

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

**CORPORATE SCRUTINY COMMITTEE – THURSDAY, 23
NOVEMBER 2023**



Title of Report	2023/24 QUARTER 2 GENERAL FUND AND HOUSING REVENUE ACCOUNT (HRA) FINANCE UPDATE	
Presented by	Anna Crouch Head of Finance	
Background Papers		Public Report: Yes
Financial Implications	The financial implications of this report are detailed in the body of the Cabinet report contained in Appendix A.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	No legal implications arising from this report.	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	There are no staffing implications arising from this report.	
	Signed off by the Head of Paid Service: Yes	
Reason Agenda Item Submitted to Scrutiny Committee	For Corporate Scrutiny Committee to scrutinise the 2023/24 Quarter 2 General Fund and Housing Revenue Account (HRA) Finance Update report presented to Cabinet on the 21 November 2023.	
Recommendations	THAT CORPORATE SCRUTINY COMMITTEE PROVIDES ANY COMMENTS IT MAY HAVE ON THE 2023/24 QUARTER 2 GENERAL FUND AND HOUSING REVENUE ACCOUNT (HRA) FINANCE UPDATE (APPENDIX A).	

1. BACKGROUND

- 1.1 The 2023/24 Quarter 1 General Fund and Housing Revenue Account (HRA) Finance Update report is due to be considered by Cabinet on the 21 November 2023.
- 1.2 The Corporate Scrutiny Committee is invited to consider the 2023/24 Quarter 2 General Fund and Housing Revenue Account (HRA) Finance Update report.
- 1.3 The 2023/24 Quarter 2 General Fund and Housing Revenue Account (HRA) Finance Update Cabinet Report and appendices are attached at Appendix A. If there are any updates at the meeting these will be advised verbally at the Corporate Scrutiny Committee meeting.

Policies and other considerations, as appropriate	
Council Priorities:	The spending from the budget provides funding for the Council to deliver against all its priorities.
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	None
Economic and Social Impact:	The Council plans to invest up to £3.5m in town centre regeneration and public realm works in the current financial year.
Environment, Climate Change and Zero Carbon:	The Council plans to invest up to £3.1m retrofitting Council homes to make them carbon neutral. Up to £0.5m is forecast to be spent on purchasing environmentally friendly vehicles and installing electric vehicle charging points throughout the district in the current financial year.
Consultation/Community Engagement:	Cabinet – 21 November 2023
Risks:	<p>High levels of inflation can undermine the Council's financial reserves. As inflation rises, the real purchasing power of the Council's reserves steadily erodes, meaning the same amount of money can purchase progressively fewer goods and services. This erosion of value poses a challenge to the organisation's ability to maintain financial stability and achieve its long-term financial objectives. Furthermore, the Council has opted to allocate its increased interest earnings (resulting from increased base rate) towards funding its base revenue budget rather than reinvesting them into reserves. This strategic choice, combined with the inflationary pressure, leads to an overall devaluation of reserves. Essentially, this practice leaves the organisation with reduced financial resilience, as it does not adequately account for the eroding effect of inflation on its reserves.</p> <p>Although the current high levels of inflation are causing additional pressure, reserves might be expected to grow with more moderate levels of inflation over the long term. Real returns (i.e. after inflation) are and have been negative despite investment returns rising. So even if the Council changed its policy to add interest earnings to reserves it still would not address the whole problem. Indeed, very few investment returns are beating inflation and in general if the Council wanted higher returns it would need to invest for a longer period and/or with riskier assets, which the</p>

	Council has decided not to do. The budgets will continue to be monitored throughout the year to ensure the Council remains within its funding envelope.
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