

Appendix A

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 10 JANUARY 2023



Title of Report	DRAFT GENERAL FUND BUDGET AND COUNCIL TAX 2023/24	
Presented by	Councillor Nick Rushton Corporate Portfolio Holder PH Briefed <input type="checkbox"/> Y	
Background Papers	Budget & Council Tax 2022/23 – Council - 24 February 2022	Public Report: Yes
Financial Implications	This report sets out the draft General Fund Revenue budget and Capital Programme and the Special Expenses draft budget for 2023/24. It also sets out planned changes to the fees and charges that the Council sets for services. Signed off by the Section 151 Officer: Yes	
Legal Implications	There are no direct legal implications arising from this report. Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	The report and its appendices set out plans to create new posts and remove vacant posts from the establishment. Signed off by the Head of Paid Service: Yes	
Purpose of Report	This report seeks Cabinet approval to consult on the draft General Fund and Special Expenses budget for 2023/24 and the proposals contained within. The outcome of this consultation exercise will be fed back into subsequent reports to Cabinet and Council to seek approval for the final budget in February 2023.	
Recommendations	CABINET IS RECOMMENDED TO: <ol style="list-style-type: none"> 1. PROPOSE THE 2023/24 DRAFT GENERAL FUND REVENUE, CAPITAL AND SPECIAL EXPENSES BUDGET, THE MEDIUM TERM FINANCIAL PLAN (MTFP) FOR 2023/24 TO 2027/28 AND THE BUDGET PROPOSALS CONTAINED WITHIN THE REPORT AND THE PROPOSED FEES AND CHARGES FOR 2023/24 FOR STATUTORY CONSULTATION. 2. ACKNOWLEDGE THE STATUTORY REQUIREMENT TO SET A BALANCED BUDGET FOR THE SPECIAL EXPENSE ACCOUNTS. 3. PROVIDE DIRECTION ON THE BALANCE BETWEEN INCREASING COUNCIL TAX AND REDUCING COSTS FOR THE SPECIAL EXPENSE ACCOUNTS. 4. NOTE THE COUNCIL'S KEY RISKS TO THE BUDGET. 	

