

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – THURSDAY , 9 JANUARY 2025



Title of Report	DRAFT GENERAL FUND BUDGET 2025/26	
Presented by	Councillor Nick Rushton Corporate Portfolio Holder PH Briefed <input type="checkbox"/> Yes	
Background Papers	Council 22 February 2024: General Fund Budget and Council Tax 2024/25	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 2025/26. 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 2025/26 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 2025.	
Reason for Decision	Required as part of the budget setting process for 2025/26 to ensure compliance with the Budget Framework as set out in the Council's Constitution.	
Recommendations	CABINET IS RECOMMENDED TO: 1. PROPOSE THE FOLLOWING FOR STATUTORY CONSULTATION:	

	<ul style="list-style-type: none"> • THE 2025/26 DRAFT GENERAL FUND REVENUE, CAPITAL AND SPECIAL EXPENSES BUDGET; • THE MEDIUM-TERM FINANCIAL PLAN (MTFP) FOR THE PERIOD 2025/26 TO 2029/30; • THE BUDGET PROPOSALS CONTAINED WITHIN THE REPORT; AND • THE PROPOSED FEES AND CHARGES FOR 2025/26 . <p style="text-align: center;">2. NOTE THE COUNCIL'S KEY RISKS TO THE BUDGET.</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 continues to face 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 is expected to grow by just over 1% this year rising to 2% in 2025 before falling to 1.5%, slightly below its estimated potential growth rate of 1 ⅓ % over the remainder of the forecast. The recent decisions made in the Government's Autumn Budget 2024 should push up inflation by around ½ a percentage point at their peak, meaning it is projected to rise 2.6% in 2025, and then gradually fall back to target.

1.3 Local Government

1.3.1 Local authorities in the UK are grappling with a range of financial challenges that impact their ability to deliver essential services and support their communities. Since 2010-11 core funding for local government has fallen significantly, forcing councils to make difficult decisions about which services to prioritise.

1.3.2 The demand for local government services, particularly in social care, housing and homelessness has increased substantially. An aging population and rising numbers

of vulnerable individuals mean that councils are under pressure to provide more support with fewer resources.

- 1.3.3 Local Government Association (LGA) analysis shows that by 2026/27 these pressures will have increased the cost of delivering services by 12% since 2024/25, leaving councils facing a funding gap of £6.2bn across 2025/26 and 2026/27, just to sustain services at 2024/25 levels. These pressures come on top of the fact that councils have already absorbed a 22.2% real terms reduction in core spending power from 2010/11 to 2024/25.
- 1.3.4 The scale of the pressures facing the sector was demonstrated in February 2024 when the then Department for Levelling Up, Housing and Communities took the unprecedented step of announcing that 18 councils would receive Exceptional Financial Support in 2024/25 to address financial pressures that the councils considered unmanageable. All but two of these councils had social care responsibilities. This meant that the sector entered 2024/25 with more than 1 in 10 social care councils dependent on a significant one-off relaxation of the financial framework to secure their financial sustainability. The sheer scale of this intervention by the Government indicates the risk of financial failure is potentially becoming systemic.
- 1.3.5 The LGA is calling for the need for a significant and sustained increase in overall funding to stem the emerging risk of system-wide financial failure and to ensure that councils can meet growing demand for the vital services needed by their communities.
- 1.3.6 The Housing, Communities and Local Government Committee has launched an inquiry looking at whether the local government finance system in England is fit for purpose, recognising that the state of many councils' finances in England is at breaking point.
- 1.3.7 The Autumn Budget 2024, announced in October 2024, contained some important funding announcements for local government in 2025/26 including:
 - a 3.2% real-terms increase in Core Spending Power for the whole sector in 2025/26. This includes £1.3bn additional grant funding, of which at least £600m will be directed to social care.
 - £233m new funding for homelessness prevention. This is in addition to the £1.3bn grant funding.
 - £1bn to extend the Household Support Fund and Discretionary Housing Payments into 2025/26.
 - £1.1bn new funding through implementation of the Extended Producer Responsibility scheme for recycling.
- 1.3.8 The additional funding support for homelessness is welcome, however, the Government has not acted to increase the housing benefit subsidy cap for temporary accommodation or to uprate Local Housing Allowance rates again. This is likely to mean that significant temporary accommodation financial pressures will remain for councils.
- 1.3.9 Ahead of the Provisional Local Government Finance Settlement, the Government released a Policy Statement 2025 to 2026 on 28 November 2024. It set out the Government's intentions for the Local Government Finance Settlement 2025/26, alongside longer-term plans for reforming local authority funding. It also confirms that 2026/27 will be the first multi-year funding settlement for local government in 10 years.

