| Finance System review - vired to revenue | (400,000) | |
| User Screen replacement - vired to revenue | (25,000) | |
| Hood Park LC Car Park Ashby - Resurfacing (section of) | (12,980) | |
| Memorial Clock Tower | 40,000 | |
| New Market Provision | 600,000 | |
| Linden Way Depot – Welfare Facilities | 46,000 | |
| Linden Way Depot – Workshop Extension | (46,000) | |
| Council Offices – Fire Alarm and COTAG Door Entry Systems | 78,000 | |
| Total | | 1,948,920 |
| | | |
| Planned Slippage in 2018/19 carried forward to 2019/20 | | |
| Wellbeing Centre at HPLC | (399,250) | |
| Total | | (399,250) |
| | | |
| Underspends - not required - Identified in 2018/19 | | |
| Hood Park LC Car Park Ashby - Resurfacing (section of) | (2,020) | |
| Linden Way Depot Workshop Extension (For 8 wheelers) | (44,000) | |
| Linden Way Depot Extension | (200,000) | |
| IDOX Platform | (30,000) | |
| Access Road High St Car Park Measham | (25,000) | |
| Belvoir Shopping Centre-Main Service Road, Coalville-Maintenance | (10,296) | |
| North Service Road Car Park Coalville - Improvements | (40,000) | |
| Total | | (351,316) |
| | | |
| Total Managed Increase | | 3,269,536 |
| | | |
| Total Managed Increase Funded by: (Net Position) | | |
| Revenue | 23,000 | |
| Reserves | 2,922,974 | |
| Grant | 81,252 | |
| Internal Borrowing (USB) | 242,310 | |
| Total | | 3,269,536 |

The total planned financing of the General Fund expenditure totalling £6,406,789 in 2018/19 is:

| | £ |
|----------------------------------|------------------|
| Disabled Facilities Grant | 572,989 |
| Revenue Contributions to Capital | 128,000 |
| Capital Receipts | 30,000 |
| Reserves | 3,069,418 |
| Grants | 81,252 |
| Unsupported Borrowing – Internal | 2,525,130 |
| Total | 6,406,789 |

5.3.3 There were sufficient funds identified prior to this capital spend being committed.

5.3.4 The carried forward schemes shown in paragraph 5.3.2 above represents expenditure which was originally expected and budgeted for in 2017/18 but has slipped into 2018/19. The budgeted financing has also been carried forward.

5.4 **GENERAL FUND CAPITAL PROGRAMME 2019/20 TO 2023/24 – INDIVIDUAL SCHEMES**

5.4.1 The programme for 2019/20 to 2023/24 is detailed in Appendix 5a. This programme provides for a continuation of the current Disabled Facilities Grants Scheme and the Vehicle Replacement Programme.

5.4.2 Schemes shown as slippage from 2018/19 and carried forward to 2019/20 are detailed in the table in paragraph 5.3.2 above.

5.4.3 In addition, the following new schemes are included in the programmes for approval to commence in 2019/20:

5.5 **Planned Preventative Maintenance schemes (£712,450)**

5.5.1 Moirra Furnace – Masonry and Drainage (£40,000)

Moirra Furnace is a listed Scheduled Monument. A condition survey completed for the 2018/19 budget setting process, identified that urgent remedial actions were required and a £170,000 budget was allocated in 2018/19. Further drainage works have been identified for the building.

5.5.2 Moirra Furnace – Upgrade to Furnace and Bridge and further remedial works (£85,000)

This budget will ensure that works to the bridge and surrounding site can be completed to enhance the experience for visitors and users of the site.

5.5.3 Council Offices – Replace obsolete parts to consumer units (£75,000)

The consumer unit does not meet the current legislation ie. 17th Edition of BS7671. There is no residual circuit breakers and parts for the current consumer unit are obsolete.

5.5.4 Council Offices – Replacement LED Lighting throughout (£35,000)

This will reduce the carbon footprint of the council offices, reducing electricity bills and will provide more natural light for employees.

5.5.5 Council Offices – Insulate roof space (£30,000)

The insulation in the loft space of the Council offices is approximately 100mm. The requirements for loft insulation have been increased to 250mm. increasing the insulation to the required amount will boost thermal comfort and reduce energy bills.

5.5.6 Council Offices – Lift Works (£100,000)

Installation of new lift. The current lift is becoming expensive to maintain due to recurring problems and could potentially fail. This would mean that the first floor would be inaccessible to disabled people and heavy or cleaning equipment would also be unable to be transported to the first floor.