1.0 BACKGROUND AND DISCUSSION

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

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

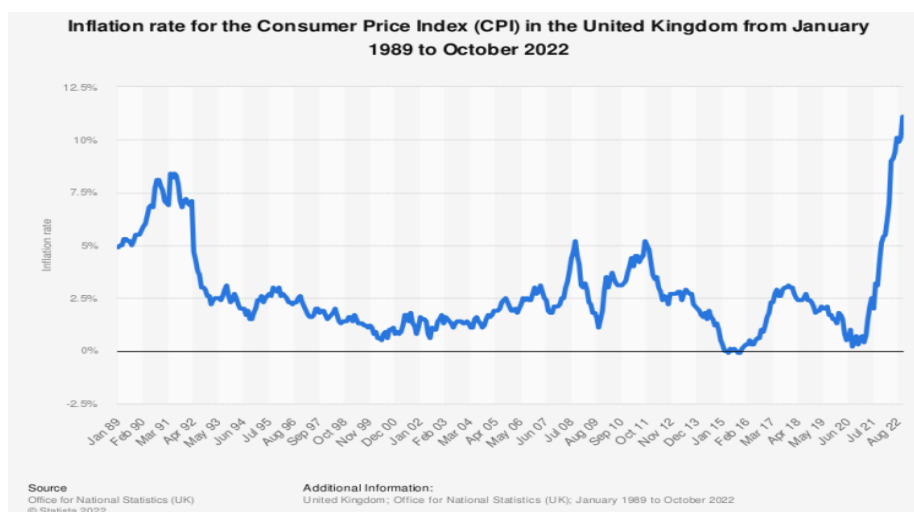
1.1 Context

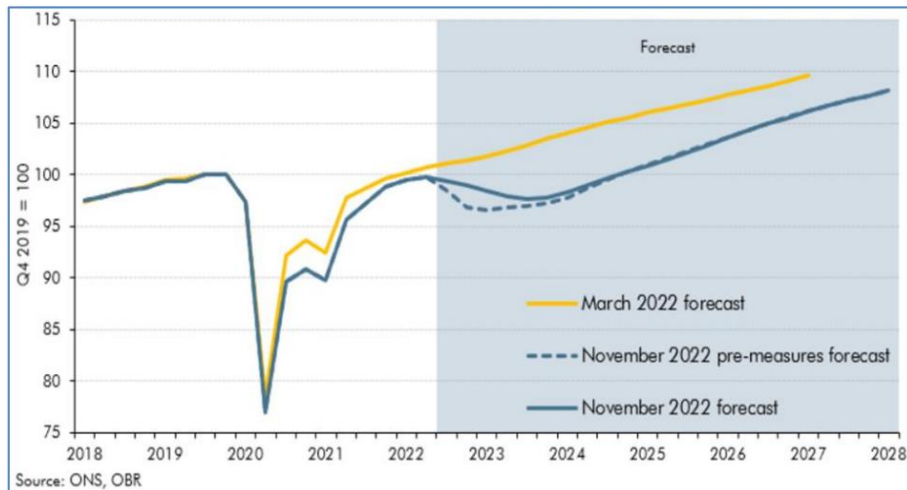
1.1.1 The Council is setting its budget at a time when it faces a range of issues to contend with. In broad terms these can be split into three categories; economic, local government and locally in North West Leicestershire. Each of these is explored below:

1.2 Economic

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

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





1.3 Local Government

- 1.3.1 The pressures facing the national economy are also having an impact on the local government sector. The cost of providing services is increasing due to the inflationary pressures being experienced in the wider economy, the demand for services growing and the need to respond to government policy initiatives, such as zero carbon.
- 1.3.2 The Autumn Statement in November 2022, announced additional funding in local government for social care, provided increased flexibilities by increasing the level at which a referendum would be required to increase council tax, announced the cap on social rents for 2023/24 would be 7% and confirmed commitments to fund the Levelling Up agenda.
- 1.3.3 The service with the most pressure in local government continues to be social care. Whilst the Council does not provide social care services directly its budget is impacted upon with these pressures. Firstly, by government funding being targeted at councils with social care responsibilities and away from district councils as seen through reductions in New Homes Bonus funding in recent years. Secondly, through increased 'knock on' pressures on district council services supporting the vulnerable and their local communities.
- 1.3.4 The Provisional Local Finance Settlement is expected to be announced during week commencing 19 December 2022. This announcement is important for the Council to understand its financial position as it currently has little certainty of its government funding streams for 2023/24 and the medium term.

1.4 Local – North West Leicestershire

- 1.4.1 North West Leicestershire District Council, just like the rest of the UK, is experiencing the impact of the cost-of-living crisis. The costs of running services and the demand for services has increased in the past 12 months and is expected to continue to increase over the coming year.
- 1.4.2 In the last 5-10 years the Council has seen growth in its business rates income as new companies have moved into the area due to its location and excellent communication links. This has led to the Council being the largest beneficiary in England from the business rates growth retention scheme. The business rates growth has enabled the Council to fund services without increasing council tax.

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

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

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

1.5 Principles Underpinning the Budget Strategy

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

Guiding Principles	Key Strategies for Developing Budget 2023/24 and MTFP 2023-28
Financial Stability and Sustainability	<ul style="list-style-type: none"> • Plan ahead for potential Government funding changes (including Business Rates Reset) • Do not become overly reliant on Business Rates funding for on-going service provision • Use future surpluses in Business Rates funding for future one off investment in district to reduce revenue costs and/or increase income
Resources Focussed on Priorities	<ul style="list-style-type: none"> • Resources allocated to council objectives
Maximising Our Sources of Income	<ul style="list-style-type: none"> • Fees and Charges maximised (increased by minimum of inflation)
Managing our Risks	<ul style="list-style-type: none"> • Acceptable level of risk tolerance • Review of reserves strategy and position

