NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – THURSDAY, 9 JANUARY 2025

Title of Report	**DRAFT 2025/26 ROBUSTNESS OF BUDGET ESTIMATES**	
Presented by	Councillor Nicholas Rushton Corporate Portfolio Holder PH Briefed: Yes	
Background Papers	None	**Public Report:** Yes **Key Decision:** Yes
Financial Implications	In accordance with statutory requirements the report provides the Section 151 Officer's advice on the robustness of budget estimates and the adequacy of reserves in the draft budget. **Signed off by the Section 151 Officer**: Yes	
Legal Implications	The Council's Section 151 Officer is required to prepare this report under Section 25(1) Local Government Act 2003. **Signed off by the Monitoring Officer**: Yes	
Staffing and Corporate Implications	None. **Signed off by the Head of Paid Service:** Yes	
Purpose of Report	To advise Cabinet on the robustness of the estimates in the budget and the adequacy of the proposed financial reserves.	
Reason for Decision	To ensure the Council meets its statutory requirements when considering its budget. 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	**THAT CABINET NOTES THE S151 OFFICER'S ADVICE SET OUT IN SECTION 7 AND CAREFULLY CONSIDERS THE CONTENT OF THIS REPORT AS PART OF APPROVING THE GENERAL FUND BUDGET REPORT 2025/26, THE HOUSING REVENUE ACCOUNT BUDGET 2025/26 REPORT AND THE CAPITAL STRATEGY AND TREASURY MANAGEMENT STRATEGY 2025/26.**	

1.0 BACKGROUND

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

- the robustness of the estimates in the budget.
- the adequacy of the proposed financial reserves.

1.2 Section 25(2) of the 2003 Act requires the Council to have regard to this report in approving the budget and Council Tax.

1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code reinforces this requirement stating that the statement in relation to the proposed financial reserves should consider whether the level of general reserves is appropriate for the risks (both internal and external) to which the Council is exposed and give reassurance that the authority's financial management processes and procedures are able to manage those risks.

1.4 While the statutory local authority budget setting process continues to be on an annual basis, a longer-term perspective is essential if local authorities are to demonstrate their financial sustainability.

2.0 CONTEXT

2.1 The Council is setting its budget at a time when it 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:

<u>Economic</u>

2.2 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.

<u>Local Government</u>

2.3 Local governments 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.

2.4 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.

2.5 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.

2.6 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 one 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.

2.7 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.

2.8 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.

2.9 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.

2.10 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.

2.11 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.

2.12 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.

Local – North West Leicestershire

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

2.18 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.

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

3.0 DRAFT FINANCIAL STRATEGIES AND POLICIES

3.1 To ensure the Council has clarity on its financial management objectives it is imperative to have a clear financial strategy in place for the short, medium and long term. As part of setting the Budget for 2025/26 and beyond the following guiding principles have been developed for the budget setting approach:

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

Capital Strategy

3.2 The Capital Strategy has been significantly enhanced to make it fit for the future. To provide greater accountability, governance, and due diligence of the capital programme the Capital Strategy was updated in 2022 to improve the way the Council manages its capital schemes through their life cycle by splitting the programme into an Active Programme for 'in flight' schemes and a Development Pool for schemes at business case stage. A Capital Strategy and Investment Group, chaired by the Strategic Director of Resources has been in operation for over two years and oversees this process and proposes schemes through the Council's governance for formal approval by Cabinet or Council in line with the Council's Constitution.

Treasury Management Strategy

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

Corporate Charging Policy

3.4 The Corporate Charging Policy, which contains the Council's fees and charges, reflects the Council's financial strategy and provides greater clarity for service users on the rationale for future changes in levels of fees and charges. The draft budget includes a range of proposed amendments to fees and charges, where it is appropriate to do so, in line with the Policy, which includes an inflationary increase in line with the Consumer Price Index.

4.0 DRAFT GENERAL FUND BUDGET 2025/26

4.1 High levels of inflation, recruitment and retention and continued demand for services present challenges for the Council.

4.2 There will be a one-year funding settlement for 2025/26 with a core referendum principle of 2.99%. Additional funding announced in the Government's Autumn Budget 2024 and confirmed in the Provisional Finance Settlement 2025/26 are welcome.

4.3 The forecast outturn position for the general fund revenue budget 2024/25 is an operating deficit of £2.1m This is largely due to the pay award for 2024/25, agreed in November 2024, being higher than originally estimated. There are pressures on homelessness, not meeting income targets in respect of planning and the Council's rental units, couple with costs of agency spend to ensure recruitment to key positions within the Council to ensure service delivery.

4.4 In setting the budget for 2024/25, key strategies were applied to budget development, and these have continued for the budget process for 2025/26. These include:

Guiding Principles	Strategies for Developing Budget 2025/26 and MTFP 2025-30
Financial Stability and Sustainability	• 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	Align resources to Council Delivery Plan objectives
Maximising Our Sources of Income	Fees and Charges maximised in accordance with the Corporate Charging Policy (increased by inflation)
Managing our Risks	• Acceptable level of risk tolerance • Review of reserves strategy and position

4.5 The forecast medium term position is set out in the table below.

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Net Revenue Expenditure	18.878	18.868	19.135	19.385	19.761
Funding	18.878	18.457	17.663	16.911	16.266
Surplus/(Deficit)	0	(0.411)	(1.472)	(2.473)	(3.494)

4.6 The position shows a balanced budget for 2025/26 and a forecast funding gap of £3.5m by 2029/30. Whilst the funding gap has closed in the short-term, the forecast illustrates a widening funding gap towards the end of the decade. The funding forecasts are based on the latest information available to the Council at this time.

4.7 The primary reasons for the forecast funding gap are pay, inflationary, and service demand pressures on the Council's cost base and anticipated changes to its funding streams arising from promised Government funding changes to local authorities as a result from a reset of growth from the business rates retention scheme, fair funding review and New Homes Bonus.