5.5.7 Council Offices – Upgrade walkways including double glazing and insulated panels (£250,000)

The external walkways of Stenson House and the council offices are showing signs of deterioration and decayed timber. Repairs will need to be carried out to the structure of the walkways which will include scaffolding for access and decoration on completion. The windows are single glazed and the walkway is therefore difficult and expensive to heat. By replacing the windows with double glazed units and insulated panels, energy costs will be reduced and would provide a more comfortable environment for users of the building.

5.5.8 Council Offices Stenson House – Replacement windows, light wells (£35,450)

The light wells in the centre of Stenson House require the current single glazed windows replacing with double glazed windows. This will require access via scaffolding. To minimise the cost of the scaffolding, decoration works will be undertaken in unison with the replacement windows.

5.5.9 Council Offices Stenson House – External works to roadway frontage (£50,000)

The circular drive in front of Stenson House is currently paved with slabs and kerbs as an upstand around the area. The paving slabs have become uneven causing a potential health and safety hazard. The kerb edgings also need to be reset as they act as a retaining edge for the gardens around the circle.

5.5.10 Whitwick Business Centre – Replacement LED Lighting (£12,000)

This will reduce the carbon footprint, reducing electricity bills and will be more attractive to prospective tenants.

5.6 **New Schemes for consideration (£11,295,140)**

5.6.1 LAN Switches Replacement (£15,500)

Network capacity expansion within the Council Offices. 3 of the existing network cabinets have reached maximum capacity. In order to provide room for expansion, agile working and mobile working, 3 additional switches are required.

5.6.2 Wi-Fi Management Portal (£25,000)

Central Management Portal for the Wi-Fi network, so that we can manage, its configuration and settings from a central location. Currently we have to manage each remote access point individually.

5.6.3 Telephony Unified Communication (£130,000)

Replacement of the Alcatel VOIP platform and Contact centre, with a new Skype unified communications platform to modernise the Council's telephony and unified communications. This will be a new contact centre platform for Customer Services, to provide up-to-date contact centre features and reduction in overall telephony cost.

5.6.4 Professional Services for windows 2008 to Windows 2016 migration (£45,000)

35 servers are currently running key line of business applications. Windows server 2008 comes to end of life on January 14 2020, from this date there will be no more security updates

or patches, which leaves the servers vulnerable and the Council at risk to increased cyber-attack. The applications on these servers need to be migrated to new servers and require the help of suppliers to migrate the applications to Windows Server 2016.

5.6.5 Disabled Facility Grants (£649,640)

Continuing Disabled Facilities Grant function that has been delegated to the lead authority (Blaby District Council) under the Lightbulb Project Scheme – Cabinet report on “Delegation and Collaboration Agreement in relation to the Lightbulb Programme” 16 January 2018.

5.6.6 GM Depot Coalville Park – Concreting Grounds (£40,000)

Replacement of the existing tarmac surface at the Grounds Maintenance depot at Coalville Park with a concreted surface. In 2017/18, over £3,000 of materials and £2,000 of labour costs - over £5,000 in total - were spent on tarmacking damaged areas of the compound and refilling potholes. This doesn't take into account any damage to vehicles caused by the uneven and damaged surface, or the health and safety risk apparent to staff, visitors, and vehicles. The revenue costs are likely to increase annually as the surface gets older. Concreting the surface would last for a minimum of 30 years and would be unlikely to require ongoing revenue funding for repairs or reinstatement, as the concrete will continue to get harder over time and would be less likely to fall into disrepair.

5.6.7 Leisure Centres Project (£10,195,000)

i. Hood Park Leisure Centre Ashby (£1,199,000) and
ii. New Leisure Centre Coalville Year 1 (£8,996,000) both elements as per the scheme report to Cabinet.

5.6.8 Salt bay Cover – (£20,000)

Cover for the bay where the salt is stored which needs to be on rails so that the salt can be easily loaded and unloaded with machinery.

5.6.9 Appleby Magna Caravan Site redevelopment (£175,000)

The Council has owned and managed a residential caravan site in Appleby Magna for many years. This site now has 8 remaining residents, and is in need of extensive refurbishment to ensure it meets modern standards. Discussions with the residents about the refurbishment are ongoing, and it is anticipated that a design for the replacement site will be completed by the end of 2018/19. This will then require planning permission prior to works being undertaken, which it is expected will be over a 2 year period (2019/20 and 2020/21).

5.7 Fleet Replacement Programme (£701,000 2019/20 and £1,150,000 2020/21)

5.7.1 Fleet Replacement is a rolling programme. Each year a number of vehicles either come to the end of their useful economic life or if leased, their lease period when each of these vehicles are reviewed based on its age, condition, mileage or potential risk of major repairs (due to being out of warranty). A decision is made to replace the vehicle or to extend its life for a further period.

