

Title of Report	DRAFT GENERAL FUND BUDGET 2024/25	
Presented by	Councillor Nick Rushton Corporate Portfolio Holder PH Briefed <input checked="" type="checkbox"/>	
Background Papers	General Fund Budget and Council Tax 2023/24 – Council 23 February 2023	Public Report: Yes
		Key Decision: Yes
Financial Implications	This report sets out the draft General Fund Revenue budget and Capital Programme and the Special Expenses draft budget for 2024/25.	
	It also sets out planned changes to the fees and charges that the Council sets for services. Signed off by the Section 151 Officer: Yes	
Legal Implications	There are no direct legal implications arising from this report.	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	The report and its appendices set out plans to create new posts and remove vacant posts from the establishment.	
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	This report seeks Cabinet approval to consult on the draft General Fund and Special Expenses budget for 2024/25 and the proposals contained within. The outcome of this consultation exercise will be fed back into subsequent reports to Cabinet and Council to seek approval for the final budget in February 2024.	
Reason for Decision	Required as part of the budget setting process for 2024/25.	
Recommendations	<p>CABINET IS RECOMMENDED TO:</p> <ol style="list-style-type: none"> 1. PROPOSE THE 2024/25 DRAFT GENERAL FUND REVENUE, CAPITAL AND SPECIAL EXPENSES BUDGET, THE MEDIUM-TERM FINANCIAL PLAN (MTFP) FOR 2024/25 TO 2028/29 AND THE BUDGET PROPOSALS CONTAINED WITHIN THE REPORT AND THE PROPOSED FEES AND CHARGES FOR 2024/25 FOR STATUTORY CONSULTATION. 2. NOTE THE COUNCIL’S KEY RISKS TO THE BUDGET. 	

	<p>3. DELEGATE RESPONSIBILITY TO THE CHIEF EXECUTIVE IN CONSULTATION WITH THE DIRECTOR OF RESOURCES (SECTION 151 OFFICER) AND THE RELEVANT PORTFOLIO HOLDER TO SPEND £500K FROM THE MEDIUM TERM FINANCIAL PLAN (MTFP) RESERVE ON THE TRANSFORMATION PROGRAMME.</p>
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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

1.2.1 The recent report by the Office of Budget Responsibility (OBR) in respect of the Economic and Fiscal Outlook describes how the economy has proved to be more resilient to the shocks of the Covid pandemic and energy crisis than anticipated. GDP stood nearly 2% above its pre-pandemic level and around 3% above the OBR March forecast but is now expected the economy will grow more slowly over the medium term.

1.2.2 Inflation was expected to fall below 5% the end of the calendar year, which was achieved with the Consumer Prices Index (CPI) being confirmed at 4.6% in October. However, it is not forecast to return to its 2% target until the first half of 2025.

1.3 Local Government

1.3.1 High inflation, energy prices and pay awards have put substantial financial pressure on councils. The Local Government Association has estimated that councils face a funding gap of £2.4bn in 2023/24 and £1.6bn in 2024/25. These gaps relate to funding needed to maintain services at their current level.

1.3.2 The Autumn Statement 2023 announced in November 2023 was silent on wider issues in respect of local government funding for 2024/25 and beyond, including council tax referendum principles, grant funding and total increase in spending power. However, there were announcements welcomed by district councils including:

- Increasing the Local Housing Allowance (LHA) rate to the 30th percentile of local market rents from April 2024, The LHA is designed to ensure that people receive enough housing benefit to cover the cost of renting a typical home in their area that is large enough for their needs.
- £120m funding for local authorities in England and the devolved administrations to invest in homelessness prevention, including to support Ukrainian households who can no longer remain in sponsorship.
- Extending 'thank you' payments for Homes for Ukraine sponsors into a third year
- Creating the flexibility for Local Planning Authorities to charge a locally-set premium fee for major planning applications, allowing them to recover the full cost.
- £110m Local Nutrient Mitigation Fund for councils to mitigate the impact of nutrient pollution in waterways and deliver thousands of homes that have been on hold. The Council would use monies secured from the Local Mitigation Fund to appoint specialist consultants to develop a detailed mitigation strategy and to identify short, medium and long term potential mitigation measures that could enable phosphate nutrient neutrality to be achieved for anticipated new housing and economic development in the River Mease Special Area of Conservation catchment.

1.3.3 Ahead of the Provisional Local Government Finance Settlement, the Government released a Policy Statement 2024 to 2025. It sets out the Government's intentions for the Local Government Finance Settlement 2024/25. It confirmed the Council Tax referendum principles for 2024/25, this being a principle of up to 3% or £5, whichever is higher, for shire district councils.

1.3.4 The Provisional Local Government Finance Settlement was announced on the 18 December. As the draft budget was prepared prior to the announcement, the draft budget has been compared to the finance settlement, overall, the funding allocations are broadly in line with the estimates set out in this report but will be updated accordingly for the Final Budget Report.

1.4 Local – North West Leicestershire

1.4.1 North West Leicestershire District Council continues to face increased costs from high inflation and pay awards.

1.4.2 In recent years the Council 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.

1.4.3 This continues to present 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 which is expected to be implemented in 2026.