4.8 There still remains a significant risk facing the Council on its revenue budget, which is the potential Government funding changes, particularly in relation to a reset in growth from the business rates retention scheme. This is due to the fact that North West Leicestershire has seen the biggest growth above its business rates baseline in all local authorities in England. The proposed changes to the funding mechanism for local government, published alongside the Provisional Local Government Finance Settlement, will have to be assessed over the coming weeks to determine their potential impact on the Council's other core funding elements.

4.9 The latest indication is that the earliest a business rates reset could happen is 2026/27. The previous Government has been delaying implementation for several years now, however, the current Government is committed to the reset. When this funding change is implemented, there is likely to be an element of transitional protection to assist those councils like North West Leicestershire, to manage reduced funding over a period of time. This transitional protection is included in the medium-term forecasts show in paragraph 4.5 above.

4.10 The Council will continue to use the guiding principles set out in paragraph 4.4 above to plan for any potential Government funding changes and ensure that the funding gap this could create in its revenue budget is appropriately managed. The Government has indicated that the Provisional Local Government Finance Settlement will mark the start of a period of consultation regarding the funding regime for the sector.

4.11 The Draft Revenue Budget for 2025/26 is balanced.

4.12 The figures included for the funding are estimates based on the Provisional Local Government Finance Settlement and latest intelligence.

4.13 The Capital Programme has been developed in line with the guiding principles and a substantially improved Capital Strategy:

- The existing capital programme has been split into Approved schemes and Development Pool schemes as per the previous two financial years.
- No new borrowing, over and above that approved in the 2023/24 budget, is proposed to fund the capital programme. This is to ensure the Council does not create additional revenue pressures in the future arising from interest and capital repayment costs.
- The funding source for schemes over the medium term is capital receipts (£21k), government grants (£4,558k), business rates reserve (£14,477k) and revenue contributions (£22k).
- Schemes in the Development Pool will be worked up in more depth through the governance arrangements set out in the Capital Strategy and Constitution.

4.14 The draft budget is based on the Council having the following levels of reserves.

	Estimated Balance 1/4/25 £'000	Change during 2025/26 £'000	Estimated Balance 31/3/26 £'000
General Fund - Minimum Level of Reserves	1,544	0	1,544
Earmarked Reserves	4,842	(408)	4,433
MTFP Reserve	4,678	(195)	4,483
Business Rates Reserve	13,193	1,804	14,997
Total	**24,256**	**1,201**	**25,457**

4.15 As part of preparing the reserves for the draft budget the following should be noted:

- The minimum level of reserves has been risk assessed and is considered to be set at an appropriate level.
- Earmarked reserves have been reviewed to assess if the risks/commitments continue to exist and if the amounts are still appropriate.
- The MTFP Reserve will be used for managing risks over the medium term, which includes investing in projects to make the Council more efficient, reduce its revenue costs, generate income and fund the capacity for the Council to deliver its financial plans. In addition, the Council's MTFP reserve was set up to manage deficits and funding volatility. It was created to ensure financial stability and sustainability over the medium term. It helps the Council manage financial risks and uncertainties such as economic fluctuations and unexpected expenditures
- The Business Rates Reserve includes the additional business rates revenues from growth in the district (including contributions from Business Rates Pool and Freeport) in excess of that included in the revenue budget to fund on-going services. This additional growth will be prioritised to fund the capital programme and projects. The latest forecasts indicate continued strong growth and the forecast balance on the reserve is higher than that forecast 12 months ago.

5.0 DRAFT HOUSING REVENUE ACCOUNT BUDGET 2025/26

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

5.2 In 2012, the Council took on the debt associated with its housing stock under the nationally HRA Self Financing initiative. As part of this a 30-year business plan was developed. A core component of the business plan is for the HRA to repay the self-financing borrowing by 2042. The Council should continue to make provision in its HRA to repay this outstanding borrowing.

5.3 The forecast outturn position for the HRA budget 2024/25 is an operating surplus of £1,445k.

5.4 The position shows a balanced budget for 2025/26. The table below provides a summary of the changes.

	2024/25 £'000	2025/26 £'000	Movement £'000
Income	-21,613	(21,020)	592
Operating Expenditure	20,168	19,053	(1,115)
Operating (surplus)/deficit	**(1,445)**	**(1,968)**	**(523)**
Appropriations	4,063	1,906	(2,157)
Net (surplus)/deficit	**2,618**	**(62)**	**(2,680)**

5.5 The draft HRA budget for 2025/26 shows an operating surplus of £1,968k. This is a £523k increase from 2024/25.

5.6 The appropriations in the table are the use of the HRA working balance to fund the capital programme as well as contributing to the loan repayment reserve. These appropriations are significantly lower in 2025/26 as the HRA balance has a lower capacity to fund capital.

5.7 The HRA Capital Programme is planned to spend £15,578k in 2025/26. Based on previous years' experience this is an ambitious level of estimated spend. The area of the capital programme at greatest risk of delay is the Housing Improvement Programme.

