

APPENDIX A

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

COUNCIL – THURSDAY, 23 FEBRUARY 2023



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

1.0 BACKGROUND

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

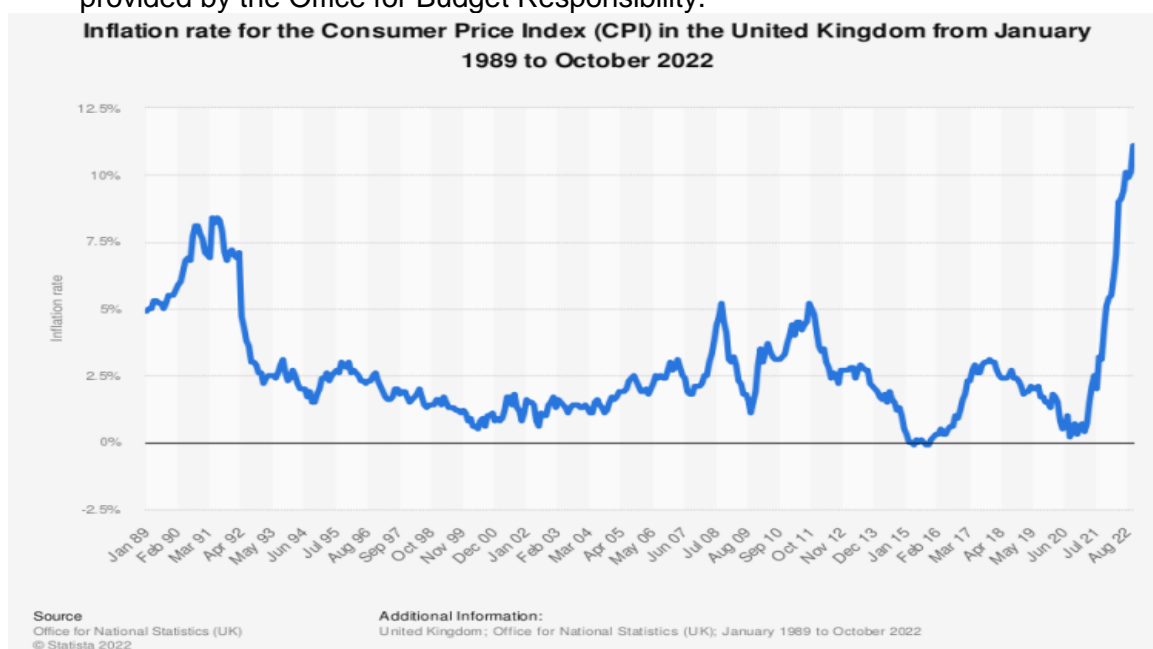
- the robustness of the estimates in the budget.
 - the adequacy of the proposed financial reserves.
- 1.2 Section 25(2) of the 2003 Act requires the Council to have regard to this report in approving the budget and Council Tax.
- 1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code reinforces this requirement stating that the statement in relation to the proposed financial reserves should consider whether the level of general reserves are appropriate for the risks (both internal and external) to which the Council is exposed and give reassurance that the authority's financial management processes and procedures are able to manage those risks
- 1.4 While the statutory local authority budget setting process continues to be on an annual basis, a longer-term perspective is essential if local authorities are to demonstrate their financial sustainability.