1.4.4 Recognising the wider context within which the budget is being set, the Council made improvements to financial management in the last 12 months and has continued to use processes to develop its draft budget plans for 2024/25 and over the medium term. This recognises the greater focus within the organisation on its finances. The process, coupled with that used in previous years, has involved:

- Services completing budget proposals to justify the need for any changes to the budget.
- Budget STAR Chamber sessions between Directors 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.
- Further engagement is planned through scrutiny, consultation with the public and the HRA tenants' forum.

1.5 Principles Underpinning the Budget Strategy

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

Guiding Principles	Key Strategies for Developing Budget 2024/25 and MTFP 2024-29
Financial Stability and Sustainability	<ul style="list-style-type: none"> • Plan ahead for potential Government funding changes (including Business Rates Reset) • Do not become overly reliant on Business Rates funding for on-going service provision • Use future surpluses in Business Rates funding for future one off investment to reduce ongoing revenue costs or generate income
Resources Focussed on Priorities	<ul style="list-style-type: none"> • Align resources to Council Delivery Plan objectives
Maximising Our Sources of Income	<ul style="list-style-type: none"> • Fees and Charges maximised in accordance with the Corporate Charing Policy (increased by inflation)
Managing our Risks	<ul style="list-style-type: none"> • Acceptable level of risk tolerance • Review of reserves strategy and position

1.6 Budget Assumptions

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

- Pay award – additional 2.75% for 2023/24 (4% had been included within the 2023/24 budgets), 3% in 2024/25 and 2% thereafter.
- Contracts have been linked to the CPI/Retail Prices Index (RPI) as per individual agreements
- Inflation – fuel and utilities inflation are very volatile which was reflected in the large increases in the budget in 2023/24 (see table below). After reviewing the current prices and future indications based on the best information available, the decision has been taken that there is sufficient budget in 2024/25 to meet demand.

Cost	Increase in Budget
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	2023/24
Fuel	30%
Gas	86%
Electricity	100%

- Fees and charges – budgets have been increased by 7% which was slightly higher than the September CPI of 6.7%. This is in line with the Corporate Charging Policy and supports cost recovery where the Council has not increased charges in previous years. There are also some charges where the charge has been increased above the 7% which are included in the budget options on Appendix 2. See section 2.4 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 2024/25

2.1 General Fund Budget Summary

2.1.1 Appendix 1 shows the general fund budget position for 2023/24 and the draft budget for 2024/25 to 2028/29.

2.1.2 Table 1 below highlights that in 2024/25 the net revenue expenditure has increased by £1,004k compared to 2023/24 and the anticipated funding has also increased by (£271k). However, it should be noted that £850k of this sum relates to one-off expenditure and will be funded from reserves.

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

	2023/24	2024/25	Movement
	£'000	£'000	£'000
Total Funding	(17,087)	(17,358)	(271)
Net Revenue Expenditure	17,353	18,384	1,031
Funding (surplus)/deficit	266	1,026	760
Contributions to/(from) reserves	(266)	(1,026)	(760)

2.1.3 To balance the budget in 2024/25, £1,026k is being met from reserve. Of this £850k is to fund one-off budget expenditure proposals which are discussed in further detail in section 2.2 below and is being met from the Medium-Term Financial Plan (MTFP) reserve. A further £176k is a contribution from the Business Rates Reserve (BRR) to fund the current budget gap in 2024/25.

2.1.4 It is anticipated that when the Final Local Government Finance Settlement is received from government that additional funding over and above the amount in the draft budget will be sufficient to cover the forecast funding gap. There is also additional work required to complete on finalising budget options which may also help to reduce this gap.

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 2024/25 with the shortfall of £176k

being funded from the BRR, there is uncertainty for the future as the budget gap for 2025/26 is £319k increasing to £2,007k in 2028/29. It is not part of the Council's financial strategy to continue to use the BRR to fund revenue expenditure as detailed above in section 1.5.1.

2.1.6 It should be noted that this is a much-improved position from last financial year when the budget gap for 2024/25 was £1,628k increasing to £3,905k in 2027/28. The budget options proposed for 2024/25 have helped to reduce the base funding position. However, there is still a funding gap over the medium-term coupled with an uncertain economic climate and ambiguity in respect of the local government finance funding regime.

2.1.7 A robust corporate and financial plan is required to bridge the funding gap and ensure the Council can balance its budget for 2025/26 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. There is a Transformation Programme planned to support this which is detailed in section 2.3.1 below.

2.2 Budget Changes to the MTFP

2.2.1 Appendix 2 sets out the most significant planned changes to the general fund budgets for 2024/25 to 2028/29.

2.2.2 Looking at 2024/25 specifically, the total budget proposals show an overall saving of £367k and include:

- **Cost pressures totalling £1.2m.** The most significant cost pressures relate to:
 - pay related costs which are due to increase by £0.5m, due to a combination of funding the unbudgeted balance of the pay award for 2023/24 and incremental increases for 2024/25. These additional costs have been offset by an increase in the vacancy allowance saving of 1% (from 2% to 3%) which provides an additional £200k saving to offset the increased budgeted pay costs in 2024/25 of 3%.
 - service pressures of £887k which includes £700k for one off-costs funded from reserves, the largest being £500k investment to provide capacity for the Transformation Programme. Other significant pressures include £40k increase on insurance costs due to the additional premiums mainly in relation to property and motor because of inflation and the Council's claim history, £60k one-off costs for additional finance systems administration support required for the finance system and £32k for additional security costs required for Council premises.
- **Budget Options totalling (£369k)** – these are net savings which have been identified across all service areas and are detailed in Appendix 2. Heads of Service were tasked with trying to achieve 10% net saving across their services. These are discussed in further detail in section 2.3 below. The main areas of savings/increased income are:

- **Housing £120k** – £50k reduction in temporary accommodation demand along with £70k increase in income from a change to the temporary accommodation charging policy.
 - **Planning Skills Delivery Fund £95K** (one-off) - bid to assist with validation of planning applications for urban design and conservation processes.
 - **Property Services £68k** – achieved through the closure of the Council Offices at Whitwick Road.
 - **Planning £67k** – reduction in contribution to the Strategic Growth Plan.
- **Changes to income, which see a net income increase of £372k.** The largest increase in income relates to investment income of £275k due to higher interest rates and investment balances previously predicted, along with increased income of £90k from a 7% increase on fees and changes which is set out in paragraph 1.6.1 above. Other changes to income relate to changes to recharges to both the Housing Revenue Account (HRA) and Special Expenses. There are some changes to income which have been included as part of Budget Options.
 - **Budget efficiencies totalling £46k.** This is where the Council has identified where some budgets can be decreased by identifying efficiencies from centralisation and removal of nominal budgets to achieve budget savings.
 - **Technical Adjustments totalling £725k.** The main area adjusted is Financing Costs (cost of debt) which shows a reduction of £768k, due to the outturn of the 2022/23 and the forecast outturn for 2023/24 being lower than originally predicted for the general fund capital programme.

2.3 The Year Ahead by Service Area

2.3.1 Transformation

- 2.3.1.1 The transformation programme aims to improve the performance, efficiency and effectiveness of the Council. It may involve redesigning processes, systems and structures, as well as changing the culture, behaviours and skills of the workforce.
- 2.3.1.2 The benefits of the transformation programme include better outcomes for citizens, customers and stakeholders, as well as reduced costs and increased productivity. It will align with the priorities as set out in the Council Delivery Plan (CDP).
- 2.3.1.3 A transformation programme requires significant investment in terms of time, resources and money. This one-off investment is necessary to enable the changes to be implemented and sustained, as well as to overcome the challenges and risks that may arise during the transition. Therefore, it is important to justify the investment by demonstrating how it will contribute to the strategic objectives and priorities of the Council. One of the main priorities, as set out in the CDP, is to close the funding gap over the medium-term that has resulted from reduced central government grants, the planned business rates reset, increased demand for services and rising costs.
- 2.3.1.4 If the funding gap is left unaddressed, it could lead to financial instability, service deterioration and statutory failure. The transformation programme can help to close the funding gap by delivering efficiencies and savings across the Council. By

streamlining processes, eliminating waste and duplication, and optimising resources, the programme can reduce the operational costs of delivering services. By enhancing quality, responsiveness and innovation, the programme can increase customer satisfaction, loyalty and retention, as well as generate new income streams.

2.3.1.5 By aligning services with needs, expectations and preferences, the programme can improve outcomes for citizens, communities and partners, as well as reduce demand for costly interventions. Therefore, investing in the transformation programme is not only desirable but essential for the future sustainability and success of the Council. It will enable the Council to achieve its vision of being a modern, efficient and customer-focused organisation that delivers value for money and excellent services for all.

2.3.1.6 The programme aims to achieve the following outcomes:

- Streamline processes and reduce duplication of work across departments and functions
- Enhance collaboration and communication among staff, partners and stakeholders
- Implement innovative solutions and best practices to deliver better outcomes for our customers
- Increase customer satisfaction and trust in the local government services.

2.3.1.7 The transformation programme requires an upfront investment to cover the costs of planning, designing and implementing the changes. However, this investment will be offset by the savings and benefits that will be generated by the programme in the long term.

2.3.1.8 One of the key aspects of the transformation programme is to ensure that the Council listens to and involves staff in the process. That is why several workshops and feedback sessions were recently held with senior leaders and staff where they had the opportunity to share opinions, concerns and suggestions about areas of focus for transformation. The feedback will help the Council to identify the main challenges and opportunities that it faces as an organisation, and to prioritise the actions and initiatives that will enable the Council to achieve our strategic goals.

2.3.1.9 The workshops focused on the following themes:

- Culture and Values
- Getting the Basics Right, Doing the Basics Well
- Delivering Our Priorities
- Customer Experience
- Value for Money
- Financial Sustainability

2.3.1.10 The initial feedback included the following:

- Visible leadership at every staff location
- Sharing knowledge
- Streamline ICT systems
- Improve digital access for staff and customers
- Rolling programme of service reviews to optimise the customer experience
- Review of all assets
- Customer insight and feedback to drive continuous improvement in process and provision

- Consistent customer engagement across the Council
- Review current service providers and suppliers to prioritise key contracts for essential services
- Identify and maximise commercial opportunities
- Ensure fees and charges are aligned to the market.

2.3.1.11 The Council has already commenced work to review all of its contracts to establish where procurement savings can be made. There are also service reviews in train which include waste and housing.

2.3.1.12 A Steering Group made up of senior officers will be a key governance mechanism that provides strategic direction, oversight and decision-making for the programme. The Group will:

- Define the vision, objectives, scope and benefits of the transformation programme
- Approve the programme plan and priorities, budget, resources and the risk management strategy
- Monitor and review the programme progress, performance and outcomes
- Resolve any issues, conflicts or dependencies that arise during the programme
- Ensure alignment and coordination with other programmes and projects within the Council
- Communicate and engage with internal and external stakeholders to secure their support and feedback
- Manage any changes or deviations from the original programme plan.