6.0 ROBUSTNESS OF BUDGET ESTIMATES AND ADEQUACY OF RESERVES

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

Area	Y/N	Comments
Is performance against the current year's budget on track and where variances are evident, ongoing and unavoidable, are they appropriately reflected in the plans?	Y	The 2024/25 financial monitoring is showing a projected overspend of £2.1m on the General Fund and £1,445k surplus on the HRA. The significant pressures are in respect of agency costs due to recruitment and retention across all services. Planning income is somewhat unpredictable so the final outturn may be different. 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. Whilst the General Fund Deficit is significant, the Council has sufficient reserves to mitigate the overspend. The Medium-Term Financial Plan Reserve was developed to smooth the volatility of budgets whilst the Council seeks to become financially sustainable through this period of financial challenges such as pay awards, high inflation and rising demand for services.
Are arrangements for monitoring and reporting performance against the savings plans robust?	Y	In recent years the Council has not been required to make significant savings to maintain its financial position. Therefore, clear savings plans, and delivery has not been required. To support closing the funding gap over the medium-term, the Council has developed a Transformation Programme that will deliver savings to services, as well as improvements to service delivery. There are a range of budget options proposed for the General Fund Budget 2025/26. Delivery of savings/efficiencies will be monitored throughout the financial year and reported to stakeholders alongside the financial monitoring reports on a quarterly basis, this being a key recommendation outlined in the external auditor's report for the 2022/23 Statement of Accounts. The Transformation Programme has monitoring and tracking arrangements to ensure that projects are delivering against intended outcomes. These are reported as part of the quarterly performance reports to Members.

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 is ongoing.

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. This includes where uncertainties exist such as the funding for the roll-out of food waste and future years funding for the Extended Producer Responsibility payment.
The availability of un-earmarked reserves to meet unforeseen cost pressures	Y	The Council has a minimum level of reserves for both its General Fund (£1.5m) and HRA (£1m). 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 8%. 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. 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 on the budget challenge sessions. Where income targets have been deemed unrealistic, these have been addressed as part of the 2025/26 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 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	For 2023/24, quarterly financial reporting to Cabinet and Scrutiny Committee has been introduced. The finance system has been configured to ensure that services will receive regular budget monitoring information. 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. The funding from the Extended Producer Responsibility Payment has allowed the Council to create a contingency budget to meet unforeseen demand pressures and to support a balanced in-year budget position.
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	The Council implemented a new financial system in April 2023 to improve its reporting. Enhancements to the system have been made during the year, however, the Finance Teams are still catching up on delays caused by the system implementation. A review of the Financial Procedures Rules is planned.
Have the previous years Accounts been signed off by external audit to verify balances?	N	The Council's Accounts for 2021/22 and 2022/23 were approved by Audit Committee in December 2024 ensuring the Council meets the backstop dates. The Council is working with the external auditors to agree a timetable for completion of the Statement of Accounts 2023/24.
Has there been a degree and quality of engagement with colleagues and councillors in the process to develop and construct the budget?	Y	There has been a continuation of the improvements introduced to the budget setting process in previous years. 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 and Strategy Group, with all Member briefings scheduled.

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

<u>Financial Strategy</u>

- The financial strategy set out at paragraph 4.4 above is followed. This underpins the draft budget 2025/26 and provides a stable platform from which to build over the medium term.
- A robust corporate and financial plan is required to bridge the funding gap and ensure the Council can balance its budget over the medium term. This plan is reliant on the delivery of a transformation programme which will focus on being more efficient with the aim of having the same service outcomes at a lower cost. However, it needs to be flexible enough to adapt to potential national changes to local government funding which may require reductions in service levels in the future.
- To ensure this plan is developed and delivered the Council will need to invest in the transformation programme to ensure a structured approach to achieving the desired outcomes.
- Special expense budgets must be in a balanced position for 2025/26.

Financial Reporting

- Present quarterly financial reports to Cabinet and Scrutiny to promote transparency and accountability of the financial position.
- It is proposed to sign-off both the 2023/24 and 2024/25 Statement of Accounts during the 2025/26 financial year.

Financial Management and Control

- Implement enhancements to the new financial system to support enhanced reporting for budget holders and improve financial systems and processes.
- Services need to develop exit plans for government grant funding and one-off proposals funded by reserves.
- Continue to review and improve the Council's governance arrangements with a focus on improving the annual audit opinion to reasonable assurance from the current limited assurance.

7.0 CONCLUSION

7.1 Based on the assumptions made in its Draft Budget 2025/26 and MTFP 2025-30 for income and expenditure, the Council can set a balanced draft budget for 2025/26.

7.2 However, there are a number of risks. The most significant of these for the Council are the timing of a potential reset in business rates and associated changes to the local government finance system as set out in the consultation published alongside the Provisional Finance Settlement.

7.3 Whilst the Council's financial position is currently stable and sustainable there are several uncertainties. As such the Council will need to ensure it makes the right decisions in the short term to ensure it is financially stable and sustainable over the medium to long term. This includes maximising all income streams, being more efficient, growing its financial management capability, influencing the risks faced to optimise the Council's future financial viability and delivering on the actions set out at paragraph 6.2.

7.4 The single most important action is for the Council to recognise the future risks ahead and start to develop, implement and, most importantly, deliver a medium-term financial plan.

7.5 Provided the Council carefully considers and acts upon the analysis in this report, and officers robustly manage the implementation of the Revenue and Capital Budgets, a positive opinion can be given under Section 25 of the Local Government Act 2003 on the robustness of budget estimates and the level of reserves.

Policies and other considerations, as appropriate	
Council Priorities:	The report encompasses the Council's budget, therefore, is relevant to all Council Priorities: - Planning and regeneration - Clean, green and Zero Carbon - Communities and Housing - A well-run council
Policy Considerations:	None.
Safeguarding:	None.
Equalities/Diversity:	There have been equality impact assessments conducted by services on relevant proposals during this period.
Customer Impact:	Customers are likely to be impacted by the changes to fees and charges, Council Tax increase and special expenses precepts set out in this report.
Economic and Social Impact:	The General Fund capital programme allocates £4.6m to investing in Coalville Regeneration Projects over five years. .
Environment, Climate Change and Zero Carbon:	There is £235k investment to support carbon zero initiatives.
Consultation/Community/Tenant Engagement:	The draft budget was considered by Corporate Scrutiny Committee and has been subject to consultation with the public. In addition, the Housing Revenue Account draft budget was subject to engagement with the Tenants' Forum.
Risks:	This report provides the Section 151 Officer's view on the robustness of budget estimates and adequacy of reserves. The report identifies the key risks, provides an assessment of these and proposed mitigating actions to manage those risks.
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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – THURSDAY, 9 JANUARY 2025