5.7.2 These decisions are made in the previous year in order to allow a suitable lead-in period from order to delivery in April, particularly for large items such as refuse vehicles. Many of these vehicles are built to order and these orders have to be placed before October for delivery the following April. Therefore, although they are actually acquired in April a commitment has to be made in the previous year.

5.7.3 Due to service requirements, approval is sought to amend the 2019/20 fleet budget from £600,000 to £701,000; a net increase of £101,000. This increase consists of: the addition of

seven vehicles, a Box Lorry (£65,000) and six Medium Vans (£100,000) for the housing service; the reduction of 1 small van (-£14,000); the cost of the refuse/recycling vehicles has been revised down (-£50,000).

5.7.4 The total fleet budget for 2019/20 is now as follows:

| Vehicles / Plant & Equipment | Original Budget £ | Revised Budget £ |
|---|------------------------------|-----------------------------|
| Refuse / Recycling Vehicles | 425,000 | 375,000 |
| Vans - Small | 30,000 | 16,000 |
| Vans - Medium - Housing | 80,000 | 180,000 |
| Vans – Box Lorry | 0 | 65,000 |
| 2 x Mowers | 65,000 | 65,000 |
| TOTAL | 600,000 | 701,000 |

5.7.5 In order to progress with the 2020/21 purchases, approval is sought for the following vehicles:

| Vehicles / Plant & Equipment | Budget £ |
|---|---------------------|
| 3 x Refuse / Recycling Vehicles | 660,000 |
| 2 x Market Vehicles / Cars | 24,000 |
| 1 x Vans Small | 16,000 |
| 10 x Vans Medium - Housing | 180,000 |
| 2 x Vans – Box Lorry | 130,000 |
| Sweepers | 130,000 |
| Misc Plant/equipment | 10,000 |
| Total | 1,150,000 |

5.7.6 The 2020/21 budget has been set based on the rolling vehicle replacement programme to ensure reliability and cost effectiveness of all fleet vehicles, to control maintenance costs, to avoid increased repairs to ageing vehicles and to ensure efficient service delivery.

5.8 General Fund Capital Programme Funding

5.8.1 The General Fund Capital Programme (2019/20) will be funded by:

| Funding Stream | £ |
|----------------------------|-------------------|
| Disabled Facilities Grants | 621,200 |
| Revenue Contribution | 28,440 |
| Reserves | 52,500 |
| Capital Receipts | 11,000 |
| S106 Contributions | 772,000 |
| Unsupported Borrowing | 11,223,450 |
| Total | 12,708,590 |

5.9 Coalville Special Expenses – Estimated Outturn and Individual Schemes

5.9.1 There is one scheme in 2018/19 – Owen Street Football Floodlights budgeted to cost £50,000. This is on target and the forecast outturn is £50,895.

5.9.2 There are no new schemes identified to commence in 2019/20.

5.9.3 The Special Expenses Capital Programme can be found in Appendix 5b.

5.10 HRA Capital Programme – 2019/10 - 2023/24 Individual Schemes

5.10.1 The HRA Capital programme (Appendix 5c) covers in detail the capital schemes for the period 2019/20 to 2023/24.

5.10.2 Planned spend in 2019/20 and onwards mainly consists of:

a) Home Improvement Programme (HIP)

The Council brought all of its homes up to the Decent Homes standard in 2014/15 and is forecast to spend £4.2m on maintaining decency in 2019/20. Each year will require further investment to ensure that 100% of homes remain at this minimum quality standard.

The Home Improvement Programme for the remaining 4 year period will see an investment of £10.5m in improving tenants' homes.

b) New Build/Affordable Housing Programme

The current programme comprises -

| | |
|--|------------------|
| Former Cocked Hat site, Cropston Drive | - 12 homes |
| Coalville Police Station | - 24 homes |
| Potential scheme in Whitwick, current estimate | - 32 homes |
| Total | = up to 68 homes |

The above schemes will see a planned investment of £3.2m for 2019/20 with a further £1.6m investment planned in 2020/21. Other HRA owned sites are currently being considered for inclusion in the programme, as are further acquisitions of properties through s106, or other, deals with developers for which an additional sum of £1.7m has been included in the 2019/20 programme, provisionally funded by a revenue contribution. A variety of funding streams can be used to fund these initiatives, including commuted sums.

c) Renewable Energy Installation Programme

The renewable energy is generated by air source heat pumps which are being installed to replace solid fuel heating. Originally the programme was to be carried out over three years and end during the 2019/20 financial year. Everwarm Group were selected as the contractor to complete the programme of replacement heating systems.