1.6 Budget Assumptions

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

- Pay award – 5% in 2022/23 (actual pay award equated to 7% but the Council already had 2% included within its 2022/23 budgets), 4% in 2023/24, 3% in 2024/25 and 2% thereafter
- Contracts have been linked to the CPI/RPI as per individual agreements
- Inflation – fuel has been increased by 30%, gas by 86% and electricity by 100%

- Fees and charges – there have been some fees and charges increased by inflation and where appropriate these have been taken into account where demand has changed (please see section 2.3 for more detailed information on fees and charges)
- In broad terms other expenditure has not had any inflationary factor applied with a few exceptions where material costs have had to be increased to keep up with rising prices (eg Grounds Maintenance).

2.0 GENERAL FUND BUDGET 2023/24

2.1 General Fund Budget Summary

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

2.1.2 Table 1 below highlights that in 2023/24 the net revenue expenditure has increased by £499k compared to 2022/23 whilst the anticipated funding has decreased by £92k.

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

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

2.1.3 Also shown in the table is the Journey to Self Sufficiency (J2SS) budgeted savings for 2022/23 which if achieved would have been allocated to reserves. This is unlikely to be achieved in 2022/23 so due to this the Council has had to reset its strategy. In line with the guiding principles set out in paragraph 1.5 savings targets have not been built into budget forecasts. Instead, the focus is on developing a robust MTFP. To balance the budget in 2023/24, £290k is being met from reserves to fund one-off budget expenditure proposals.

2.1.4 The forecast financial position for the medium term is set out in Appendix 1, although the Council currently has a balanced budget for 2023/24, there is uncertainty for the future as the budget gap for 2024/25 is £1.4m increasing to £3.7m in 2027/28. This is a cumulative budget gap over the medium term of £9.5m.

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

2.2 Budget Proposals

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

Budget Proposal by Type

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

- **Cost pressures totalling £2.2m.** The most significant cost pressures relate to:
 - pay related costs which are due to increase by £1.4m, due to a combination of funding the unbudgeted balance of the pay award for 2022/23 and a forecast pay award of 4% for 2023/24
 - inflation pressures of £547k largely due to energy costs £172k and fuel increases £131k
 - service pressures which include £146k on bed and breakfast due to increased costs towards emergency accommodation, although our pressures are offset by a reduction in Net Financing Costs of £283k. This is due to reprofiling of our borrowing liability to future years in line with the latest capital programme projections, proposed changes to our MRP strategy and proposed changes to how the capital programme is financed.
- **Changes to income, which see a net income increase of £743k.** The most significant changes include higher income from the sale of recycling materials (£193k), an increase in Leisure Contractor income (£270k), additional income from an increase in Planning Applications (£185k) and income from investments (£245k). This is offset by the reduction in income on the introduction of fees for additional garden waste bin collections of £174k which has had a lower take up than anticipated and a reduction in our income budget of £58k on Newmarket as a result in the delay of the opening of Marlborough Square Project and therefore the inability to hold regular outdoor markets.
- **Budget savings/efficiencies totalling £311k.** This is where the Council has identified areas where budgets can be decreased. The largest area of saving is by changing the way in which the purchase of refuse and recycling bins and boxes is purchased, through capital, saving £155k per annum on the revenue budget in 2023/24.
- **Service Developments totalling £189k.** Service developments are where there are planned improvements to a service which bring additional costs. Considering the funding position, these developments have been sought to keep to a minimum. The main area of development is the Coalville Regeneration Programme £50k.