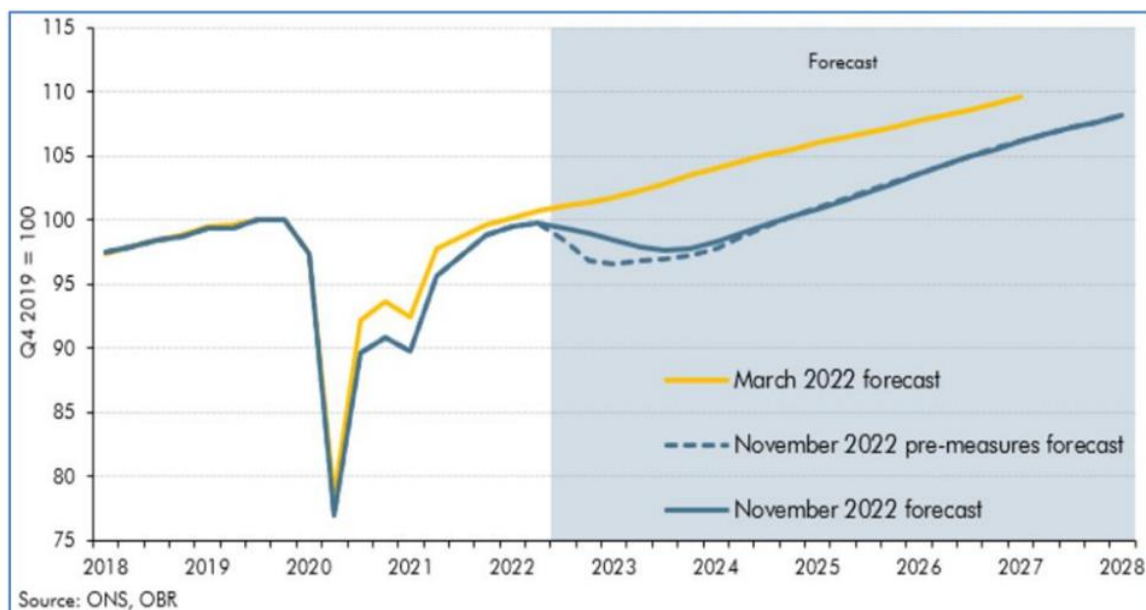
2.0 CONTEXT

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

2.2 Economic

- 2.3 The national economic position has been influenced by a number of factors in recent years including the Covid-19 pandemic, Brexit, Russian invasion of Ukraine and the cost of living crisis. The government has provided unprecedented support through these events.
- 2.4 The key economic challenges faced are inflation, lower economic growth and a potential recession. The graphs below show the current level of consumer price inflation (CPI) and the forecast level of gross domestic product (GDP) for the UK as provided by the Office for Budget Responsibility.





2.5 Local Government

- 2.6 The pressures facing the national economy are also having an impact on the local government sector. The cost of providing services is increasing due to the inflationary pressures being experienced in the wider economy, the demand for services growing and the need to respond to government policy initiatives, such as zero carbon.
- 2.7 The Autumn Statement in November 2022, announced additional funding in local government for social care, provided increased flexibilities by increasing the level at which a referendum would be required to increase council tax, announced the cap on social rents for 2023/24 would be 7% and confirmed commitments to fund the Levelling Up agenda.
- 2.8 The service with the most pressure in local government continues to be social care. Whilst the Council does not provide social care services directly its budget is impacted upon with these pressures. Firstly, by government funding being targeted at councils with social care responsibilities and away from district councils as seen through reductions in New Homes Bonus funding in recent years. Secondly, through increased 'knock on' pressures on district council services supporting the vulnerable and their local communities.
- 2.9 The Provisional Local Finance Settlement was announced on 19 December 2022 and has been incorporated in the budget position for 2023/24. Whilst no specific funding allocations for 2024/25 have been made the Local Government Finance Policy Statement announced on 9 December 2022 stated they would be in line with 2023/24. There is currently little certainty of government funding streams for 2025/26 and the remainder of the medium term period.
- ## 2.10 Local – North West Leicestershire
- 2.11 North West Leicestershire District Council, just like the rest of the UK, is experiencing the impact of the cost of living crisis. The costs of running services and the demand for services has increased in the past 12 months and is expected to continue to increase over the coming year.

- 2.12 In the last 5-10 years the district has seen growth in its business rate income as new companies have moved into the area due to its location and excellent communication links. This has led to the Council being the largest beneficiary in England from the business rates growth retention scheme. The business rates growth has enabled the Council to fund services without increasing council tax.
- 2.13 However, this also presents the Council's highest financial risk as government has indicated that it is looking to reset the business rates growth baseline and redistribute resources to councils across the country with a fair funding review.
- 2.14 Leicestershire County Council has announced its draft budget for 2023/24 which includes a number of savings proposals. The full impact of these savings proposals on services provided by North West Leicestershire District Council is not fully understood. Officers are in the process of assessing the potential impact of County Council proposals. It should be noted the impacts are very difficult to assess as the effects are likely to be indirect. Mitigating actions will be considered as and when required. The Council will, alongside other district councils in the county, continue to work closely with the County Council.
- 2.15 Recognising the wider context within which the budget is being set, and making improvements to financial management, the Council has used a new process to develop its proposed budget plans for 2023/24 and over the medium term. This recognises the greater focus within the organisation on its finances. The new process, coupled with that used in previous years, has involved:
- Services completing budget proposal forms to justify the need for any changes to the budget.
 - Budget challenge sessions, with follow ups as required, between the Chief Finance Officer and Heads of Service.
 - Regular reporting to the Corporate Leadership Team on the Council's overall budget position.
 - Engagement with councillors through Portfolio Holder briefings, Strategy Group and an all councillor budget briefing prior to the draft budget being proposed for consultation.
 - Further engagement has taken place through Corporate Scrutiny, consultation with the public and the HRA tenants forum.