1.3.10 In addition, the Statement confirmed that all local authorities will see at least a 3% increase in their Core Spending Power before any decision they make about organisational efficiencies, use of reserves and Council Tax levels through a funding guarantee. Core Spending Power includes revenue from Council Tax, business rates, grants and other sources.

1.4 Local – North West Leicestershire

1.4.1 The Council continues to face significant pressures. The latest forecast for 2024/25 indicates that the Council must incur agency costs to fill essential positions and ensure service delivery. This challenge is not unique to North West Leicestershire; it is a national issue highlighted in a recent LGA report. Specific difficulties are evident in the planning and finance departments, with particular challenges in recruiting key technical finance roles.

1.4.2 Forecasting income from planning remains challenging due to the volatility in planning applications. The budget proposals for 2025/26 aim to address the issues identified in 2024/25. This includes addressing the pay award, adjusting the budget for unachievable income targets in specific services, and investing in corporate services to support recruitment and retention. While the government has acknowledged the pressures on homelessness, additional funding will not be available until 2025/26.

1.4.3 The overspend for 2024/25 can be funded from reserves. Historically, the Council has relied on reserves to fund ongoing expenditure, a strategy that is not sustainable. Sustainable financial management requires long-term planning and budgeting. Reliance on reserves in previous years has hindered the development of a balanced budget and long-term financial strategy. However, the budget proposals for 2025/26 will contribute to putting the Council on a stable footing regarding its finances.

1.4.4 The multi-year settlement due to be announced in 2026/27 will provide the Council with some certainty on the funding available over the medium-term from which it can develop a robust medium term financial plan. The one-year settlements seen in recent years have hampered medium-term financial planning for the sector.

1.4.5 The Council's external auditors recently issued disclaimed opinions in respect of the financial statements for 2021/22 and 2022/23, however, they did not highlight a risk of significant weakness in arrangements for financial sustainability.

1.4.6 The highest financial risk as Government has indicated is that it is looking to reset the business rates growth baseline and redistribute resources to councils across the country. This is alongside the funding review which is expected to be implemented in 2026/27.

1.4.7 The Council continues to review its financial management arrangements, with a focus on improvements to the financial system to improve reporting.

1.5 **Principles Underpinning the Budget Strategy**

1.5.1 The Council's principles as a basis for financial management and budget planning as follows:

Guiding Principles	Key Strategies for Developing Budget 2025/26 and MTFP 2025-30
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 Charging 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
 - 2024/25 – additional 1%, increasing from 3% to 4%
 - 2025/26 – additional 1%, increasing from 2% to 3%
 - 2026/27 onwards to remain as 2%
- Contracts price increases have been linked to the CPI/Retail Prices Index (RPI) as per individual agreements
- Inflation – fuel and utilities inflation are very volatile. After reviewing the current prices and future indications based on the best information available, and allowing for reviewing utility contracts, a minimal level of inflation has been included.

Cost	Increase in Budget 2025/26
Fuel	5%
Gas	5%
Electricity	5%
Water	5%

- Fees and charges – increased by the Consumer Price Index as at September 2024. 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 2025/26

2.1 General Fund Budget Summary

2.1.1 Appendix 1 shows the general fund budget position for 2024/25 and the draft budgets for the period 2025/26 to 2029/30.