Title of Report	**DRAFT CAPITAL STRATEGY, TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS**	
Presented by	Councillor Nick Rushton Corporate Portfolio Holder PH Briefed: Yes	
Background Papers	Capital Strategy, Treasury Management Strategy and Prudential Indicators – Council 22 February 2024	**Public Report:** Yes **Key Decision:** Yes
Financial Implications	The report sets out the annual update of the core strategies which underpin the Council's approach to managing its capital investment. **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	There are no staffing and corporate implications arising from this report. **Signed off by the Head of Paid Service:** Yes	
Purpose of Report	For Cabinet to approve the draft 2024/25 Capital Strategy, Treasury Management Strategy and Prudential Indicators for statutory consultation.	
Reason for Decision	Required as part of the 2024/25 budget setting process.	
Recommendations	**CABINET IS RECOMMENDED TO PROPOSE THE FOLLOWING FOR STATUTORY CONSULTATION:** • **THE DRAFT 2025/26 CAPITAL STRATEGY (APPENDIX 1);** • **THE TREASURY MANAGEMENT STRATEGY STATEMENT (APPENDIX 2);** • **THE MINIMUM REVENUE PROVISION (MRP) STRATEGY (APPENDIX 3); AND** • **THE NON-INVESTMENT STRATEGY (APPENDIX 4).**	

1.0 BACKGROUND

1.1 The Local Government Act 2002 and supporting regulations require the Council to 'have regard to' the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code and the Treasury Management Code of Practice and to prepare, set and publish prudential indicators and treasury indicators that ensure the Council's capital expenditure plans are affordable, prudent and sustainable in the long- term.

1.2 The prudential indicators consider the affordability and impact of capital expenditure plans and set out the Council's overall capital framework. The prudential indicators summarise expected treasury activity, introduce limits upon that activity and reflect the underlying capital programme. As a consequence, a Treasury Management Strategy is prepared which considers the effective funding of the capital expenditure decisions and complements the prudential indicators.

1.3 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return. The Council is required to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby charges to revenue remain affordable within the projected income of the Council for the foreseeable future. These increased charges may arise from:

- increases in interest charges and debt repayment caused by increased borrowing to finance additional capital expenditure; and
- any increases in operational running costs from new capital projects.

1.4 Treasury Management is, therefore, an important part of the overall financial management of the Council's affairs and is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risk associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.5 Specific treasury indicators are prepared and included in the Treasury Management Strategy which requires Member approval. These are detailed in Section 2.

1.6 The Council's treasury activities are strictly regulated by statutory requirements and guidance, including:

- CIPFA Prudential Code for Capital Finance in Local Government CIPFA Treasury Management Code of Practice
- Ministry of Housing, Communities and Local Government (MHCLG) Investment Guidance
- MHCLG Minimum Revenue Provision (MRP) Guidance.

1.7 The Council's Constitution (via the Financial Procedure Rules) requires full Council to approve the Treasury Management Policy statement for the forthcoming year at or before the start of the financial year. The statement is proposed to the full Council by the Cabinet. The Council's Section 151 Officer has delegated responsibility for implementing and monitoring the statement. The Section 151 Officer is responsible for reporting annually to the Cabinet on the activities of the treasury management operation and on the exercise of his or her delegated treasury management powers. Reports on treasury management are also required to be adequately scrutinised and this role is undertaken by the Audit and Governance Committee.

2.0 CAPITAL AND TREASURY MANAGEMENT STRATEGIES

2.1 The following strategies are attached as appendices for Cabinet to approve for statutory consultation:

- Appendix 1 - Draft Capital Strategy 2025/26;
- Appendix 2 - Draft Treasury Management Strategy Statement 2025/26;
- Appendix 3 - Draft Minimum Revenue Provision (MRP) Statement 2025/26; and
- Appendix 4 - Draft Non-Treasury Investment Strategy 2025/26.

2.2 The other significant changes other than the updating of the financial values is in relation to the MRP Statement. The Statement has been updated in line with defined wording in the MHCLG guidance.

2.3 The strategies are based on draft versions of the capital programmes and will be updated once the capital programmes have been finalised.

2.4 The above strategies are due to be considered by Corporate Scrutiny on the 7 January 2025. As this report has been published before the meeting of Corporate Scrutiny, the draft minutes will be issued to Cabinet separately.

3.0 PRUDENTIAL INDICATORS

3.1 The CIPFA codes require a prescribed set of prudential indicators to be produced annually and monitored throughout the year and the Council also has the option to add locally set indicators, these are detailed shown below with further explanation to their meanings:

1(a). External Debt - Operational Boundary (Treasury Strategy – Appendix 2)
The most likely, prudent view of the level of gross external indebtedness. External debt includes both borrowing and long-term liabilities (e.g. finance leases). It encompasses all borrowing, whether for capital or revenue purposes. This indicator will be subject to the level and timing of borrowing decisions and so the actual level of borrowing can, therefore, be below or above this initial estimate. However, what cannot be breached without a further report to Council is the authorised borrowing limit.

1(b). External Debt - The Authorised Limit (Treasury Strategy – Appendix 2)
The upper limit on the level of gross external indebtedness, which must not be breached without Council approval. It is the worst-case scenario. It reflects the level of borrowing which, while not desired, could be afforded but may not be sustainable. Any breach must be reported to the executive decision-making body, indicating the reason for the breach and the corrective action undertaken or required to be taken. This limit is a statutory limit required to be set by the Council under Section 3(1) of the Local Government Act 2003.

1(c). External Debt - Actual External Debt (Treasury Strategy – Appendix 2)
The indicator for actual external debt will not be directly comparable to the operational boundary and authorised limit since the actual external debt will reflect the actual position at one point in time.