3.0 PROPOSED FINANCIAL STRATEGIES & POLICIES

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

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

3.2 Capital Strategy

- 3.3 The Capital Strategy has been significantly enhanced to make it fit for the future. Historically, there has been a substantial level of reprofiling budgets to future financial years after the budget has been set. This has been the position during 2022/23 where, as at Quarter 2, over 50% of budgeted capital spend has been reprofiled to future

financial years. This indicates an optimism bias in the Council about how quickly capital projects can be delivered.

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

3.5 The Treasury Management Strategy

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

3.7 Corporate Charging Policy

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

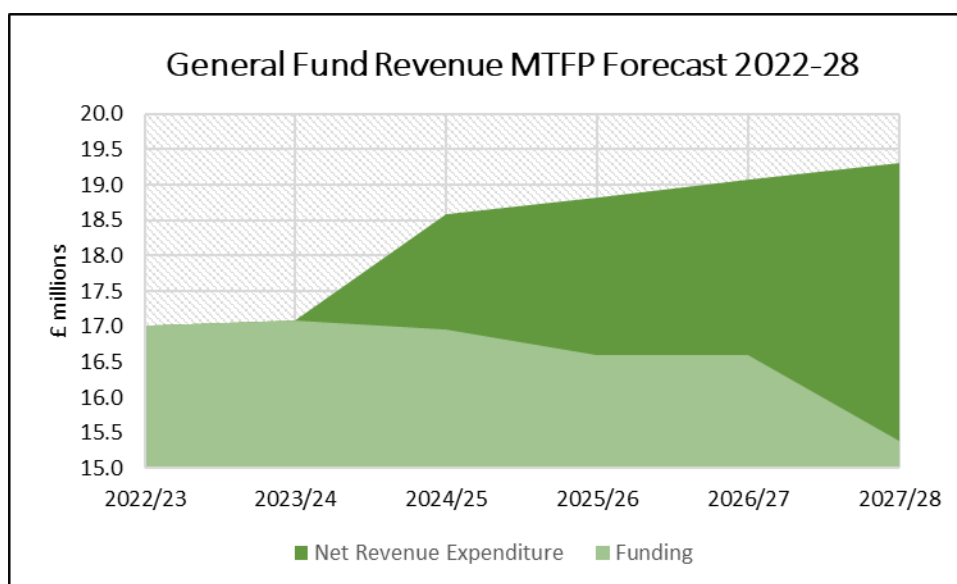
4.0 **PROPOSED GENERAL FUND BUDGET 2023-24**

- 4.1 The macro economic challenges, particularly inflation, facing the country have directly impacted upon the Council's financial position in the 2022/23 financial year, the budget for 2023/24 and over the medium term.
- 4.2 The forecast outturn position for the general fund revenue budget 2022/23 is an operating deficit of £0.980 million due to the pay award being significantly greater than budgeted and inflation, such as utilities. In addition, the budget included savings target for the Journey to Self Sufficiency (J2SS) of £0.895m which if achieved would have been allocated to reserves. If no action is taken reserves will be £1.875m less than anticipated when the budget was set. As part of the 3rd Quarter monitoring for 2022/23, services have been instructed to explore ways to reduce its forecast cost projections for the remainder of the financial year by undertaking a robust assessment of their budgets to minimise any use of reserves to finance the projected overspend.
- 4.3 The key strategies applied to developing the proposed budget are set out as follows:

Guiding Principles	Key Strategies for Developing Budget 2023/24 and MTFP 2023-28
Financial Stability and Sustainability	<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