2.1.2 Table 1 below highlights that in 2025/26 the net revenue expenditure has increased by £444k compared to 2024/25 and the anticipated funding has also increased by £1,469k.

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

	2024/25 £'000	2025/26 £'000	Movement £'000
Total Funding	(17,411)	(18,880)	(1,469)
Net Revenue Expenditure	18,163	18,607	444
Funding (surplus)/deficit	752	(273)	(1,025)
Contributions to/(from) reserves	(752)	(388)	364
Contribution to Contingency Budget	0	661	661

2.1.3 The surplus of £661k in 2025/26 is to be set aside in a contingency budget, this will be utilised to fund any unexpected in-year pressures. Within the Net Revenue Expenditure, £388k are one-off expenditure proposals which are discussed in further detail in section 2.2 below and are being met from the Medium-Term Financial Plan (MTFP) reserve and Business Rates Reserve (BRR).

2.1.4 The forecast financial position for the medium term is set out in Appendix 1. Although the Council currently has a balanced budget for 2025/26 with the surplus of £661k being set aside in a contingency budget, there is uncertainty for the future as the budget gap for 2026/27 is £411k increasing to £3,494k in 2029/30. 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. This situation arises amidst funding uncertainty for local authorities. The Government has stated that a multi-year settlement will not be provided until 2026/27, complicating medium-term forecasting. Additionally, proposals for a business rates reset and the associated uncertainties have led the Council, along with other local authorities, to rely on Pixel, a specialist in local government finance analysis, to project funding based on available information.

2.1.6 The budget options proposed for 2025/26 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 2026/27 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 2025/26 to 2029/30.

2.2.2 Focusing on 2025/26, the budget changes from the previous year indicate a total saving of (£386k) and include:

- **Unavoidable cost pressures £1,412k including:**
 - Pay related costs which are due to increase by £378k due to a combination of funding the unbudgeted balance of the pay award for 2024/25 and an additional 1% being included in 2025/26.
 - National Insurance increases of £351k are expected to be funded from additional central government funding. Alongside the Provisional Settlement published on 18 December 2024, the Government has indicated that £515m will be available to support the initial costs. However, whilst allocations to local authorities will not be announced until early in 2025, indications are that the funding will be insufficient to meet the full costs.
 - Service pressures of £493k which includes £80k for one off-costs funded from reserves. Other pressures include £50k increase on general inflation for utilities, business rates and fuel, and £215k to remove unachievable income or savings budgets.
 - Technical adjustments of £190k which is mainly a reduction in HRA recharge income due to changes in the apportioning.

- **Additional Capacity £1,138k including:**
 - Creation of a contingency budget in 2025/26 only of £661k to assist with any in- year pressures.
 - Contribution to feasibility project costs of £100k funded from BRR.
 - Additional short term resource in Internal Audit, Insurance and Finance graduate totalling £198k to be funded from the MTFP reserve
 - Additional resources in Legal, HR and Property services totalling £127k

- **Savings Agreed (£573k) including:**
 - Funding of Regeneration salaries from capital for 2025/26 only of (£500k)
 - Deletion of vacant posts within Community Services of (£71k)

- **Reserve Contributions (£388k)** – see Appendix 2 for detailed breakdown of which costs are being funded from the reserves
- **UKSPF Grant** – the Council has been awarded £790k for 2025/26, revenue of £644k and capital of £146k. Given the information was announced recently, further analysis is required to explore whether the funding can support current general fund costs.
- **Food Waste Roll Out** – the Council has not received confirmation of the revenue grant award for transitional funding. No cost pressure has been included in the budgets.

2.3 The Year Ahead by Service Area

2.3.1 Transformation

2.3.1.1 In June 2024, the Council approved its Transformation Delivery Plan, which serves as a comprehensive blueprint for addressing the critical challenges of financial sustainability currently faced by the Council. This Plan is not merely a fiscal roadmap; it also represents a commitment to enhancing service delivery and aligning the Council's functions with the needs of the community it serves. The Transformation Delivery Plan is a pivotal element in the Council's dedication to achieving service excellence and operational effectiveness.