2. Capital Financing Requirement (CFR) (Treasury Strategy – Appendix 2)
The Capital Financing Requirement (CFR) replaced the ‘Credit Ceiling’ measure of the Local Government and Housing Act 1989. It measures an authority’s underlying need to borrow or use other long-term liabilities, to pay for capital expenditure.

3. Capital Expenditure (Capital Strategy – Appendix 1)

The level of capital expenditure incurred and likely to be incurred in future years. This is to be based on an accruals basis and on the definition of capital expenditure.

4. Gross External Borrowing and the Capital Financing Requirement (Treasury Strategy – Appendix 2)
The level of external borrowing is required to be compared to the Capital Financing Requirement which represents the underlying need to borrow. Requires that borrowing in the medium term can only be for capital purposes.

5. Maturity Structure of Borrowing (Treasury Strategy – Appendix 2)
Local Authority debt portfolios consist of a number of loans with differing maturities. Setting limits assists in ensuring any new borrowing in particular when combined with existing borrowing does not result in large concentrations of borrowing maturing in a short period of time.

6. Principal sums invested for greater than one year (Treasury Strategy – Appendix 2)
This indicator measures the exposure of a local authority to investing for periods of greater than one year.

7. Ratio of Financing Costs to Net Revenue Stream (Capital Strategy – Appendix 1)
This indicator is a measure of affordability of historic and future capital investment plans. It identifies the trend in the cost of capital financing which include:

- interest payable on borrowing
- penalties or any benefits receivable on early repayment of debt
- prudent revenue budget provision for repayment of capital expenditure paid for by borrowing

This is calculated for the General Fund and Housing Revenue Account (HRA). For the General Fund, the net revenue stream is the amount to be met from non-specific Government grants and Council Tax, whilst for the HRA it is the amount to be met from rent payers. An increasing ratio indicates that a greater proportion of the Council's budget is required for capital financing costs over the planned Capital Programme period.

It should be noted that these figures include a number of assumptions such as:

- no new approvals of additional borrowing apart from that currently proposed over the period of the programme;
- estimated interest rates; and
- the level of internal borrowing and timing of external borrowing decisions and capital expenditure.

4.0 EXEMPTION FROM CALL IN

4.1 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 Capital Strategy and Treasury Management Strategy Statement help the Council achieve all its

	priorities: - Planning and regeneration - Communities and housing - Clean, green and Zero Carbon - A well-run council
Policy Considerations:	None
Safeguarding:	Not applicable
Equalities/Diversity:	Not applicable
Customer Impact:	Not applicable
Economic and Social Impact:	Not applicable
Environment, Climate Change and Zero Carbon:	The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing. Where practical, when making investment decisions ESG will be considered and counterparties with integrated ESG policies and commitments to carbon.
Consultation/Community/Tenant Engagement:	Corporate Scrutiny Committee – 07/01/25 Public consultation will begin 13 January to 26 January 2025
Risks:	Borrowing and investment both carry an element of risk. This risk is moderated through the adoption of Treasury and Investment Strategies, compliance with the CIPFA Code of Treasury Management and the retention of Treasury Management advisors (Arlingclose) to offer expert advice.
Officer Contact	Anna Crouch Head of Finance anna.crouch@nwleicestershire.gov.uk

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Appendix 1

Capital Strategy 2025/26

1. Background and Scope

1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires local authorities to produce a Capital Strategy to demonstrate how capital expenditure, capital financing and treasury management activity contribute to the provision of desired outcomes and take account of stewardship, value for money, prudence, sustainability, and affordability. The Prudential Code has been significantly updated to incorporate changes which restrict councils using borrowing to finance commercial property solely for generating yield. The Capital Strategy reflects these requirements and compliance to them.

1.2 The Capital Strategy forms part of the framework for financial planning and is integral to both the Medium-Term Financial Plan (MTFP) and the Treasury Management Strategy Statement (TMSS). It sets out how capital investment will play its part in delivering the long-term strategic objectives of the Council, how associated risk is managed and the implications for future financial sustainability.

1.3 The Capital Strategy maintains a strong and current link to the Council's Priorities and to other key strategy documents as shown below:

- Corporate Plan
- HRA Business Plan
- Asset Management Strategy

1.4 All capital expenditure and capital investments decisions are covered by this strategy. Decisions made this year on capital and treasury management will have financial consequences for the Council for many years into the future. It is refreshed annually in line with the MTFP and TMSS to ensure it remains fit for purpose and enables the Council to make investments necessary to deliver its strategic aims and objectives.

1.5 The Capital Strategy is considered by the Council as one of the foundations of good financial management and reflects the requirements under the CIPFA Financial Management Code.

2. Capital Expenditure

2.1 In contrast to revenue expenditure which is spending on the day to day running costs of the services such as employee costs and services, capital expenditure seeks to provide long-term solutions to Council priorities and operational requirements. Capital expenditure is technically described as: expenditure on the acquisition, creation, or enhancement of 'non-current assets' i.e., items of land, property and plant which has a useful life of more than one year. Expenditure for capital purposes therefore gives rise to new assets, increases the value or useful life of existing assets or generates economic and social value and an income stream to the Council via non-treasury investments.

2.2 The five aims of the Capital Strategy are:

i. To take a **long-term perspective of capital investment** and to ensure this contributes to the achievement of the Council's Delivery Plan, emerging Local Plan and key strategies such as the Corporate Strategy.

ii. To ensure investment is **prudent, affordable, and sustainable** over the medium term and adheres to the prudential code, Treasury Management Code and other regulatory conditions.
iii. To maintain the **arrangements and governance for investment decision-making** through established governance boards.
iv. To make the **most effective and appropriate use of the funds available** in long term planning and using the most optimal annual financing solutions.
v. To establish **a clear methodology to prioritise capital proposals**.