2.3.1.13 It is proposed that an initial investment of £500k will be spent on the programme to provide the necessary resources to align with the programme's objectives and priorities. It is recommended that responsibility for spending the £500k is delegated to the Chief Executive, in consultation with the Director of Resources (Section 151 Officer) and relevant Portfolio Holder. The investment will be met from the Medium-Term Plan Reserve.

2.3.2 ICT

2.3.2.1 Moving to a hybrid/agile working operating model has meant that the service supports 350 officers, as well as councillors, which is a pressure on ICT services. There is a greater focus on IT audits and this will continue over the short and medium term to ensure that the Council is compliant with ICT standards and practices.

2.3.2.2 There are a number of ICT systems which require upgrades as the software reaches end of life or end of contract.

2.3.2.3 There are likely to be several projects emerging from the Transformation Programme which will require ICT support.

2.3.2.4 The service will review the numerous ICT contracts in places across the Council with a view to reducing them, as well as ensuring that the systems deliver value for money.

2.3.3 Finance

2.3.3.1 During 2024/25, the finance team will continue to develop the Unit 4 finance system which went live in April 2023. Further development will allow more tasks to be completed in the system, such as budget monitoring and forecasting and continue to automate processes. To aid the development, two service pressures have been requested, £60k in relation to enable Embridge Consulting to support with Systems Administration and £50k for additional resources for Phase 3 of the project.

2.3.3.2 Key objectives for the year will be to ensure that the team is fully resourced, and the Statutory Accounts and Returns are completed in a timely manner. The team will also be leading on the procurement of the corporate insurance contract which will be live from October 2024. A £40k budget pressure has been included in the budget for the insurance contract until September 2024. The Council is looking for savings from the new contract commencing in October 2024.

2.3.4 Legal and Support Services

2.3.4.1 A priority for the Democratic Services Team will be to manage the Local Government Boundary Commission Review of Electoral Arrangements. Additional capacity has been secured to support this work through the Association of Electoral Administrators. This cost has been managed through existing budgets within the service. The Democratic Services Team will also be managing elections (PCC and Parliamentary) in 2024. Strong project management is in place for forthcoming elections.

2.3.4.2 In terms of Legal Services, there remains a vacant post on the establishment which is currently filled with locum support. This cost is being met from existing budgets within the service. Work is ongoing with the Head of Human Resources and Organisational Development to review the approach to recruitment of this post.

2.3.4.3 The resources and structure of the Internal Audit team were reviewed in 2023 to ensure that appropriate audit coverage was provided to the Council, both in terms of General Fund and Housing Revenue Account (HRA). The number of Audit days per year was increased from 130 to 315. This was necessary to provide an appropriate level of audit assurance to managers and members of Audit and Governance Committee. It is necessary to review the level of recharges to the HRA to ensure that they are commensurate with the number of audit days provided to the Housing Service.

2.3.5 Organisational Development

2.3.5.1 A key focus for the HR team in the next few years will be recruitment and retention issues affecting parts of the workforce and ensuring the Council remains an attractive employer to both new applicants while retaining existing employees. The Council will also be seeking to achieve greater efficiency through the reduction of sickness absences.

2.3.6 Strategic Housing

2.3.6.1 There continues to be increasing demand for the Council's statutory homelessness service. This has led to increasing expenditure in recent years, in particular in relation to emergency accommodation.

- 2.3.6.2 This year the Council has developed a new Homelessness Strategy and revised the allocations policy to place a greater emphasis on reducing demand for temporary accommodation and ensuring on those occasions that such provision is required it is delivered in the most cost-effective way possible. The budget has been adjusted to reflect the expected impact of that work.
- 2.3.6.3 The Housing Choices Service is the only section of the Council to be accessible through freephone numbers. As communication preferences have changed it is felt that this is no longer necessary to ensure that the service is accessible.

2.3.7 Community Services

- 2.3.7.1 As a front facing function within the Council incorporating waste, parks, car parks, toilets, burials, leisure, markets, licencing, environmental health, community safety, community focus, environmental protection and fleet, the service continues to be affected by significant inflationary pressures related to contracts, fuel, materials, vehicle costs and utilities.
- 2.3.7.2 It is anticipated that the government will announce how much they will pay councils for the roll out of a domestic food waste collection scheme early in 2024 for which the service needs to mobilise for and there is currently a review being carried out on the Council's waste service which will feed into future service change decisions.
- 2.3.7.3 Other service changes anticipated focus on the service areas of Disabled Facilities Grants, public toilets, burials, trade waste, pest control and the parking service. Work is also underway to ensure that the new checks carried out on goods entering Great Britain from the EU are carried out on a full cost recovery basis at East Midlands Airport.
- 2.3.7.4 Work continues on zero carbon measures 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 own operations.