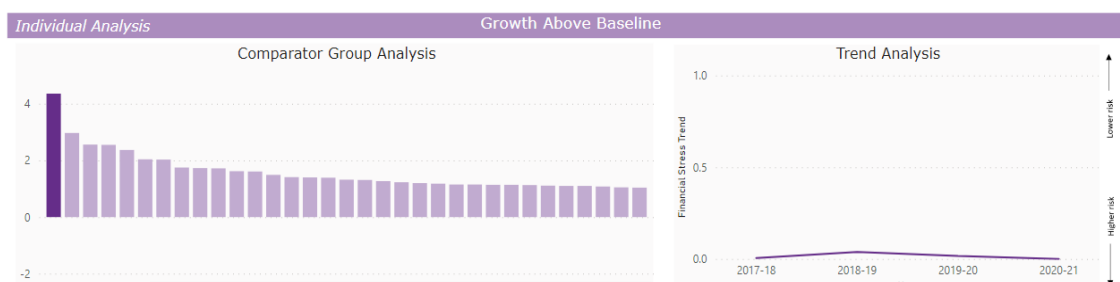
	<ul style="list-style-type: none"> Use future surpluses in Business Rates funding for future one off investment to reduce ongoing revenue costs or generate income
Resources Focussed on Priorities	<ul style="list-style-type: none"> Resources allocated to Council objectives
Maximising Our Sources of Income	<ul style="list-style-type: none"> Fees and Charges maximised (increased by inflation)
Managing our Risks	<ul style="list-style-type: none"> Acceptable level of risk tolerance Review of reserves strategy and position

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



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

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



- 4.7 It should be noted the timing of these potential government funding changes is unclear. The latest intelligence, based on indications from government, is that the earliest a business rates reset could happen is 2025/26. There is fluidity over this date as government has been indicating its intention to undertake a business rates reset and fair funding review previously, and it is yet to happen. If and when these funding changes may happen there is likely to be an element of transitional protection to assist those councils, like North West Leicestershire, to manage reduced funding over a period of time. An estimate of this protection has been factored into the forecasts in the graph at 4.4 above.
- 4.8 However, it is important the Council starts to plan early for any potential government funding changes and ensures the funding gap this could create in its revenue budget is appropriately managed. To this end the financial strategies set out in paragraph 4.3 above and proposed draft budget seek to put in place the foundations to achieve this.
- 4.9 The proposed Revenue Budget for 2023/24 is balanced. The Council faced significant pressures on its revenue cost base compared to 2022/23. The table below sets out the changes to the budget and key assumptions made:

	£'000	Key Assumptions
Net Budget 2022/23	16,705	
Pay	1,413	<ul style="list-style-type: none"> • Catch up pay award 2022/23 (extra 5%) • Pay award 2023/24 (+4%)
Inflation & Unavoidable Service Pressures	1,090	<ul style="list-style-type: none"> • Utilities (Gas +86%, Electricity +100%), Fuel (+30%), Insurance
Service Developments	271	<ul style="list-style-type: none"> • Creating capacity to develop a robust MTFP • Regeneration of district
Income & Efficiencies	-1,164	<ul style="list-style-type: none"> • Fees and Charges (up to 11%) • Waste income, planning income and improved return on surplus cash
Technical adjustments	-962	<ul style="list-style-type: none"> • Removal of one-off budgets in 2022/23 and GF/HRA Recharges
Proposed Net Budget 2023/24	17,353	

- 4.10 At the time of publishing the proposed budget for 2023/24 the final local government finance settlement has not been announced. The figures included for the funding are estimates based on the provisional local government funding settlement and latest intelligence.
- 4.11 The Capital Programme has been developed in line with the guiding principles and a substantially improved Capital Strategy.
- The existing capital programme has been split into Active schemes and Development Pool schemes.
 - Any new proposed schemes received have been placed into the Development Pool, with the exception of three schemes, totalling £335k, where approval is proposed to ensure service provision is maintained and/or where external funding is available.
 - No new borrowing, over and above that approved in the 2022/23 budget, is proposed to fund the capital programme, with the exception of two schemes.

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

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

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

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

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

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

5.0 PROPOSED HOUSING REVENUE ACCOUNT BUDGET 2023-24

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

5.2 In 2012, the Council took on the debt associated with its housing stock under the nationally HRA Self Financing initiative. As part of this a 30 year business plan was developed. A core component of the business plan is for the HRA to repay the self

financing borrowing by 2042. The Council should continue to make provision in its HRA to repay this outstanding borrowing.