2.3 The MTFP sets out the key principles and this strategy will support the achievement of the right blend of investment in key priority areas to enable the following:
- Financial Stability and Sustainability
- Resources Focused on Priorities
- Maximising Income Streams
- Risk Management.

2.4 In 2025/26, the Council is planning capital expenditure of £25.1 million as summarised in the table below and future years are shown in Appendix A.

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2023/24 forecast*	**2024/25 forecast***	**2025/26 budget**	**2026/27 budget**	**2027/28 budget**
General Fund services	9.4	11.9	9.5	6.4	1.6
Council housing (HRA)	10.2	15.9	15.6	15.1	15.8
TOTAL	19.6	27.8	25.1	21.5	17.4

* 2023/24 and 2024/25 forecasts are based on the draft outturn position and may be subject to change

2.5 The main General Fund capital projects for 2025/26 include Enterprise Park project (£1.9m), Stenson Square Public realm regeneration (£1.0m), Coalville Regeneration Framework (£1.5m) and Food Waste Collection (£1.2m).

2.6 The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately and includes the stock investment (£9.7m) and building new homes (£3m) in 2025/26.

3. Principles for Capital Planning

3.1 Like most public sector bodies the Council has experienced delays on the physical progress of projects against the approved profile and cost over runs. This can be directly linked to the size of the programme, capacity to deliver and over optimism on the project in terms of cost, time and external factors outside the project sponsor's control.

3.2 When capital schemes are approved their inclusion into the capital programme is based on best estimates and slippage is measured against the approved profile at the end of the financial year. The Council will need to significantly improve its performance to ensure that all projects being proposed for inclusion can be delivered within the timeframe and budget stated prior to programme entry. Resource capacity and size of the programme will need to be assessed annually as part of the budget setting process.

3.3 Delivery of the programme will be overseen by the established governance boards as outlined in Section 6. The Council will operate a clear and transparent corporate approach to the prioritisation of capital spending. The investment principles are set out below:

a) Invest to improve and maintain Council assets
The Council will improve and maintain the condition of its core assets to extend their life where appropriate

b) Investing for sustainable, inclusive, economic growth
The Council will expand its capacity to grow the economy in an inclusive manner, whilst delivering whole system solutions to demographic, social and environmental challenges sustainably

c) Invest to save and to generate income
The Council will invest in projects which will:
- Reduce running costs
- Avoid costs (capital or revenue) that would otherwise arise
- Generate a financial return

d) Risk awareness
The risks of the project have been fully assessed, consulted, communicated and are at an acceptable level.

3.4 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and Minimum Revenue Provision (MRP) are charged to revenue. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and central government grants. In developing subsequent capital schemes, it will be with a view to ensuring the capital financing costs are less than 15% as a proportion of General Fund net revenue budget over the medium and long term. Table 2 shows the proportion of financing costs to net revenue stream, future years are available in Appendix A.

Table 2: Prudential Indicator: Proportion of financing costs to net revenue stream

	2023/24 forecast*	2024/25 forecast*	2025/26 budget	2026/27 budget	2027/28 budget
General Fund					
Net Financing costs (£m)	1.8	1.9	1.9	1.8	1.8
Proportion of net revenue stream	10%	11%	10%	11%	10%
Housing Revenue Account					
Net Financing costs (£m)	1.6	1.3	1.9	2.1	2.5
Proportion of net revenue stream	8%	6%	9%	9%	10%

* 2023/24 and 2024/25 forecasts are based on the draft outturn position and may be subject to change

4. Financing the Capital Investment Programme

4.1 The Council's capital programme is approved as part of the annual budget setting process. The capital programme is scrutinised by the Corporate Scrutiny Committee, recommended to Council by Cabinet, and then approved by Council. The capital programme is funded from a range of sources, principally:

- Grants
- Developer Contributions
- Capital Receipts
- Revenue and Reserves
- Prudential Borrowing

4.2 The first call on available capital resources will always be the financing of spending on live projects, including those carried forward from previous years.

4.3 For the General Fund, in the medium term, for 2023/24 onwards it was agreed that there would be no new borrowing to fund capital investments that were not yet in the live approved capital programme. This was due to the budget pressures facing the Council and the pressures of debt repayment internally and externally that had a revenue implication. For a capital investment to move from the Development Pool to the 'Active' capital programme, a funding source other than borrowing will need to be identified. This is to ensure the Council does not create additional revenue pressures in the future arising from interest and capital repayment costs.

4.4 The planned financing of the capital expenditure is summarised in Table 3 below and full details are available in Appendix B:

Table 3: Capital Financing in £ millions

	2023/24 forecast*	**2024/25 forecast***	**2025/26 budget**	**2026/27 budget**	**2027/28 budget**
External sources	1.3	3.8	5.9	0.7	0.7
Capital receipts	3.1	6.2	5.2	2.5	2.4
Revenue resources	11.0	14.0	12.1	10.3	5.4
Debt	4.2	3.8	1.9	8.1	8.9
TOTAL	**19.6**	**27.8**	**25.1**	**21.6**	**17.4**

* 2023/24 and 2024/25 forecasts are based on the draft outturn position and may be subject to change

<u>Grants</u>

4.5 The Council receives grants from government, partners, and other organisations to finance capital investment. Grants can be split into two categories:

- Un-ringfenced – resources which are delivered through grants that can be utilised on any project (albeit that there may be an expectation of use for a specific purpose).
- Ring-fenced – resources which are ringfenced to a particular service area and therefore have restricted uses.

<u>Developer/External Contributions</u>

4.6 Significant developments across the district are often liable for contributions to the Council in the form of S106 contributions. If contributions reduce the funding, timing of the planned programme will need reviewing. Following achievement of the targeted contributions, the Council can consider further projects which can utilise this funding stream.

