

# APPENDIX A

## NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

COUNCIL – THURSDAY 23 FEBRUARY 2023



Title of Report	GENERAL FUND BUDGET AND COUNCIL TAX 2023/24	
Presented by	Councillor Nick Rushton Corporate Portfolio Holder	
Background Papers	<a href="#">Draft General Fund Budget and Council Tax 2023/24 - Corporate Scrutiny Minutes - 4 January 2023</a>  <a href="#">Draft General Fund Budget and Council Tax 2023/24 - Cabinet 10 January 2023</a>  <a href="#">Coalville Special Expenses Working Party - Minutes - 3 January 2023</a>	Public Report: Yes
Financial Implications	<p>This report sets out the General Fund, Special Expenses Revenue and Capital Programme for 2023/24 to 2027/28, which are needed for the Council to continue to deliver its services to residents, tenants and businesses.</p> <p>It also seeks approval for a wide range of fees and charges for 2023/24 which are set out in Appendix 3(a) to (c) and approval for the updated Corporate Charging Policy at Appendix 3(d).</p> <p><b>Signed off by the Section 151 Officer: Yes</b></p>	
Legal Implications	<p>No direct legal implications arising</p> <p><b>Signed off by the Deputy Monitoring Officer: Yes</b></p>	
Staffing and Corporate Implications	<p><b>Signed off by the Head of Paid Service: Yes</b></p>	
Purpose of Report	To allow the Council to approve the 2023/24 budgets.	
Recommendations	<p><b>COUNCIL IS RECOMMENDED:</b></p> <p>1. <b>TO APPROVE THE GENERAL FUND REVENUE BUDGET FOR 2023/24 AS SUMMARISED IN SECTION 2 OF THIS REPORT. THIS INCLUDES:</b></p> <p>a. <b>FREEZING THE DISTRICT COUNCIL’S SHARE OF COUNCIL TAX IN 2023/24</b></p> <p>b. <b>CHANGES TO THE FEES AND CHARGES AS DETAILED IN APPENDIX 3(A) TO 3(C), EFFECTIVE FROM 1 APRIL 2023</b></p>	

	<p><b>c. DELEGATING AUTHORITY TO THE HEAD OF COMMUNITY SERVICES TO CONSIDER ANY OBJECTIONS RECEIVED IN RELATION TO THE PROPOSED VARIATION OF FEES FOR VEHICLE AND OPERATORS' LICENCES UNDER S.70 OF THE LOCAL GOVERNMENT (MISCELLANEOUS PROVISIONS) ACT 1976, TO DETERMINE WHETHER IN LIGHT OF ANY OBJECTIONS THE VARIATION IN FEES SHOULD BE MODIFIED AND TO SET ANOTHER DATE ON WHICH THE VARIATION IN FEES WILL COME INTO FORCE, WITH OR WITHOUT MODIFICATION, AFTER CONSIDERATION OF THE SAID OBJECTIONS.</b></p> <p><b>2. TO NOTE THE GENERAL FUND REVENUE BUDGET FOR 2024/25 TO 2027/28 (APPENDIX 1).</b></p> <p><b>3. TO APPROVE THE CORPORATE CHARGING POLICY 2023-2026 (APPENDIX 3D)</b></p> <p><b>4. TO APPROVE THE PROPOSED GENERAL FUND CAPITAL PROGRAMME (APPENDIX 4) FOR 2023/24 AND PLANNED FINANCING, AS SET OUT IN SECTION 3 OF THIS REPORT.</b></p> <p><b>5. TO NOTE THE REMAINING ELEMENTS OF THE GENERAL FUND CAPITAL PROGRAMME 2024/25 – 2027/28.</b></p> <p><b>6. TO APPROVE THE FLEET REPLACEMENT PROGRAMME FOR 2024/25, TO ALLOW VEHICLES TO BE ORDERED IN ADVANCE ONCE APPROVAL HAS BEEN GIVEN TO MOVE THIS FROM THE DEVELOPMENT TO THE ACTIVE POOL (APPENDIX 4).</b></p> <p><b>7. TO APPROVE THE SPECIAL EXPENSES REVENUE BUDGET FOR 2023/24 (APPENDIX 6) AS SUMMARISED IN SECTION 4. THIS INCLUDES:</b></p> <p><b>a. SETTING THE SPECIAL EXPENSE BAND D COUNCIL TAX AT THE LEVELS DETAILED IN TABLE 4 OF THIS REPORT.</b></p> <p><b>8. TO APPROVE THE CONTINUATION OF NWLDC IN THE LEICESTER AND LEICESTERSHIRE ENTERPRISE PARTNERSHIP (LLEP) BUSINESS RATES POOL IN 2023/24.</b></p> <p><b>9. TO APPROVE THE DRAWDOWN FROM RESERVES TO FUND THE ONE OFF BUDGET PROPOSALS AS DETAILED IN THE GENERAL FUND BUDGET SUMMARY 2023/24 TO 2027/28 (APPENDIX 1).</b></p> <p><b>10. TO APPROVE THE CONTRIBUTION TO RESERVES AS DETAILED IN THE GENERAL FUND BUDGET SUMMARY 2023/24 TO 2027/28 (APPENDIX 1).</b></p>
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	<b>11. TO DELEGATE AUTHORITY TO THE S151 OFFICER IN CONJUNCTION WITH THE PORTFOLIO HOLDER TO ACTION A VIREMENT ON GROUNDS MAINTENANCE TO REALIGN THE BUDGETS ON SPECIAL EXPENSES.</b>
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## 1.0 BACKGROUND AND DISCUSSION