- 5.3 The forecast outturn position for the HRA budget 2022/23 is an operating deficit of £0.587 million due to the pay award being significantly greater than budgeted (£0.198m), inflation (such as utilities) and an unachieved savings target for the Journey to Self Sufficiency (J2SS) of £0.325m. If no action is taken reserves will be less than anticipated when the budget was set. As part of the 3rd Quarter monitoring for 2022/23 services have been instructed to explore ways to reduce its forecast cost projections for the remainder of the financial year by undertaking a robust assessment of their budgets in order to minimise any use of reserves to finance the projected overspend.
- 5.4 The position shows a balanced budget for 2023/24. The table below provides a summary of the key changes and assumptions.

HRA Budget	Approved 2022/23 £'000	Proposed 2023/24 £'000	Change and Key Assumptions
Repairs & Maintenance	5,914	7,693	<ul style="list-style-type: none"> Inflation on repairs costs, grounds maintenance and materials
Supervision & Management (incl Provision for Doubtful Debts of £100k)	3,079	4,095	<ul style="list-style-type: none"> Catch up pay award 2022/23 5% Pay award 2023/24 4% Utilities (Gas 86%, Electricity 100%)
Capital Charges – Depreciation	6,241	5,289	
J2SS Cost Savings	-325	0	<ul style="list-style-type: none"> Savings targets removed
Total Expenditure	14,909	17,077	
Income	-18,524	-20,139	<ul style="list-style-type: none"> Rents (7%) Service charges (12%)
Net Operating Surplus	-3,615	-3,062	
Appropriations (incl contributions to capital programme)	3,550	3,815	
Contribution to/from Reserves	0	3,726	
Net Surplus(-)/Deficit (+)	-64	4,479	

- 5.5 The proposed HRA budget for 2023/24 shows an operating surplus of £3.1m. This is a £553k reduction from 2022/23. The primary reason for this movement is due to staff pay award and inflationary pressures on utilities, repairs, materials and grounds maintenance offset by additional income.
- 5.6 To deliver the HRA Capital Programme in 2023/24 and ensure sufficient monies are set aside for future debt repayment an overall deficit of £4.5m is being budgeted for. This will be paid for from accumulated surpluses of £6.6m which have been built up in reserves. This leaves an operating balance of £2.1 million for unexpected events. This is more than the minimum balance of £1 million considered adequate for the size of HRA and risks faced.

- 5.7 The Capital Programme is planned to spend £15.2m in 2023/24. Based on previous years experience this is an ambitious level of estimated spend. For example, as at Quarter 2 in 2022/23 over 50% of the planned in year spend has been re-profiled to future years. It is likely a proportion of spend in 2023/24 maybe delayed to future financial years, which would lead to a lower drawdown from reserves to finance the programme. The area of the capital programme at greatest risk of delay is the Housing Improvement Programme.
- 5.8 To mitigate the risks of the capital programme not delivering to budget the draft Capital Strategy proposes a number of improvements to manage schemes through their project lifecycle.

6.0 ROBUSTNESS OF BUDGET ESTIMATES AND ADEQUACY OF RESERVES

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

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

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

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

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

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

Financial Strategy

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

Financial Reporting

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

Financial Management and Control

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

7.0 CONCLUSION

- 7.1 Based on the assumptions made in its proposed Budget 2023/24 and MTFS 2023-28 for income and expenditure, the Council can set a balanced proposed budget for 2023/24.
- 7.2 However, there are a number of risks, or “known unknowns”. The most significant of these for the Council is the timing of a potential reset in business rates and associated changes to the local government finance system.
- 7.3 Whilst the Council’s financial position is currently stable and sustainable there are a number of uncertainties. As such the Council will need to ensure it makes the right decisions in the short term (next year) to ensure it is financially stable and sustainable over the medium to long term.
- 7.4 Such a strategy should include maximising all income streams, being more efficient, growing its financial management capability, influencing the risks faced to optimise the Council’s future financial viability and delivering on the actions set out at paragraph 6.2.
- 7.5 The single most important action is for the Council to recognise the future risks ahead and start to develop, implement and, most importantly, deliver a medium term financial plan.
- 7.6 Provided the Council carefully considers and acts upon the analysis in this report, and officers robustly manage the implementation of the Revenue and Capital Budgets, a positive opinion can be given under Section 25 of the Local Government Act 2003 on the robustness of budget estimates and the level of reserves.

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

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