2.3.1.2 The Transformation Steering Group has approved several initiatives, including a review of how the Council interacts with its customers. The £500k allocated in the 2024/25 budget is intended to support a range of these initiatives. Additionally, the Council has recently appointed a Transformation Officer to manage and support the Transformation Programme.

2.3.2 ICT

2.3.2.1 Moving to a hybrid/agile working operating model has meant that the service supports 500 officers, including Councillors and remote offices, which is a pressure on ICT services. There is a greater focus on IT security and IT audits, this will continue over the medium to long term, to ensure that the Council is compliant with ICT standards and practices. IT is a fundamental core pillar for the organisation.

2.3.2.2 There are a large 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, for example artificial intelligence (AI)

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

2.3.3 Finance

2.3.3.1 The Finance Team has continued to face recruitment and retention challenges, a trend reflected nationally and highlighted in the recent Local Government Association Report. Despite these issues, the team successfully completed the Statements of Accounts for 2021/22 and 2022/23 ahead of the Government's backstop date.

2.3.3.2 Significant enhancements have also been made to the Unit 4 financial system and other associated systems to improve processes. In the next financial year, the focus will be on completing the Statements of Accounts for 2023/24 and 2024/25, as the Council aims to rebuild assurance in its financial reporting. Additionally, there will be a focus on improving the exchequer and financial planning systems and processes.

2.3.3.3 The resources of the Internal Audit team were reviewed in 2024 to ensure that appropriate audit coverage was provided to the Council, both in terms of General Fund and Housing Revenue Account (HRA) and provide the appropriate level of assurance to Audit and Governance Committee. It is proposed to add an additional auditor post to the establishment in 2025/26. This will increase the number of audit days per year from 315 to 502. 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.

2.3.4 Legal and Support Services

2.3.4.1 Priorities for the Democratic Services Team in 2025/26 will be to conduct the County Council Elections in May 2025, implement the outcome of the Local Government Boundary Commission Review of Electoral Arrangements and conduct a Community Governance Review for the District. Strong project management is in place for the forthcoming election.

2.3.4.2 The Legal Services Team has recently restructured to align resources to the needs of the organisation and an additional solicitor post was added to the establishment in 2024 to meet demand.

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 relation to emergency accommodation. This year we have begun to implement the new Homelessness Strategy and revised the allocations policy; this will really begin to have an impact once we have fully commissioned the supported accommodation in partnership with East Midlands Housing (EMH) to provide better quality accommodation with support and

provide a more preventative focussed service to those who we have a statutory obligation to accommodate. This plan to provide a better service and reduce the use of bed and breakfast accommodation will show financial savings once fully implemented. Though this should be considered against a predicted 25% increase in homelessness applications from last year.

2.3.7 Community Services

- 2.3.7.1 This is 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 management.
- 2.3.7.2 Plans are in train to roll out food waste collections to all households in the district in 2025/26. A review of the waste service can now progress since the new government has now confirmed what is acceptable under the Environment Act.
- 2.3.7.3 The service also intends to see changes to its car parking provision with the addition of a new 150 space car park in Ashby.
- 2.3.7.4 Work continues with 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 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 proposed upcoming changes to Regulations, the Local Plan will now need to be submitted by December 2026 rather than June 2025. Following consultation earlier this year and policy changes proposed by the new government, including changes to housing requirements, it is likely that the Council will incur additional costs for preparing the local plan as a result of new or updated evidence requirements. It is likely that the Local Plan examination will take place in early 2027 and if the Local plan was to be found to be not sound at Examination, or if it is not possible to submit by December 2026, then it would be necessary to revisit and update evidence at significant cost to the Council.
- 2.3.8.2 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 again dropped significantly so far in the first two quarters of 2024/25 and the fees increases of 35% for major applications and 25% for all other applications that came into force on 6 December 2023 has had little impact so far in meeting projected fee income. Officers are aware of a small number of major planning applications that might be submitted in Quarters 3 and 4, 2024/25 which could secure up to half of the projected fee income for the

year. However, due to significant issues around transport modelling, there is no guarantee these will be submitted in the current financial year and they could well be submitted in 2025/26. 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 commercial properties offers an opportunity to generate significant income, but the stock has suffered from an historic lack of investment which needs to be reversed if potential is to be maximised. Consideration will also need to be given to investment in energy efficient measures to meet government regulations.