2.3.8 Planning and Development

- 2.3.8.1 The Planning Skills Delivery Fund refers to the £24m of government funding available to local authorities over two years to help with the implementation of the proposed reforms in the Levelling Up and Regeneration Act. This fund has been allocated in recognition of the fact that support is needed to help planning services deal with a variety of issues currently facing the planning system. Local Authorities in England were given the opportunity to apply for funding of up to £100k to help support the processing of planning applications. The Planning and Development Team has bid £95k to contribute to some additional Urban Design and heritage resource and support with validation of planning applications and is awaiting confirmation from DLUHC, due in the Autumn.
- 2.3.8.2 With the recent cancellation of the eastern leg of HS2 from Birmingham to East Midlands Parkway, the existing budget of £25k for the consultants who have been supporting the Council (SLC Rail) support will no longer be required.
- 2.3.8.3 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 any

unanticipated requirement for additional evidential work over and above that currently budgeted for. As a result of upcoming changes to Regulations, the Local Plan will need to be submitted by the end of June 2025. If it is not possible to meet this deadline, then some of the existing evidence is at risk of being dated and so will need to be renewed at a significant cost to the Council. The new Regulation may also result in the need for new evidence or requirements which would add to the cost. Should this deadline be met there is a risk that the Local Plan Examination is longer and more contentious than might be anticipated and as such more expensive with the increased risk of the plan being found unsound.

2.3.8.4 The key service issue for the Planning and Development Team is to maintain the high level of performance achieved in meeting government targets for the determination of planning applications. Planning application fee income has dropped significantly so far in the first three quarters of 2023/24 because of the current economic situation and cost of living crisis. However, planning application fees increases of 35% for majors and 25% for all other applications came into force on 6 December 2023 and the impact of this in Quarter 4 of 2023/24 and also in 2024/25 will continue to be closely monitored. Officers are aware of a small number of major planning applications expected in 2024/25 which could secure up to half of the projected fee income for the year. Any additional fee income received over and above the projected budget will be put in reserve to manage workload peaks and troughs and to balance the Planning and Development budget in future years.

2.3.9 Property Services and Economic Regeneration

2.3.9.1 The Council's portfolio of properties suffers from a backlog of maintenance issues as a result of historic funding challenges within the public sector. The stock also continues to age, presenting increased maintenance needs. It will be necessary to continue to prioritise repair and refurbishment works going forward which will be assisted by the planned introduction of a new Asset Management system.

2.3.9.2 The Council's historic prioritisation of economic growth has delivered a local economy with higher employment rates and job availability than many comparable areas. The district is also a highly attractive area to potential inward investors. A priority set out in the Council Delivery Plan is to develop a district-wide regeneration framework which will help ensure that future activities are focused on the most important challenges or greatest opportunities.

2.4 Fees and Charges

2.4.1 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 2024/25.

2.4.2 The fees and charges have been increased by 7% which is slightly higher than the September CPI of 6.7%. Where appropriate, it has been considered, areas where demand has changed which impacts on the income.

2.4.2 There have been some changes to the income targets for 2024/25 which are detailed as part of the Budget Options shown in Appendix 2.

2.5 Funding

2.5.1 The funding position for the general fund remains uncertain at the time of publication. The Provisional Local Government Finance Settlement 2024/25 will provide further detail on key funding sources for the General Fund. As this is not anticipated until late in December 2023 the draft budgets have been prepared based on the assumptions set out in the medium term financial plan, which Council considered in February 2023, and adjusted for new information and intelligence that has been received following the Government's Autumn Statement and Local Government Finance Settlement Policy Statement 2024/25. The forecasts have been informed by Pixel, the Council's technical funding adviser and from local intelligence, for example of anticipated business rates growth. The key funding changes are:

- **Reduction in New Homes Bonus** - Removal of the final legacy payment is now expected in 25/26.
- **Minimum Funding Guarantee** - This is estimated to be £1.2m in 2024/25 and £2.2m in 2025/26. 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 in 23/24.
- **Increase in Business Rates** - Growth in the district is expected to result in an increase in business rate income, from £16.6m currently forecast for this year to £17.1m for 2024/25. It is recommended that the additional income 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 2026/27. 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.
- **Revenue Support Grant** – There is estimated to be a small increase of £6k in this grant in 2024/25 to £96k but reducing back down to £90k in 25/26.
- **Reduction in Services Grant** - It is estimated that this grant will reduce from £93k in 2023/24 to £81k in 2024/25 and will cease after 2025/26.
- **Council Tax income is assumed to increase by £350k** - This is caused by growth in the district, an increase in Council Tax 2.75% and an increase in collection rate of 0.5%. This has been set based on the council tax base calculated for 2024/25. For more information see the Council Tax Base report which is on the agenda for consideration at this meeting.

2.5.2 The draft budget assumes the value of the district's share of council tax is increased by 2.75%.

2.5.3 The net impact is an increase in anticipated funding of £300k. This is highly likely to change once the Provisional Local Government Finance settlement is announced, which is expected to occur in late December 2023. An addendum paper explaining the changes will be provided to Cabinet ahead of its meeting.

2.6 General Fund Reserves

2.6.1 The Medium-Term Financial Plan (MTFP) reserve is to help manage deficits and funding volatility. The value of this reserve is forecast to be £7.9 million as at 31 March 2024.

2.6.2 In addition to these reserves, the Council also has earmarked reserves estimated to be £4.7m as at 31 March 2024, falling to £4.4m by 31 March 2025 and general balances of £1.5m. A summary of these reserves can be found in table 2 below.