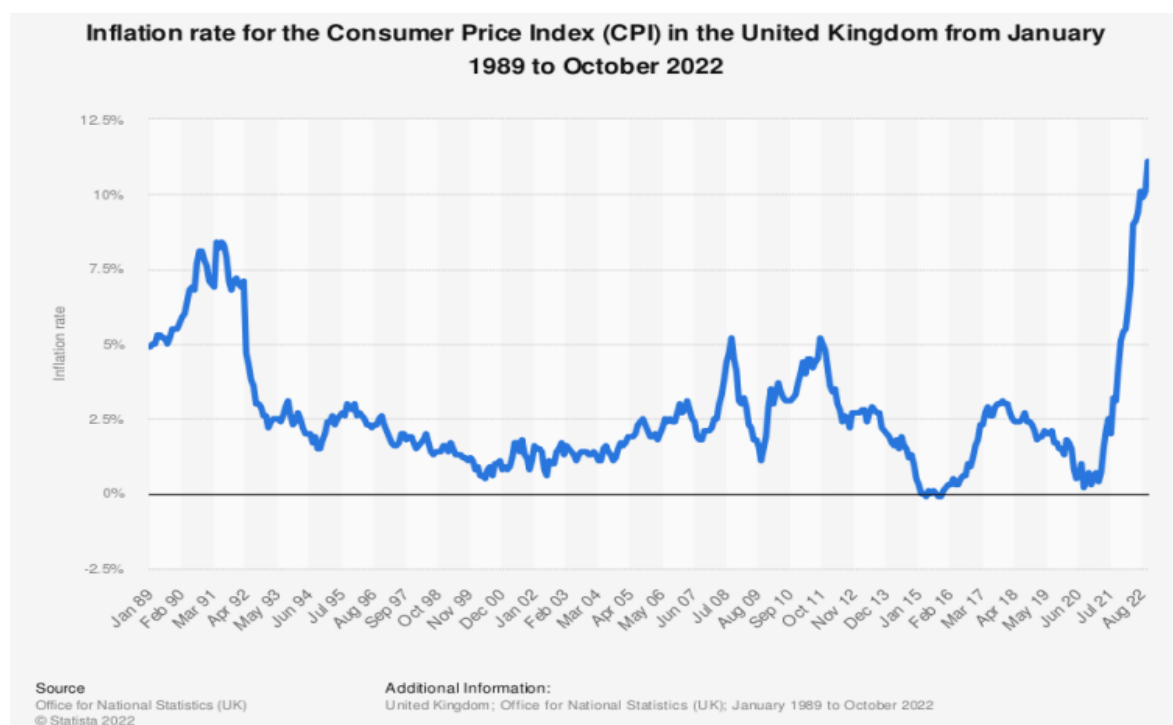
- 1.0.1 The Medium Term Financial Plan (MTFP) sets out the financial strategic direction for the Council and is updated as it evolves and develops throughout the year, to form the framework for the Council's financial planning.
- 1.0.2 The purpose of the MTFP is to set out the key financial management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