2.3.9.2 The continuing prioritisation of Regeneration Projects across the district creates a need for capital investment. Central Government grant support for this work would be welcomed and would unlock economic growth.

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 2025/26.

2.4.2 The fees and charges have been increased by 1.7% which was the Consumer Price Index as at September 2024. Where appropriate, it has been considered, areas where demand has changed which impacts on the income.

2.5 Funding

2.5.1 The Local Government Finance Settlement 2025/26 was published late December. The information is provided by Pixel, the Council's technical funding adviser and from local intelligence, for example of anticipated business rates growth. The key funding changes are:

- **New Homes Bonus (£679k) increase** – for 2025/26 only. No further years income has been budgeted or is expected. The Medium Term Financial Plan assumes that the Council will no longer receive this funding beyond 2026/27.
- **Minimum Funding Guarantee (MFG) £630k decrease** - This grant is to ensure the Council is not significantly affected by the reduced New Homes Bonus (NHB) Grant. As the NHB grant has continued for another year, MFG has been reduced accordingly.
- **Increase in Business Rates** - Growth in the district is expected to result in an increase in business rate income. 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 (£51k) increase** – an increase in 2025/26, with an additional (£142k) expected in 2026/27.
- **Services Grant £15k decrease** – this grant has now ceased from the Government's Autumn Statement stating it will be repurposed.
- **Council Tax income is assumed to decrease by £74k** – although there is taxbase growth in the district, the Council Tax increase has been set at 2.5%, instead of the previously forecast 2.75%. This has been set based on the council tax base calculated for 2025/26. The Council Tax Base is still provisional and may change, it will be considered by Cabinet on the 28 January 2025.
- **Extended Producer Responsibility Grant (£1,574k) increase** – this is a new grant for 2025/26. There is no certainty of future years grant, therefore, a 20% annual reduction has been assumed in the MTFs. In 2025/26 it has been paid as a separate grant, however, the Government has indicated that it will be mainstreamed into the core funding settlement which provides an additional level of uncertainty.
- **National Insurance Increases (£351k)** – additional funding is expected to be received to fund the rate and threshold changes announced in the Autumn Statement, however, early indications are that the funding will not be sufficient to meet the full cost increase.

2.5.2 The draft budget assumes the value of the district's share of council tax is increased by 2.5%.

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 £4.4m as at 31 March 2026.

2.6.2 In addition to these reserves, the Council also has earmarked reserves estimated to be £4.4m as at 31 March 2026, falling to £4.2m by 31 March 2026 and general balances of £1.5m. A summary of these reserves can be found in table 2 below.

Table 2: Summary of estimated reserves 2025/26 – 2029/30

Reserve Name	Estimated Balance as at 1/4/25 £000	Commitments & Budget Proposals 25/26 £000	Estimated balance as at 31/3/26 £000	Future (use)/contribution incl budget proposals 26/27 to 29/30 £000	Estimated Balance 31/3/30 £000
Earmarked Reserves - General Fund	4,842	(408)	4,433	(163)	4,270
MTFP Reserve	4,678	(195)	4,483	(157)	4,326
Business Rates Reserve	13,193	1,804	14,997	17,639	32,635

General Balance (minimum level of reserves)	1,544	0	1,544	0	1,544
Total Reserves	24,256	1,200	25,457	17,319	42,775