Table 2: Summary of estimated reserves 2024/25 – 2028/29

Reserve Name	Estimated Balance as at 1/4/24 £	Commitments & Budget Proposals 24/25 £	Estimated balance as at 31/3/25 £	Future commitment incl budget proposals 25/26 to 28/29 £	Estimated Balance 31/3/29 £
Earmarked reserves - General Fund	4,662,553	(235,205)	4,427,348	(2,018,988)	2,408,360
MTFP Reserve	7,936,684	(700,000)	7,236,684	0	7,236,684
Business Rates Reserve	7,321,254	3,399,266	10,720,520	3,756,349	14,476,869
General Balance (minimum level of reserves) - General Fund	1,544,493	0	1,544,493	0	1,544,493
TOTAL ALL RESERVES - GENERAL FUND	21,464,984	2,491,061	23,929,045	1,737,361	25,666,406

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 £400k used to fund one off budget proposals over the four years from 2024/25 to 2027/28. A table showing details by service can be found in Appendix 5.

2.6.4 The MTFP reserve is expected to be £7.2m after taking into account the funding of one-off budgets for 2024/25. It will be used to mitigate unbudgeted pressures (including anticipated Government funding reduction), pump-priming invest to save opportunities and the transformation programme, and funding the capacity to deliver a medium-term financial plan.

2.6.5 Contributions into the business rates reserve are expected to be £8m in 2024/25 and £10m in 2025/26. As mentioned above in 2.5.1, this is due to Business Rates growth, Leicestershire Business Rates Pool allocations and Freeport allocations. It is proposed to use this reserve to fund the capital programme. The figures in Table 2 are net of forecast funding of the capital programme.

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

3.0 CAPITAL PROGRAMME 2024/25 TO 2028/29

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 2024/25 and future years' programme.
- 3.1.3 A key change introduced in 2023/24, 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 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 2024.
- 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 Capital Strategy Group before going onto Cabinet or Council for full approval in line with the Constitution.
- 3.1.6 These planned improvements to managing schemes through their project lifecycle will contribute towards better financial management and governance.
- 3.1.7 The Capital Strategy is available within the Draft Capital Strategy, Treasury Strategy and Prudential Indicators report on the same agenda.

3.2.1 2024/25-2028/29 Capital Programme

- 3.2.2 The proposed General Fund capital programme is outlined in Appendix 4. The five-year programme totals £21.9 million, a £4.7million increase on the previous five-year programme.
- **Stenson square public realm:** This is a £2m investment to create a new public realm. This scheme will invest in Council owned land at Stenson square and London Road car park to create improved facilities for the general public.
 - **Investment in Council owned land:** Investment of £3.7m. Business cases will be developed to explore further developments to support regeneration and bring employment to the district as well as generate income to support council services.
 - **UK Shared Prosperity Investment Programme:** The Council has been awarded £1.3m capital grant from the Department of levelling-up, housing and communities to undertake various projects in the district. This is year three of a three-year programme to deliver schemes including refurbishment of Moira furnace, development at memorial square to provide new office accommodation and the creation of an eco-park among other schemes.
 - **Fleet replacement programme:** A programme to replace old vehicles with environmentally friendly fleet for services such as waste, parks and housing. The old vehicles would be sold and the receipts from sales re-invested in the

programme. This is year three of this programme. A business case is currently in progress for investment required for future years.

- **Marlborough Centre purchase and renovation:** The Council acquired the Marlborough centre property in 2022/23. The building will be redeveloped to provide residential apartment properties and commercial units. The residential units will be sold after completion to generate capital receipts and the commercial units will be let to businesses to generate income to support service provision.

3.3 Funding the Capital Programme

3.3.1 Each capital programme is funded from a variety of sources, including revenue, reserves, grants and borrowing. Ahead of the final budget the Council will continue to look at ways to optimise the funding of its capital programme and minimise the impact on its revenue budget over the medium term. This will include looking at the current capital programme to see if schemes currently funded by borrowing could be financed from reserves. Table 3 below summarises the current identified funding sources for each year of the general fund capital programme.

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

	24/25 Budget £'000	25/26 Indicative £'000	26/27 Indicative £'000	27/28 Indicative £'000	28/29 Indicative £'000
Capital Receipts	48	0	0	0	0
Government Grants	3,692	670	670	670	670
Reserves	4,933	3,642	2,229	301	0
Revenue Contributions	34	0	0	0	0
Prudential Borrowing	3,146	1,203	0	0	0
Total	11,852	5,515	2,899	971	670

3.3.2 The monies set out in the Reserves line in the table above 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 2024/25 and 2025/26.

4.0 SPECIAL EXPENSES 2024/25

4.1 The Council currently 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.

4.2 The special expenses budget includes a five- year Planned and Preventative Maintenance (PPM) programme which should provide sufficient budget to cover future planned maintenance along with a programme for play equipment replacement. The PPM programme has been reviewed and updated as part of the budget preparation.

4.3 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.

4.4 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.

4.5 2024/25 Budget Setting

4.5.1 As part of the process of setting the 2024/25 budget for special expenses and the requirement to set a balanced budget, the Director of Resources requested a root and branch review of all income and expenditure in relation to special expenses. During this review and after seeking legal advice it was identified that the expenditure in relation to 'Closed Churchyards' and the subsidy in relation to grounds maintenance at Owen Street Coalville has been incorrectly treated as a special expense rather than General Fund expenditure.