Budget Proposals by Service

Community Services

2.2.3 As a front facing function within the Council incorporating waste, parks, car parks, toilets, leisure, markets and fleet, the service continues to be affected by significant inflationary pressures related to contracts, fuel, materials, vehicle costs and utilities. Income proposals for 2023/24 are seeking to cover the same inflationary pressures and are in the main at a 10% level of increase. The government announced in the

2022 autumn statement that the full costs of rolling out a food waste collection scheme would be paid for by government. It was also announced that licencing fees would be based on full cost recovery rather than being set centrally. Further details are awaited on these initiatives through legislation. Another key income potential for the Council is the new responsibility in 2023 for producers to contribute towards the Council's costs incurred in the processing discarded packaging.

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

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

Planning & Infrastructure

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

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

Corporate

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

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

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

market. Due to significant increases in the projected unit charges budgets need to increase significantly.

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

Property Services

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

Economic Regeneration

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

Housing

- 2.2.14 The General Fund aspect of the Housing Service stems from NWLDC statutory Homelessness Service. Like many services Covid has increased the workload in this area. The restrictions on human resources has now caused a high demand for the availability of Supported Housing specialists. The Council is having to pay for these skills that are in high demand all over the country.
- 2.2.15 Supply chains have delayed reletting of properties which has extended the time spent in bed and breakfast and temporary accommodation on the whole. The Council has a statutory duty to provide temporary accommodation following stringent assessments.
- 2.2.16 The demand of housing via the Ukraine Scheme continues to rise together with the much publicised cost of living.
- 2.2.17 The introduction of a new IT housing system is being embedded which created a backlog of housing applications due to a six-month register closure. The demand for skilled officers to remain in the team has been challenging and been agreed by CLT.
- 2.2.18 The cost of temporary accommodation continues to increase and has had an impact on this year's budget in 2022/2023 and it is not expected to reduce in the near future.

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

2.3 Fees and Charges

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

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

- Waste Services – trade refuse and recycling have increased their fees by 10% generating an additional £74k income
- Environmental Protection – Private Sector Housing increase in licences by 10% generating an additional income of £13k
- Environmental Protection – removal of early payment discount on fines for fly tipping, littering etc which will generate an estimated additional income of £3k

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

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

2.4 Funding

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

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

- **Reduction in the Lower Tier Service Grants.** This grant was introduced in 2021/22 to effectively provide transitional support and ensure no authority received a reduction in Spending Power. This grant will cease in 2023/24 and instead the Council will receive 3% Funding Guarantee
- **Minimum Funding Guarantee** - this is estimated to be £1.1m in 2023/24 and 2024/25. This grant is to ensure the Council is not significantly affected by the reduced New Homes Bonus Grant and the loss of the Lower Tier Services Grant.
- **Increase in Business rates.** Growth in the district is expected to result in a significant increase in business rate income, from £8.6m currently forecast for this year to £9.9m for 2023/24. It is recommended that the additional £1.3m is not used to fund ongoing revenue spend and instead, is set aside within the business rates reserve to fund the capital programme. This is due to the risk North West Leicestershire faces from a potential business rates reset which could happen in 2025/26. North West Leicestershire has seen the biggest growth above its business rates baseline in all local authorities in England and therefore, could face a significant reduction in funding if and when such a policy is implemented.

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

- **Reduction in Services Grant.** It is estimated that this grant will reduce from £166k in 2022/23 to £125k in 2023/24 and will cease after 2024/25.
- **Council Tax income is assumed to increase by £129k.** This is caused by growth in the district. This has been set based on the council tax base calculated for 2023/24. For more information see the Council Tax Base report on the same agenda.

2.4.2 The draft budget assumes the value of the district's share of council tax remains frozen. Had the council tax been increased by the maximum amount, which is assumed to be £5 on a band D property, then the Council would receive an additional £182k in council tax.

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

2.5 General Fund Reserves

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

2.5.2 In addition to these reserves, the Council also has earmarked reserves estimated to be £3.1m as at 31 March 2023, falling to £2.4m by 31 March 2024 and general balances of £1.5m. A summary of these reserves can be found in table 2 below.