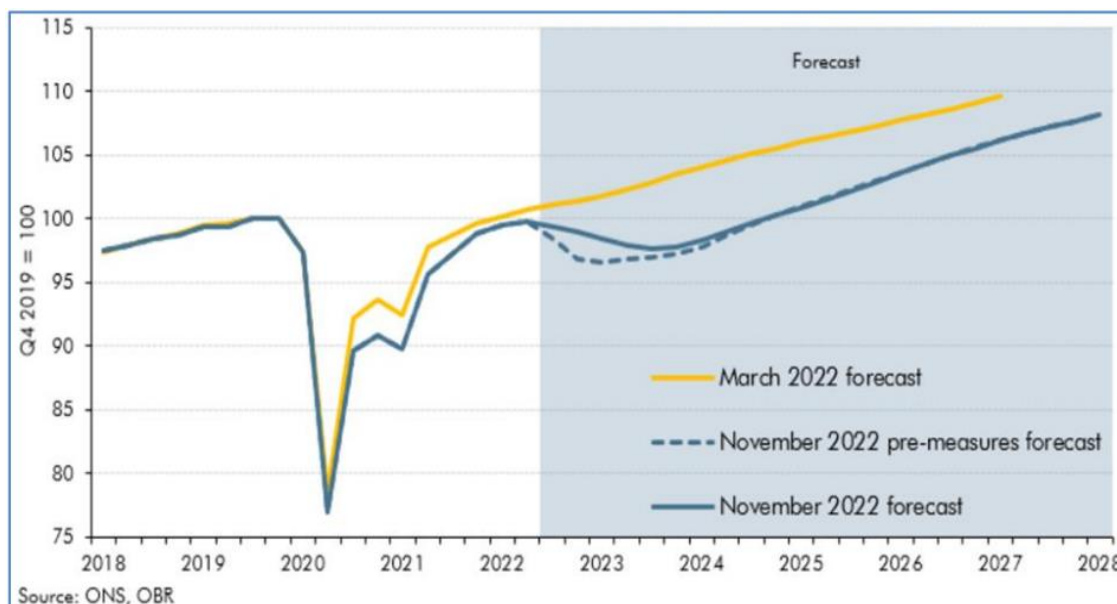
## 1.1 Context

- 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 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.

### 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 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 of 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.

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

## 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 (e.g. 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 proposed 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 £648k compared to 2022/23 and the anticipated funding has increased by just 81k.

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

	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>	<b>Movement £'000</b>
Total Funding	(17,006)	(17,087)	(81)
Net Revenue Expenditure	16,705	17,353	648
<b>Funding (surplus)/deficit</b>	<b>(301)</b>	<b>266</b>	<b>567</b>
Targeted J2SS savings	(895)	-	895
Contributions to/(from) reserves	1,196	(266)	(1,462)

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.

2.1.4 To balance the budget in 2023/24, there is a net transfer from reserves of £266k. This amount reflects £290k which is an amount being met from reserves to fund one-off budget expenditure proposals and a contribution to MTFP earmarked reserve of £24k.

2.1.5 The forecast financial position for the medium term is set out in Appendix 1, although the Council currently has a balanced budget for 2023/24, there is uncertainty for the future as the budget gap for 2024/25 is £1.6m increasing to £3.9m in 2027/28. This is a cumulative budget gap over the medium term of £10.2m.

2.1.6 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 £647k include:

- **Cost pressures totalling £2.5m.** 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 of £543k which include £147k on bed and breakfast due to increased costs towards emergency accommodation and external audit fees and audit of grants of £75k.
- **Changes to income, which see a net income increase of £845k.** 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 (£330k). 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 the 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 £320k.** 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 refuse and recycling bins and boxes are purchased, through capital, saving £155k per annum on the revenue budget in 2023/24.
- **Service Developments totalling £271k.** 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 areas of development are the Coalville Regeneration Programme £50k, increase in legal salaries to bring salaries in line with market rates £47k and a restructure of the Audit Team £35k.