4.5.2 The special expenses areas affected are: Appleby Magna, Coalville, Coleorton, Hugglescote and Donington-le-Heath, Lockington-cum-Hemington, Measham, Ravenstone with Snibstone, Stretton-en-le-field and Whitwick.

4.5.3 For 2024/25 the expenditure in relation to 'Closed Churchyards' has been removed from the special expenses and included in the General Fund. For four special expense areas (Appleby Magna, Lockington-cum-Hemington, Measham, Ravenstone with Snibstone, Stretton-en-le-field) this was the only expenditure. Therefore, the precept for 2024/25 has been removed. This will reduce the special expense areas to six.

4.5.4 For Coleorton, Hugglescote and Donington-le-Heath, Ravenstone with Snibstone and Whitwick the expenditure for 'Closed Churchyards' has been removed from future budgets and the precept has been reviewed and reduced accordingly.

4.5.5 The subsidy in relation to grounds maintenance at Owen Street Coalville has been removed from future Coalville special expense budgets and included in the general fund.

4.5.6 Due to the short budget setting timetable and the need to undertake further work on the treatment of previous years expenditure, a report will be taken through the governance process (Corporate Scrutiny, Cabinet and Council (if necessary) in spring 2024.

4.5.7 To enable consultation to commence, a draft budget requirement covering the period 2024/25 to 2028/29 has been produced for each special expense area and is available at Appendix 6. Also included in Appendix 6, is the movement from the 2023/24 to 2024/25 base budget and details of the Planned and Preventative Maintenance (PPM) included in the draft budget.

4.5.8 All of the special expense areas include a budget for PPM which should provide sufficient funding to cover future planned maintenance along with a programme for play equipment replacement (where applicable). The PPM programme has been updated as part of the budget preparation.

4.5.9 The Council Tax Base has been calculated for 2024/25 and there is a separate report on the same agenda.

4.6 Special Expense Precepts 2024/25

4.6.1 The Council is required to set a balanced budget for each special expenses account. It is good practice to have a minimum level of balances, which is recommended at circa 10% of reoccurring expenditure. With the exception of Oakthorpe, Donisthorpe and Acresford, all special expense accounts have sufficient balances forecast for 2024/25.

4.6.2 In relation to Oakthorpe, Donisthorpe and Acresford, there is a deficit balance brought forward from 2022 due to the replacement of fencing at the play area. The proposal is to increase the precept to enable the recovery of the deficit over the next three years.

4.6.3 Table 4 below shows the proposed Band D Council Tax for the special expense areas.

Table 4 – Band D Annual Precept for each Special Expense Area

Special Expense Area	Council Tax Band D 2023/24	Increase/ (Decrease)	Council Tax Band D 2024/25
Appleby Magna	7.08	-7.08	0.00
Coalville	73.81	5.17	78.98
Coleorton	10.63	-7.12	3.51
Hugglescote/Donington-le-Heath	15.27	-6.44	8.83
Lockington-Cum-Hemington	13.72	-13.72	0.00
Measham	1.87	-1.87	0.00
Oakthorpe, Donisthorpe & Acresford	6.10	6.10	12.20
Ravenstone with Snibstone	1.29	-0.13	1.16
Stretton-en-le-field	73.11	-73.11	0.00
Whitwick	9.55	-2.90	6.65
Notes: The table excludes funding from localised council tax support grant, Section 106 contributions, income (e.g. event or rents) and earmarked reserves.			

4.6.4 Special expense budgets, just like all council budgets, are subject to the inflationary pressures of the current economic environment. To ensure a balanced budget is proposed and mitigate any funding gaps, action has been taken to minimise PPM expenditure. As well as seeking to increase income from Section 106 contributions and fees & charges.

4.6.5 There are potential risks in these mitigating actions. For example, minimising PPM expenditure in 2024/25 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.

5.0 KEY RISKS TO THE BUDGET

5.1 Table 5 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 5: Key Risks to the Budget

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	The 2023/24 financial monitoring is showing a projected overspend of £252k on the General Fund. Work is currently on-going within services to mitigate these pressures and minimise any drawdown from reserves. The on-going and unavailable pressures, alongside potential reductions in reserve levels, have been factored into budget plans for 2024/25 and the medium term.
Are arrangements for monitoring and reporting performance against the savings plans robust?	Y & N	In recent years the Council has not been required to make significant savings to maintain its financial position. With such a significant funding gap estimated for 2024/25, there are a range of budget options proposed for the General Fund Budget 2024/25. Where it is appropriate, delivery of savings/efficiencies will be monitored throughout the financial year and reported to stakeholders alongside the financial monitoring reports on a quarterly basis. Therefore, clear savings plans and delivery has not been required. As part of the Council's Transformation Programme, project management principles will be adopted with a suite of guidance and templates to support good practice, which, in turn will help the Council manage and monitor large scale transformation programmes.
The reasonableness of the underlying budget assumptions	Y	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 Management Strategy.
The alignment of resources with the Council's service and organisational priorities	Y	Resources are aligned to the current priorities of the Council. A new Council Delivery Plan (CDP) has been developed and was approved by Council on 14 November 2023. The CDP is aligned to the resources available and risks faced by the Council. The Council's ambition to be carbon neutral by 2030 is likely to require additional investment, however, the Council will look to maximise grant funding made available to it to support this priority. An exercise to identify the costs of getting to net zero will be completed in 2024/25.
A review of the major risks	Y	The major risks within the budget have been