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

Reserve Name	Estimated Balance as at 1/4/23 £	Commitments & Budget Proposals 23/24 £	Estimated balance as at 31/3/24 £	Future commitment incl budget proposals 24/25 to 27/28 £	Estimated Balance 31/3/28 £
Earmarked reserves - General Fund	3,147,466	(717,453)	2,430,012	(436,390)	1,993,622
MTFP Reserve	5,165,188	0	5,165,188	0	5,165,188
Business Rates Reserve	369,093	7,019,693	7,388,786	3,915,871	11,304,657
General Balance (minimum level of reserves) - General Fund	1,544,493	0	1,544,493	0	1,544,493
TOTAL ALL RESERVES - GENERAL FUND	10,226,240	6,302,240	16,528,479	3,479,481	20,007,960

2.5.3 Earmarked reserves are those reserves that have been earmarked for a specific purpose. The estimated balances include items currently committed and also £0.7m used to fund one off budget proposals over the 5 years from 23/24 to 27/28. A table showing details by service can be found in Appendix 5.

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

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

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

3.0 CAPITAL PROGRAMME 2023/24 TO 2027/28

3.1 General Fund and Special Expenses Capital Programme

3.1.1 Capital Strategy

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

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

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

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

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

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

3.2.1 2023/24-2027/28 Capital Programme

3.2.2 The proposed General Fund capital programme is outlined in Appendix 4. The five-year programme totals £17.2 million, which is similar to the previous 5-year programme. The Programme is made of some large projects such as;

- **£3 million regeneration programme for Coalville:** This multi-year investment will be used for regeneration projects for Coalville. These projects will be subject to the approval of full business cases for the individual projects. A new budget of £0.5m has been added to this programme bringing the total planned investment in Coalville to £9.6 million over the next five years.
- **Fleet replacement programme:** This is the rolling programme to renew Council vehicles. This project is subject to annual review and approval. Part of the scheme is the disposal of old existing vehicles and the capital receipts from this is re-invested in the programme.
- **ICT Investment:** Investment is being made to upgrade and acquire various ICT systems and equipment over the 5-year programme. Some of this include the replacement of laptops, server upgrades and implementing new storage systems.
- **Supply of Bins and Recycling Containers:** As reported to Cabinet in July 2022, a new contract for the supply of bins and recycling containers has been awarded. Prior to the award of the contract, the purchase of wheeled bins and recycling containers was undertaken on an ad-hoc basis and the budget included within the general fund revenue budget. Due to the value of the contract and the life of the assets (between 3 and 7 years), this expenditure meets the definition of capital expenditure and has now been added to the capital programme.

3.3 Funding the Capital Programme

3.3.1 Each capital programme is funded from a variety of sources, including revenue, reserves, grants and borrowing. Ahead of the final budget the council will continue to look at ways to optimise the funding of its capital programme and minimise the impact

on its revenue budget over the medium term. This will include looking at the current capital programme to see if schemes currently funded by borrowing could be financed from reserves. Table 3 below summarises the current identified funding sources for each year of the general fund capital programme.

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

	2022/23 Forecast c/f £'000	2023/24 Budget £'000	2024/25 Indicative £'000	2025/26 Indicative £'000	2026/27 Indicative £'000	2027/28 Indicative £'000
Capital Receipts	74	295	0	0	0	0
Government Grants	202	1,197	670	670	670	670
Reserves	2,437	3,836	1,804	3,906	1,724	801
Section 106 contributions	0	0	0	0	0	0
Revenue contributions	0	125	110	39	205	162
Prudential Borrowing	5,746	292	0	0	0	0
General Fund Total	8,459	5,745	2,585	4,615	2,599	1,633