- 2.6.3 Earmarked reserves are those reserves that have been earmarked for a specific purpose. The estimated balances include items currently committed. A table showing details by service can be found in Appendix 5.
- 2.6.4 The MTFP reserve is expected to be £4.4m after taking into account the funding of one-off budgets for 2025/26. 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 £1.8m in 2025/26 and £17m across 2026-2030. As mentioned above in paragraph 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 2025/26 TO 2029/30

3.1 General Fund and Special Expenses Capital Programme

3.1.1 Capital Strategy

- 3.1.2 The Capital Strategy includes a few key changes and improvements for the 2025/26 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 2025.
- 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 2025/26-2029/30 Capital Programme

3.2.2 The proposed General Fund capital programme is outlined in Appendix 4. The five-year programme totals £19.140 million, a reduction of £2.723m when compared with the previous five-year programme. A summary of the higher value schemes are:

Active Programme

- **Marlborough Centre purchase and renovation:** The Council acquired the Marlborough centre property in 2022/23. The building will be redeveloped at an estimated cost of £2.953m over the next three years from 2025/26 and the project is 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.
- **Food Waste Collections:** This is a £2.2m project jointly funded by the Council and Department for Environment, Food and Rural Affairs (DEFRA). The latter contributed by way of grants £1.062m and the Council £1.154m. The project aims to divert food wastes from landfill or incineration to recycling via an anaerobic digestion facility in Atherstone where it is used to produce green energy and a bio-fertiliser for use on farmland. The trial of this project has proved successful and therefore is now rolled out to cover the entire Council. The £1.154m in the Council's capital budget for 2025/26 is to cover the purchase of food waste collection vehicles food waste containers.

Development Pool (require further Cabinet approval)

- **Coalville Regeneration Project:** Investment of £1.5m in 2025/26 to deliver projects set out in the Coalville regeneration framework document which is in the strategic business objective of the council.
- **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.
- **Stenson Square public realm:** This is a £2m investment across the next two years from 2025/26 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.
- **Enterprise Park:** This is a £3.7m project across two years from 2025/26 which is to create serviced employment land and the Council in turn will sell to end users thereby generating capital receipts.

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

Funding Sources	2025/26 £ '000	2026/27 £ '000	2027/28 £ '000	2028/29 £ '000	2029/30 £ '000	Total £ '000
Grants / Contributions	1,878	670	670	670	670	4,558
Capital Receipts	21	-	-	-	-	21
Revenue Contributions	22	-	-	-	-	22
Business Rates Reserve	7,597	5,748	941	60	192	14,538
Earmarked Reserves	-	-	-	-	-	-
Total	9,518	6,418	1,611	730	862	19,140

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.

4.0 SPECIAL EXPENSES 2025/26

4.1 The Council currently operates six 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 2025/26 Budget Setting

- 4.5.1 To enable consultation to commence, a draft budget requirement covering the period 2025/26 to 2029/30 has been produced for each special expense area and is available at Appendix 6. Also included in Appendix 6, is the movement from the 2024/25 to 2025/26 base budget and details of the Planned and Preventative Maintenance (PPM) included in the draft budget.
- 4.5.2 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.
- 4.5.3 It should be noted that the Council Tax Base is still provisional at this stage and will be considered by Cabinet on the 28 January 2025.

4.6 Special Expense Precepts 2025/26

- 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 Whitwick, Hugglescote, Donington Le Heath, Oakthorpe, Donisthorpe and Acresford, all special expense accounts have sufficient balances forecast for 2025/26.
- 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 two years. For Whitwick and Hugglecote and Donington Le Heath, the deficit has arisen due to a forecasted reduction in burial fee income and a forecasted reduced increase in the council tax base figures. The proposal is to increase the precept to enable the recovery of the deficit over the next five 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 2024/25	Increase/ (Decrease)	Council Tax Band D 2025/26
Coalville	78.98	2.03	81.01
Coleorton	3.51	-0.63	2.88

Hugglescote/Donington-le-Heath	8.83	1.10	9.93
Oakthorpe, Donisthorpe and Acresford	12.20	0.00	12.20
Ravenstone with Snibston	1.16	-0.12	1.04
Whitwick	6.65	1.76	8.41

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 and charges.