Area	Y/N	Comments
associated with the budget		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 General Fund of (£1.5m). In the Audit Commission's 'Striking a Balance' report published in 2012, the majority of Chief Finance Officers at the national level regarded an amount of between three and five per cent of Council's net spending as a prudent level for risk-based reserves. Over the medium term the Council's forecast figure is between £264k and £1,556k.</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>Fees and charges have been increased, where it is appropriate to do so, in accordance with the Council's Corporate Charging Policy.</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.
Has a reasonable estimate of future income been made?	Y	The budget proposals presented by services were reviewed by finance and subject to budget challenge sessions.
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 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	<p>For 2023/24, quarterly financial reporting to Cabinet and Scrutiny Committee has been introduced.</p> <p>The new finance system is intended to bring enhanced financial reporting for budget holders to support robust and regular monitoring of budgets.</p>

Area	Y/N	Comments
		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 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, MTFP and minimum levels of reserves to ensure its financial stability.
The strength of the financial management function and reporting arrangements?	Y & N	<p>The Council implemented a new financial system in April 2023 to improve its reporting. Further enhancements to the system are required in the short-term to deliver this.</p> <p>A review of the Financial Procedures Rules is planned.</p>
Have the previous years Accounts been signed off by external audit to verify balances?	N	<p>The Council's Accounts for 2021/22 are currently being audited. The audit for the 2022/23 accounts will commence in Spring 2024.</p> <p>Budget estimates and reserves balances for 2024/25 and beyond are based on the latest information incorporated into the 2021/22 and 2022/23 accounts.</p>
Has there been a degree and quality of engagement with colleagues and councillors in the process to develop and construct the budget?	Y	<p>There has been a continuation of the improvements introduced to the budget setting process last year.</p> <p>This has included a series of budget challenge sessions between the Directors and Heads of Service, as well as engagement with Corporate Leadership Team, Portfolio Holders, Strategy Group and an all councillor briefing.</p>

6.0 CONCLUSIONS AND NEXT STEPS

- 6.1 Based on the assumptions made in the Draft Budget 2023/24 and MTFP 2024-29 for income and expenditure, the Council can set a balanced draft budget for 2024/25.
- 6.2 Further work will need to be carried out going forward on balancing the budget gap for future years from 2025/26 onwards.
- 6.3 There is still further work to be carried out between the draft and final budget position including any changes from the provisional and final funding finance settlement, any further changes to proposals, further detailed work on net financing costs and technical

finance work around recharges. There will also be equality impact assessments conducted during this period.

- 6.4 At the time of publishing the draft budget for 2024/25 the Provisional Local Government Finance Settlement has not been announced. The figures included for the funding are estimates based on latest intelligence. An update will be provided once the Provisional Settlement has been made available.
- 6.5 Shown below in Table 6 is the key deadlines and meetings Finance are working towards in the budget approval cycle:

Table 6: Budget Timetable

Key Meetings in Budget Approval Cycle	Date
Corporate Scrutiny Meeting - to scrutinise draft budgets and related strategies	04/01/2024
Cabinet Meeting - to consider draft budget proposals , related strategies and launch consultation	09/01/2024
Cabinet Meeting - to approve the 2024/25 Council Tax Base	09/01/2024
Commencement of statutory consultation	10/01/2024
End of statutory consultation	23/01/2024
Cabinet Meeting - to receive consultation feedback and recommend final budget to Council	31/01/2024
Council - approval of final budget and MTFP	22/02/2024

- 6.6 As can be seen from the timelines above, we will be consulting with the public between 10 January and 23 January and will feedback these responses to Cabinet on 31 January when a final budget will be recommended.

7.0 EXEMPTION FROM CALL IN

- 7.1 The approval of the Chairman of the Council has been given to the exemption of the Council's Scrutiny Procedure rules in relation to the call-in of the decision on this item, since any call-in would prejudice the ability of the Council to commence the statutory consultation period commencing 10 January 2024. The Chairman has considered the timetable for the consultation period and agrees that the matter before Cabinet is urgent for this reason.

Policies and other considerations, as appropriate	
Council Priorities:	The budget provides funding for the Council to deliver against all its priorities.
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	The equality impact assessment will be completed for the final budget to be presented to Cabinet.
Customer Impact:	Customers are likely to be impacted by the

Policies and other considerations, as appropriate	
	changes to fees and charges and District and special expenses precepts set out in this report. Equality Impact Assessments will be completed as part of the budget process.
Economic and Social Impact:	The General Fund capital programme allocates £7.9m to investing in Coalville Regeneration Projects over five years. £3.7m is being invested in Council owned land to support regeneration and bring employment to the district. The Council has been awarded £1.3m in government grants to undertake regeneration projects in the district. This includes refurbishment of Moira Furnace and provision of office spaces.
Environment and Climate Change:	The budget sees investment of £1.5m in the replacement of council vehicles and reducing our carbon emissions. There is £0.8m investment in bins and recycling containers to increase recycling from households. The Council also has a permanent Climate Change Programme Manager post
Consultation/Community Engagement:	Corporate Scrutiny Committee – 4 January 2024 Public consultation will begin 10 January to 23 January 2024 Parish and town councils, trade unions and the Federation of Small Businesses - 10 January to 23 January 2024.
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.
Officer Contact	Anna Crouch Head of Finance anna.crouch@nwleicestershire.gov.uk