Due to the efficient working of Everwarm most of the programme will be completed by the end of the current financial year. Therefore the capital programme has been realigned and an additional £950k included in the forecast spend for 2018/19. It is proposed to cover this amount by the underspend caused by other projects being delayed and moved to 2019/20. Appendix 5c reflects these changes.

d) Other Schemes / Miscellaneous

There are various other schemes with brief notes in the Housing Capital Programme as per Appendix 5c.

In relation to the proposed sale of higher value empty homes, a provision of £1m originally included in the 2017/18 capital programme has been revised to nil. This follows a change in

the government's policy as detailed in the social housing green paper in the summer. To accommodate the inclusion of the expenditure within the capital programme, capital receipts income from asset disposals had also been included. For consistency, this has been reduced in line with the removal of the expenditure requirement.

5.10.3 Future Funding

The long term HRA business plan continues to be based on a 1% rent reduction for 2019/20 and then, following recent guidance from the Government, rent increases of CPI plus 1% for five years, then reverting to CPI plus 0.5% for the remainder of the 30 year period the plan covers. The latest guidance on future rent increase levels provides greater certainty for the five-year period following rent reductions, and additional efficiencies will continue to be sought.

5.11 **Capital Resources**

5.11.1 The resources estimated to be needed to finance the **General Fund** programme 2019/20 to 2023/24 totals £33,517,960 and is as follows:

| | £ |
|--------------|-------------------|
| 2019/20 | 12,708,590 |
| 2020/21 | 12,149,640 |
| 2021/22 | 6,364,950 |
| 2022/23 | 1,139,250 |
| 2023/24 | 1,155,530 |
| Total | 33,517,960 |

5.11.2 Details of the planned funding of the programmes are included in Appendix 5a.

5.11.3 Funding is in place in 2019/20 for the Disabled Facilities Grants Scheme (£649,640) consisting of £621,200 Disabled Facilities Grants and £28,440 of revenue contribution.

5.11.4 Section 106 contributions of £772,000 have been identified for the Leisure Centre Project.

5.11.5 Funding from reserves have been identified for: LAN switches replacement (£15,500); Wi-Fi Management Portal (£25,000); and Whitwick Business Centre Replacement LED Lighting (£12,000).

5.11.6 For 2019/20, £11,000 of capital receipts from vehicles sold will be used to supplement the Fleet programme.

5.11.7 The remaining schemes for 2019/20 (£11,223,450) can be funded by either unsupported borrowing or leasing depending on value for money and for which, provision has been made in the 2019/20 Revenue Budget.

5.11.8 The following resources are budgeted to be available for financing the **Housing Revenue Account programme** in 2019/20:

| | £ |
|---|-------------------|
| Usable Balances | 6,462,062 |
| Retained Right to Buy Receipts | 247,956 |
| Right to Buy Receipts – Attributable debt | 998,943 |
| Use of Right to Buy ‘One for One’ reserve | 920,464 |
| Direct Revenue Financing | 1,700,000 |
| Major Repairs Allowance | 3,139,190 |
| Asset Disposals (Capital Allowance) | 400,000 |
| Renewable Heat Incentive | 200,000 |
| S106 | 215,697 |
| Total Resources | 14,284,312 |
| Less Budgeted Expenditure | 13,109,559 |
| Surplus to be carried forward to 2020/21 | 1,174,753 |

6.0 SETTING THE COUNCIL TAX

6.1 The wordings of the recommendations for setting the Council tax are prescribed and are explained below.

6.2 Recommendations 20(1) and 20(2)

The amount shown in these recommendations are the Council Tax Base for the 2019/20 year (Recommendation 20(1)) and the Council Tax Base for 2019/20 for those areas where Parish Precepts and/or Special Expenses apply (Recommendation 20(2)) both as shown in Table A, Appendix 6.

6.3 Recommendation 21(1)

The amount at Recommendation 21(1) is the Council’s estimated gross expenditure for 2018/19 including the Special Expenses plus the parish precepts as notified to the District Council under the Local Government Act 1972 together with any increase in reserves. It is calculated as follows:

| | £ |
|------------------------------------|-------------------|
| District Gross Expenditure | 59,174,850 |
| Parish Precepts | 2,111,610 |
| Surplus of Income over Expenditure | 161,090 |
| Total | 61,447,550 |