Capital Receipts

4.7 Capital receipts come from the sale of Council's assets. The Council will adhere to statutory guidance in relation to capital receipts. In considering asset disposals, the Council will comply with its Asset Management Strategy and Disposals Policy.

4.8 If the disposal is within the Housing Revenue Account (HRA) land or property, the new government policy states that all of the receipt is now available to support the capital programme in the building and/or procurement of new houses.

4.9 The current strategy is for the assumed receipts from sale/disposal of assets to be taken into consideration when assessing the total value of receipts targeted to fund the overarching capital programme and planned flexible use of receipts (Appendix D).

4.10 Where the asset has been temporarily funded from prudential borrowing a review will be undertaken to determine whether the most cost-effective option is to utilise the receipt to repay the debt, considering the balance sheet position of the Council.

4.11 Where the sale of an asset leads to a requirement to repay grant the capital receipt will be utilised for this purpose. Once the liability has been established and provided for, the residual capital receipt will be available to support the capital programme as a corporate resource.

4.12 Appropriations of land between the General Fund and HRA will be considered on a site-by-site basis. The HRA 'pays' for the land through an increase in the HRA Capital Financing Requirement (CFR). The General Fund benefits from a corresponding decrease in its CFR. The CFR adjustments should be based on the market value of land but taking into account the intended use for social or other submarket housing. The Council has the discretion whether to appropriate land on this basis or sell it on the open market. More information on the Council's CFR is available in the Treasury Management Strategy Statement 2025/26.

Revenue and Reserves

4.13 The Council may choose to utilise revenue contributions to capital and finance its capital investment. This would be through contributions from the Council's revenue budget or from reserves.

4.14 Two reserves will be available to finance the capital programme:

a) MTFP Reserve - will be used for managing risks over the medium term, investing in projects to make the Council more efficient, reducing its operating costs (e.g. making our building more energy efficient to reduce ongoing costs), generating more income and funding the capacity for the Council to deliver its financial plans.
b) Business Rates Reserve –The Business Rates Reserve includes the additional business rates revenues from growth in the district (including contributions from Business Rates Pool and Freeport) in excess of that included in the revenue budget to fund on-going services. This additional growth will be prioritised to fund the capital programme and projects. The reserve will also be used to manage the cashflow implications between the timing of payments received into the collection fund and government grants for business rates relief announced by HM Treasury in recent years to support businesses through cost of living crises. The growth in business rates will not be used to fund the capital programme until the growth has materialised.

Prudential Borrowing

4.15 Table 3 above sets out how the Council will finance its capital expenditure. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending obligations. The management of longer-term cash may involve long or short-term loans, or using cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

4.16 In planning for long term capital investment it is essential the long-term revenue financing cost is affordable. Any long-term investment is paid over the life of the asset. It is essential that the Council is able to meet the costs of borrowing and MRP over the life of the asset.

4.17 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as MRP. More information is available in the Council's Minimum Revenue Provision Strategy. Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are as follows and future years are available in Appendix C.

Table 4: Replacement of prior years' debt finance in £ millions

	2023/24 forecast*	2024/25 forecast*	2025/26 budget	2026/27 budget	2027/28 budget
General Fund MRP	1.8	2.2	1.4	1.3	1.3
Housing Revenue Account MRP	1.2	1.3	1.3	1.3	0.6
Capital receipts	0	0	0	0	0
TOTAL	**3.0**	**3.5**	**2.7**	**2.6**	**1.9**

* 2023/24 and 2024/25 forecasts are based on the draft outturn position and may be subject to change

4.18 The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to reduce by £0.7m during 2025/26. Based on the above figures for expenditure and financing, the Authority's estimated CFR is as follows:

Table 5: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	2023/24 forecast*	2024/25 forecast*	2025/26 budget	2026/27 budget	2027/28 budget
General Fund services	38.0	36.6	35.2	33.9	32.6
Council housing (HRA)	54.0	52.7	53.3	60.1	68.4
TOTAL CFR	**92.0**	**89.3**	**88.6**	**94.0**	**101.0**

* 2023/24 and 2024/25 forecasts are based on the draft outturn position and may be subject to change

4.19 In taking out new external borrowing, the Council will consider a range of different options such as Public Works Loan Board (PWLB), Market Loans, Private Placement and Bonds (Public, Pooled, Community Municipal Investment and Retail). More information is available in the Council's Borrowing Strategy which is included within the Treasury Management Strategy Statement 2025/26.

4.20 Any borrowing taken out is secured against the Council as an entity rather than against specific assets for which it is borrowed for. The Council is required to demonstrate to the PWLB in advance of borrowing that it is affordable.

Housing Revenue Account (HRA)

421 The HRA Capital and Revenue Investment Programme is entirely funded from the ring-fenced HRA. The investment programme is driven by the 30-year HRA Business Plan. Key areas of housing include planned and cyclical works, zero carbon works and new supply. The programme also includes development and special projects. The HRA capital programme is funded from:

- HRA Self-Financing (the Major Repairs Reserve)
- Capital Receipts (HRA – Right to Buy and other asset sales)
- Revenue and Reserves (HRA contributions from revenue)
- Capital grants from government and other bodies
- Borrowing.

4.22 Prior to 2018 the HRA had a limit to how much it was allowed to borrow, known as the HRA borrowing cap, which is more stringent than the value of their assets, in order to control public borrowing levels. The HRA borrowing cap was abolished in late 2018. Further borrowing may be undertaken within the HRA, subject to overall affordability and the requisite business cases which should consider all risks including loss through right to buy.

4.23 The Council can use the “one for one” element of Right to Buy (RTB) receipts to fund building new homes. The receipt must be used within five years. If not, the receipt is paid to DLUHC with interest.

4.24 Generally capital expenditure would be funded from capital sources however in exception revenue resources are able to be used to fund capital. The main exception is the use of housing rents to fund capital expenditure within the HRA.