#### 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 the Council's 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 the Corporate Leadership Team (CLT).
- 2.2.18 The cost of temporary accommodation continues to increase and has had an impact on this year's budget in 2022/23 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.
  - Electric vehicle charging points – increase of 133% from 30p per kwh to 70p per kwh due to the increased cost of electricity. There will also be an increase in vehicle charging points across the district in six locations which will generate an estimated additional income of £13k.
- 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 the Council 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 proposed 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.

2.3.5 Taxi licensing - S.70 of the Local Government (Miscellaneous Provisions) Act 1976 enables the Council to charge fees for the grant of vehicle and operators' licences. The Act sets out statutory maximums, though enables the Council to vary this charge provided it publishes a notice and considers any objections. If objections are received the Council is to set another date on which the variation will come into force with or without modification as decided by the Council after consideration of the objections. The proposed variation in fees is set out in Appendix 3(b). The publication requirements will be complied with and the report recommends that authority be delegated to the Head of Community Services to consider any objections received and to set another date on which the fee variation will come into force with or without modification after consideration of any objections.

## 2.4 Grants

2.4.1 There are a number of grants received by the authority and these are detailed in Appendix 7 of this report.

2.4.2 The appendix provides the detail of the £7.5m we have received in grants as at 31<sup>st</sup> December 2022 against a budget of £1.3m in 2022/23. The budget for 2023/24 is showing a similar £1.2m in anticipated grant income.

2.4.3 There is clearly a large disparity between the amount which we budget for and the actual income we are receiving. This has historically been due to the fact that there is a nil impact on the bottom line as all the grant we have received is either spent, returned or transferred to reserves. This is being addressed as part of the implementation of the new financial system and improvements to financial management in 2023/24 to ensure grants are correctly reflected in the budgets.

## 2.5 Funding

2.5.1 The funding position for the general fund is based on the provisional Local Government Finance Settlement (LGFS) announced in December. 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 an additional grant of £1.2m in 2023/24 and expected £1.1m in 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.** This grant will reduce from £166k in 2022/23 to £93k in 2023/24 and is forecast to 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.

2.5.2 The proposed 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 £173k in council tax.

2.5.3 The net impact is an increase in anticipated funding of £0.2 million based on the provisional local government finance settlement (LGFS) in December 2022.

2.5.4 The key points from the Local Government finance policy statement 2023-24 to 2024-25 announcement on 12 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.*

2.5.5 The provisional final settlement has been received and the figures have been factored into the proposed budget. The final settlement is due to be announced in February 2023, if the figures are different to the provisional settlement, the figures will be updated between the Cabinet and Council meetings.

## 2.6 General Fund Reserves

2.6.1 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.

2.6.2 In addition to these reserves, the Council also has earmarked reserves estimated to be £3.1m as at 31 March 2023, falling to £2.5m 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	3,147,465	(693,337)	2,454,128	(436,390)	2,017,738
MTFP Reserve	5,165,188	0	5,165,188	0	5,165,188
Business Rates Reserve	369,093	1,994,307	2,363,400	(2,363,400)	0
General Balance (minimum level of reserves) - General Fund	1,544,493	0	1,544,493	0	1,544,493
Special Expenses	102,010	-102,010	0	0	0
<b>TOTAL ALL RESERVES - GENERAL FUND</b>	<b>10,328,250</b>	<b>1,198,960</b>	<b>11,527,209</b>	<b>(2,799,790)</b>	<b>8,727,419</b>

2.6.3 Earmarked reserves are those reserves that have been earmarked for a specific purpose. The estimated balances include items currently committed and also £0.7m used to fund one off budget proposals over the 5 years from 2023/24 to 2027/28. A table showing details by service can be found in Appendix 5.

2.6.4 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.

2.6.5 Contributions into the business rates reserve are expected to be £7m in 2023/24 and £3.9m in 2024/25. This is due to Business Rates growth, Leicestershire Business Rates Pool allocations and Freeport allocations. It is proposed to use this reserve to fund part of the capital programme, this leaves the balance in this reserve at £2.4m at 31 March 2024 and fully spent by 31 March 2028.