6.4 Recommendation 21(2)

This is the District Council’s estimated gross income for 2019/20 from fees, charges, rents, specific and general Government grants, reserves and the transfer from the Collection Fund and has been calculated as follows:

| | £ |
|---|-------------------|
| Fees and charges, rents, specific Government Grants | 43,974,010 |
| Formula Grant | - |
| National Non Domestic Business Rates | 6,387,076 |
| New Homes Bonus | 3,068,124 |
| Transfer from Collection Fund | 89,872 |
| Total | 53,519,082 |

6.5 Recommendation 21(3)

This is the Council's Council Tax Requirement and is the difference between gross expenditure at 21(1) above and gross income at 21(2) above. It is calculated as:

| | £ |
|-------------------|------------------|
| Gross Expenditure | 61,447,550 |
| Less Gross Income | 53,519,082 |
| Total | 7,928,468 |

6.6 Recommendation 21(4)

This figure represents the basic amount of Council Tax and is calculated by applying the formula given in Section 31B of the Local Government Finance Act 1992:

Where:

- R is the Council's Council Tax Requirement, i.e. as Recommendation 21(3) above
- T is the Council Tax Base

Therefore:

$$\begin{aligned} & \text{£7,928,468 (R)} \\ & \text{33,678 (T)} \\ & = \text{£235.42} \end{aligned}$$

6.7 Recommendation 21(5)

This is the total of all the Special Expenses and the precepts of local precepting authorities i.e. Parish Councils as follows:

| | £ |
|------------------|------------------|
| Special Expenses | 476,201 |
| Parish Precepts | 2,111,610 |
| Total | 2,587,811 |

6.8 Recommendation 21(6)

This figure is arrived at by deducting from the amount of basic Council Tax at Recommendation 21(4) the sum of the Special Expenses plus parish precepts (recommendation 21(5) divided by the District Council Tax base):

$$\begin{aligned} & \text{£235.42} - \left(\frac{\text{£2,587,811}}{33,678} \right) \\ & = \text{£158.58} \end{aligned}$$

This represents the basic amount of Council Tax (at Band D level) for those parts of the District's area where there are no parish precepts or Special Expenses. The parish precepts and/or Special Expenses, where applicable, are in addition to this.

6.9 Recommendation 21(7)

The amounts referred to here are the additional basic levels of Council Tax to meet the parish precepts and/or Special Expenses set out in Recommendation 21(5). They are calculated by dividing the parish precept and/or Special Expenses by the Council tax base for that part of the Council's area, and adding the result to the Council Tax amount calculated in Recommendation 21(6) above.

6.10 Recommendation 21(8)

These amounts are calculated by applying, either to the basic amounts of Council Tax at Recommendation 21(6) (no parish precept and/or Special Expenses), or to the basic amounts of Council Tax at Recommendation 21(7) (where there are parish precepts and/or Special Expenses), the proportions listed in Section 5(1) of the Local Government Finance Act 1992 as they relate to the proportion allocated to Band D as follows:

| Valuation Band | Proportion of Basic Council Tax |
|----------------|---------------------------------|
| A | 6/9 |
| B | 7/9 |
| C | 8/9 |
| D | 9/9 |
| E | 11/9 |
| F | 13/9 |
| G | 15/9 |
| H | 18/9 |

6.11 Recommendation 22

In issuing their precepts for the financial year 2019/20 Leicestershire County Council, Leicestershire Police and Crime Commissioner and the Combined Fire Authority have informed the billing authority (i.e. North West Leicestershire District Council) of the total amount payable and also the amount of Council Tax for each valuation band. There will be an update at the District Council meeting should the County Council's information change.

6.12 Recommendation 23

This amount is calculated by adding together the amounts in recommendation 21(8) and the amounts in Recommendation 22. This gives the total amount of Council Tax payable for each valuation band in each part of the Council's area. These amounts will, in some cases, be reduced by discounts including Council Tax Support discounts which replaced Council Tax Benefits from 1 April 2013.

6.13 Recommendation 24

The Localism Act 2011 has amended the Local Government Finance Act 1992 in such a way as to require the Council to determine whether the Council's relevant basic amount of Council Tax each year is "excessive". A referendum is now triggered in those authorities where an increase is so determined. The question of whether an authority's relevant basic amount of Council Tax is excessive or not must be decided in accordance with a set of principles determined for the year by the Secretary of State.

The Secretary of State has now indicated that the Authority's basic amount of Council Tax for 2019/20 would be considered excessive if it is the higher of either 3% greater than its relevant basic amount of Council Tax for 2018/19 or £5.

As no increase in Council Tax is being recommended in those parts of the District in which no parish precepts apply (i.e. in the District element of the Council Tax plus appropriate Special Expenses element) there is no question of the basic amount of Council Tax for 2019/20 being determined as excessive. Table F, Appendix 6 shows the percentage increases.