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

4.0 SPECIAL EXPENSES 2023/24

Budget Requirement

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

Financing the Budget

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

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

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

5.0 KEY RISKS TO THE BUDGET

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

Table 4: Key Risks to the Budget

Area	Comments
The reasonableness of the underlying budget assumptions	All budget proposals have been justified by service managers, reviewed by finance and subject to budget challenge sessions in the new process. External review has also been undertaken by the treasury advisers, Arlingclose, on the treasury strategy.
The availability of un-earmarked reserves to meet unforeseen cost pressures	The Council has a minimum level of reserves for General Fund of £1.5m. The General Fund position has been risk assessed to take account of potential unforeseen pressures.
Have realistic income targets been set and 'at risk' external funding been identified?	An assessment of income targets has been undertaken as part of the development of the draft budget. The income areas which have the greatest risk (including business rates, council tax, planning and

Area	Comments
	leisure) have had greater focus for this work and focus in the budget challenge sessions.
Has a reasonable estimate of demand cost pressures been made?	The enhanced budget process used in the development of the draft budget has improved the reasonableness of estimates. The budget proposals were required to be justified/assessed using a form, then were reviewed by finance and subject to budget challenge sessions.
Has a reasonable estimate of future income been made?	
Have one-off cost pressures been identified?	All pressures have been reviewed to assess if they are one-off or ongoing in nature. One-off proposals are to be funded from reserves. Services will need to ensure exit plans exist for one off expenditure.
Is there a reasonable contingency available to cover the financial risks faced by the council?	The Council has incorporated estimates for pay award, inflationary and demand pressures into its budget. It has also made provisions for key income streams not materialising for business rates and council tax.
Is there a reasonable level of reserves, which could be used to mitigate any issues arising and are they reducing as the risks decrease?	The Council has a range of earmarked, MTFP and minimum levels of reserves to ensure its financial stability.
Has there been a degree and quality of engagement with colleagues and councillors in the process to develop and construct the budget?	There has been a fundamental step change in the approach to engaging the organisation during this budget process. This has included a series of budget challenge sessions between the CFO and Heads of Service, as well as engagement with Corporate Leadership Team, Portfolio Holders, Strategy Group and an all-councillor briefing.

6.0 CONCLUSIONS AND NEXT STEPS

- 6.1 Based on the assumptions made in the Draft Budget 2023/24 and MTFS 2023-28 for income and expenditure, the Council can set a balanced draft budget for 2023/24.
- 6.2 Further work will need to be carried out going forward on balancing the budget gap for future years from 2024/25 onwards.
- 6.3 There is still further work to be carried out between the draft and final budget position including any changes from the provisional and final funding finance settlement, any further changes to proposals, further detailed work on net financing costs and technical finance work around recharges. There will also be equality impact assessments conducted during this period.
- 6.4 The key points from the Local Government finance policy statement 2023-24 to 2024-25 announcement on 12th December 2022 are:
 - A 3% Minimum Funding Guarantee - this new feature ensures every authority has a 3% increase in government funding (this essentially measures the change

in Core Spending Power excluding Band D). It will be funded from “a proportion of” NHB legacy payments and the current Lower Tier Services Grant.

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

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

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

Table 5: Budget Timetable

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

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

7.0 EXEMPTION FROM CALL IN

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

Policies and other considerations, as appropriate	
Council Priorities:	The budget provides funding for the Council to deliver against all its priorities.
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	The equality impact assessment will be completed for the final budget to be presented to Cabinet.
Customer Impact:	Customers are likely to be impacted by the changes to fees and charges and special expenses precepts set out in this report.
Economic and Social Impact:	The General Fund capital programme allocates £9.6 million to investing in Coalville Regeneration Projects over five years.
Environment and Climate Change:	The budget sees substantial new investment of £7.4m in the replacement of council vehicles and reducing our carbon emissions. There’s £0.8m investment in bins and recycling containers to

Policies and other considerations, as appropriate	
	increase recycling from households. On revenue the Climate Change Programme Manager post has been funded for the next five years from reserves.
Consultation/Community Engagement:	Corporate Scrutiny Committee – 04/01/23 Public consultation will begin 16 January to 27 January 2023
Risks:	The budgets will be monitored throughout the year to ensure the Council remains within its funding envelope and planned budget savings are delivered. Key risks to the budget are discussed in further detail in section 5 of the report.
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