2.6.6 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 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 £16.9 million, which is similar to the previous five-year programme. The Programme is made of some large projects such as;

- **Coalville Regeneration Programme:** 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 £8.8 million over the next five years.
- **Accommodation programme:** A new budget of £0.335m has been added to this programme. This additional budget is due to taking the opportunity to increase the scope of the works to include non-essential but related works over and above the original business case which makes sense to undertake at the same time.
- **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 five-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 three and seven 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. 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**

	<b>2022/23 Forecast c/f £'000</b>	<b>2023/24 Budget £'000</b>	<b>2024/25 Indicative £'000</b>	<b>2025/26 Indicative £'000</b>	<b>2026/27 Indicative £'000</b>	<b>2027/28 Indicative £'000</b>
Capital Receipts	74	295	0	0	0	0
Government Grants	170	1,170	670	670	670	670
Reserves	2,437	4,167	1,804	3,906	1,724	801
Section 106 contributions	0	0	0	0	0	0
Revenue contributions	0	10	0	0	0	0
Prudential Borrowing	5,746	292	0	0	0	0
<b>General Fund Total</b>	<b>8,427</b>	<b>5,935</b>	<b>2,475</b>	<b>4,576</b>	<b>2,394</b>	<b>1,471</b>

- 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

### 4.1 Background

- 4.1.1 The Council operates ten special expense accounts where it provides additional services specific to some areas of the district. The Council's Special Expense Policy sets out the criteria and services that are classified as special expenses.
- 4.1.2 Eight out of the ten special expense areas included a provision for Planned and Preventative Maintenance (PPM) in the draft budget to provide sufficient funding to cover future planned maintenance along with a programme for play equipment replacement (where applicable). The PPM programme has been reviewed and updated as part of the budget preparation.
- 4.1.3 The budget also allows for the phasing out of the Localisation of Council Tax Support Grant which commenced in 2021/22 over four years.
- 4.1.4 The Council Tax Base has been calculated for 2023/24 and agreed by Cabinet at its meeting on 10 January 2023.

- 4.1.5 To provide guidance in developing special expense budgets and the Coalville Special Expenses Working Party the Cabinet resolved at its meeting on 10 January that:

*A balanced budget from the Coalville Special Expenses Working Party without any increase in precept be expected.*

- 4.1.6 It should be noted any increases in council tax for special expense areas are considered as part of the District Council's proportion of the council tax when calculating and considering the Referendum Principles for increases in Council Tax.
- 4.1.7 As part of the budget process the net expenditure requirements for each special expense area have been reviewed against the level of funding available through precepts, grants, S106 Funding and earmarked reserves. In line with statutory requirements for the Council it is important that each special expense area produces a balanced budget and is financially sustainable. A key element of good practice financial sustainability is to have a minimum level of balances for each special expense area, which is recommended at circa 10% of reoccurring expenditure.

## 4.2 Special Expense Precepts and Budgets 2023/24

- 4.2.1 Table 4 below summarises the Band D Council Tax, Taxbase and Annual Precept available for each special expense area:

**Table 4: Band D Council Tax, Taxbase and Annual Precept for Each Special Expense Area**

Special Expense Area	Council Tax Band D £	Taxbase (Band D Equivalents)	Annual Precept 2023/24 £
Coalville	73.81	6,743	497,701
Whitwick	9.55	2,741	26,177
Hugglescote/Donnington Le Heath	15.27	2,429	37,091
Coleorton	10.63	583	6,197
Lockington-cum- Hemington	13.72	245	2,261
Measham	1.87	1,706	3,190
Oakthorpe, Donisthorpe & Acresford	6.10	915	5,582
Ravenstone with Snibston	1.29	1,053	1,358
Stretton	73.11	19	1,389
Appleby Magna	7.08	539	3,816
Notes: The table excludes funding from localised council tax support grant, Section 106 contributions, income (e.g. event or rents) and earmarked reserves.			

- 4.2.2 The special expense budgets for 2023/24 have been developed on the basis of no increase in the level of council tax precept, minimising Planned and Preventative Maintenance (PPM) expenditure and maintaining a minimum 10% reserve balance.
- 4.2.3 Special expense budgets, just like all council budgets, are subject to the inflationary pressures of the current economic environment. The increased costs from inflation and a freeze in council tax precept levels have created funding gaps in some special expense areas for 2023/24.
- 4.2.4 To mitigate these funding gaps, action has been taken to minimise PPM expenditure and reduce budgets on services such as grounds maintenance and events. As well as seeking

to increase income from Section 106 contributions and fees & charges to users of open spaces.