4.6.5 There are potential risks in these mitigating actions. For example, minimising PPM expenditure in 2025/26 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 2024/25 financial monitoring is showing a projected overspend of £2,133k on the General Fund. This is expected to be funded from reserves. The on-going and unavoidable pressures, alongside potential reductions in reserve levels, have been factored into budget plans for 2025/26 and the medium term.
Are arrangements for monitoring and reporting performance against the savings plans robust?	Y	Delivery of savings/efficiencies will be monitored throughout the financial year and reported to stakeholders alongside the financial monitoring reports on a quarterly basis. 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.

Area	Y/N	Comments
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.
A review of the major risks associated with the budget	Y	The major risks within the budget have been assessed and are set out in the budget report, including mitigations and strategies about how these are being managed.
The availability of un-earmarked reserves to meet unforeseen cost pressures	Y	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. 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?	Y	An assessment of income targets has been undertaken as part of the development of the draft budget. Fees and charges have been increased, where it is appropriate to do so, in accordance with the Council's Corporate Charging Policy.
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.
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	From 2024/25 Quarter 2, quarterly financial position will be reported to Cabinet and Scrutiny Committee.

Area	Y/N	Comments
		<p>The new finance system has been developed to include a budget monitoring solution, intended to bring enhanced financial reporting for budget holders to support robust and regular monitoring of budgets.</p> <p>The Council will also need to enhance its development, monitoring and delivery of its plans to deliver balanced budgets over the medium term.</p>
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 have been and are also being implemented to the system 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 and 2022/23 were approved by Audit and Governance Committee on 9th December 2024. These were approved under the backstop regime introduced by Government in September 2024.</p> <p>Budget estimates and reserves balances for 2025/26 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 2024/25 and MTFP 2025-30 for income and expenditure, the Council can set a balanced draft budget for 2025/26.
- 6.2 Further work will need to be carried out going forward on balancing the budget gap for future years from 2026/27 onwards.
- 6.3 There is still further work to be carried out between the draft and final budget position including any changes from the provisional and final funding finance settlement, any further changes to proposals, further detailed work on net financing costs and technical finance work around recharges. There will also be equality impact assessments conducted during this period.
- 6.4 The draft budget for 2025/26 includes the indicative funding allocations from the Provisional Local Government Finance Settlement. An update will be provided once the Final 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 consider the draft budget proposals	07/01/2025
Cabinet Meeting - to consider the draft budget and approve the consultation launch	09/01/2025
Commencement of statutory consultation	13/01/2025
End of statutory consultation	26/01/2025
Cabinet Meeting – to consider consultation responses and recommends final budgets and council tax to Council	28/01/2025
Council – approval of the revenue and capital budgets for the General Fund, Housing Revenue Account (HRA) and Special Expenses and sets the Council Tax	20/02/2025

- 6.6 As can be seen from the timelines above, the Council will be consulting with the public between 13 January and 26 January and will feedback these responses to Cabinet on 28 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 13 January 2025. 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.

Policies and other considerations, as appropriate	
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	The equality impact assessment will be completed for the final budget to be presented to Cabinet.
Customer Impact:	Customers are likely to be impacted by the changes to fees and charges and 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 £4.6m to investing in Coalville Regeneration Projects over five years.
Environment and Climate Change:	There is 235k investment to support carbon zero initiatives.
Consultation/Community Engagement:	Corporate Scrutiny Committee – 7 January 2025 Public consultation will begin 13 January to 26 January 2025 Parish and town councils, trade unions and the Federation of Small Businesses - 13 January to 26 January 2025.
Risks:	The budgets will be monitored throughout the year to ensure the Council remains within its funding envelope and planned budget savings are delivered. Key risks to the budget are discussed in further detail in section 5 of the report.
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