- 4.2.5 There are potential risks in these mitigating actions. For example, minimising PPM expenditure in 2023/24 by deferring non-essential spend to future years, may lead to higher routine maintenance in the short term. This may take time to implement the impact of reductions in service levels which could lead to short term cost pressure on the wider general fund.

### 4.3 Medium Term Financial Sustainability and Review of Special Expense Policy

- 4.3.1 Once the Special Expense Budget and Precepts are approved by Council for 2023/24 focus will turn to considering the medium term financial position for special expense budget to ensure their financial sustainability. This work will involve balancing the pressures arising from inflation, the PPM programme and service levels against the resources available. A review of the Special Expense Policy will be undertaken alongside this work to identify if any improvements are required to promote financial stability and sustainability for the special expense areas.

## 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 budget. The income areas which have the greatest risk (including business rates, council tax, planning and leisure) have had greater focus for this work and focus in the budget challenge sessions.
Has a reasonable estimate of demand cost pressures been made?	The enhanced budget process used in the development of the 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.



Area	Comments
Is there a reasonable level of reserves, which could be used to mitigate any issues arising and are they reducing as the risks decrease?	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 CONSULTATION

### 6.1 Consultation with Members

- 6.1.1 The Corporate Scrutiny Committee considered the proposals within this report at its meeting on 4 January 2023. Members asked a number of questions around the proposals, and more detail can be seen in the minutes for the meeting, which are included as a background paper to this report.
- 6.1.2 There were also further questions which were taken away by officers to answer following the meeting which are detailed in Appendix 8 of this report.
- 6.1.3 The Coalville Special Expenses Working Party discussed the planned special expenses budgets for Coalville in their meeting on 3 January 2023. There is a further meeting on 24 January 2023 where more discussions will be taking place, the minutes of which will be available for the Cabinet and Council meetings.

### 6.2 Public Consultation

- 6.2.1 As part of the budget consultation, the Council launched an online survey on 12 January 2023 to seek the views of residents and businesses on the main changes within the budget. The survey was promoted via social media and set out the key changes to the budget and asked responders to state the extent to which they supported the proposed changes. Residents could also provide additional comments if they wanted to.
- 6.2.2 Appendix 10 provides a summary of the responses received. In total, as at 16 January 2023, 17 people have expressed their views on the general fund and special expenses budgets. This is a small proportion of businesses and residents within North West Leicestershire, so care should be taken when drawing inferences from the data. The key themes from the survey are:
- 82% of respondents were positive about the proposal to spend £195k increasing the solar panels at Whitwick and Ashby Leisure Centre
  - 76% of respondents looked favourably on the plan to freeze the District Council's portion of the Council Tax
  - By far the strongest negative reaction was to the proposal to spend £50k on a professional assessment of regeneration plans for Coalville with 53% in disagreement.
- 6.2.3 As part of the budget consultation, officers also wrote to representatives of the trade unions, parish and town councils and the federation of small businesses. These groups were asked

to provide written comments or to complete the online survey. No responses have yet been received.

6.2.4 It should be noted that the consultation period does not end until 27 January 2023 at which point Appendix 10 will be reissued with a full set of responses for both Cabinet and Council.

## 7.0 CONCLUSIONS

6.1 Based on the assumptions made in the Budget 2023/24 and MTFS 2023-28 for income and expenditure, the Council can set a balanced proposed 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 has been equality impact assessments conducted by services on relevant proposals during this period.

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:	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 £9.6 million to investing in Coalville Regeneration Projects over five years.
Environment and Climate Change:	The budget sees substantial new investment of £7.1m in the replacement of council vehicles and reducing our 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.
Consultation/Community Engagement:	Corporate Scrutiny Committee 4 January 2023 Public consultation - 11 January to 27 January 2023 Parish and town councils, trade unions and the Federation of Small Businesses - 12 January to 27 January 2023 The results of the above consultations are detailed in this report.
Risks:	The budgets will be monitored throughout the year to ensure the Council remains within its funding envelope and planned budget savings are delivered. Key risks to the budget are discussed in further detail in section 5 of the report.

Policies and other considerations, as appropriate	
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