5. Asset management:

5.1 To ensure that capital assets continue to be of long-term use, the Authority has an asset management strategy in place. The strategy takes an assumption that assets will only be retained where they provide greater value for money than the alternatives. New methods of service delivery, flexible working arrangements, shared services and developments in information technology are likely to make the Council less dependent on fixed assets in future years. The strategy has six key drivers:

- Making a strong link between corporate objectives and the policy on fixed assets
- Ensuring the full involvement of key service areas
- Keeping a clear distinction between strategic and operational decision making on fixed assets
- Establishing key drivers for fixed asset decisions amongst officers and elected members
- Maintaining clear reporting lines to a strong corporate centre
- Integrating the Council’s capital strategy and asset planning policy

5.2 Asset disposals: when a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets. The Authority is currently also permitted to spend capital receipts “flexibly” on service transformation projects up until and including 2029/30. Repayments of capital grants, loans and investments also generate capital receipts. The Authority plans to receive £5.2m of capital receipts (mostly HRA Right to buy receipts) in the coming financial year as follows:

Table 5: Capital receipts receivable in £ millions

	2023/24 forecast*	2024/25 forecast*	2025/26 budget	2026/27 budget	2027/28 budget
Asset sales	6.8	6.3	5.2	2.6	2.4
Loans etc repaid	0	0	0	0	0
TOTAL	6.8	6.3	5.2	2.6	2.4

* 2023/24 and 2024/25 forecasts are based on the draft outturn position and may be subject to change

6. Governance of the Capital Strategy

Approval of Capital Strategy and Capital Programme

6.1 The Capital Strategy is agreed annually alongside the TMSS. The Capital Programme is agreed annually by Full Council as part of the budget setting process. Variations to the Capital Programme or in-year additions, subject to delegation by Full Council, will be agreed by Cabinet including moving schemes from the Development Pool to the Active Programme as long as the scheme is within the budget approved by Council and there are sufficient reserves available. Quarterly monitoring of the Capital Programme will be presented to Corporate Scrutiny and Cabinet.

Strategic Oversight and Delivery

6.2 The Capital Strategy Group (CSG) leads on the development and maintenance of the Capital Strategy that is consistent with the relevant code of practice, Corporate Strategy and core regulatory functions, MTFP and TMSS.

6.3 The CSG has an oversight and stewardship role for the development and delivery of the Council’s capital expenditure within affordable limits, which will include both the Capital Programme and capital investments; as well as providing strategic direction to the programme and projects, where necessary.

Capital Programme and Project Delivery

6.4 The delivery of individual capital projects and programmes are managed through project boards in each directorate and for services which do not have a specific projects board delivery is managed through the CSG. The Project Boards are responsible for developing, managing and progressing capital projects; as well as reporting into the CSG.

Scrutiny

6.5 The formal scrutiny process will be used to ensure effective challenge via the quarterly Performance Report. The Corporate Scrutiny Committee is also engaged when setting the Capital programme prior to its consideration by Cabinet and approval by Full Council. It should be noted that business cases seeking Cabinet approval will follow the standard decision pathway and, as such, can be subject to Scrutiny as part of that process.

Managing Schemes Through Their Capital Lifecycle

6.6 The management of capital schemes through their lifecycle is an important aspect of delivering a successful capital investment programme. The approach should balance cost/funding certainty, risk, clarity of commitment to scheme, robust governance and transparent decision making.

6.7 An important aspect of the Council's capital governance framework is at which point schemes are in their development stage and when they are sufficiently developed to enter the approved capital programme. The capital programme is split into three broad components:

- **Mandate:** The initial concept and need for a capital scheme. Schemes will require prioritisation to ensure strategic fit and there are sufficient resources/capacity/capability to deliver the scheme.
- **Development Pool:** A priority capital scheme in its early/developmental stages, typically outline business case (OBC) and full business case (FBC). At this stage, costs/funding/risks are uncertain, gaining certainty as more in-depth work is undertaken.
- **Approved Capital Programme:** This refers to a capital scheme which has been through OBC and FBC stages and is developed to an acceptable level of certainty to be formally approved in the programme for delivery/implementation.

Key Decision-Making Considerations

6.8 All capital investment decisions will be underpinned by a robust business case that sets out any expected financial return alongside the broader outcomes/impacts, including economic, environmental and social benefits.

6.9 Throughout the decision-making process the risks and rewards for each project are reviewed and revised and form part of the monitoring of the capital programme. The CSG receives monthly updates detailing financial forecasts and risks.

6.10 There may be occasions when the nature of a particular proposal requires additional support in the production of the business case or for example in performing of a value for money or due diligence review. In these circumstances the Council may seek external advice.

6.11 The capital programme is reported to Cabinet and Council as part of the annual budget setting process which will take into consideration any material changes to the programme and the investment. The in-year position is monitored monthly, with quarterly budget monitoring reports to Cabinet with capital reports incorporated. Within that monitoring report minor new investment proposals will be included and variations such as slippage and the need for acceleration. Major new capital investment decisions will be subject to an individual report to Cabinet.

6.12 The Chief Finance Officer (Strategic Director of Resources) should report explicitly on the affordability and risk associated with the capital strategy. Where appropriate, the Chief Finance Officer will have access to specialised advice to enable them to reach their conclusions and ensure sufficiency of reserves should risk or liabilities be realised.

9. Risk Management

9.1 One of the Council's key investment principles is that all investment risks should be understood with appropriate strategies to manage those risks. Major capital projects require careful management to mitigate the potential risks which can arise. The effective monitoring, management and mitigation of these risks is a key part of managing the capital strategy. All projects are required to maintain a risk register and align reporting to the Council's reporting framework.

9.2 In managing the overall programme of investment there are inherent risks associated such as changes in interest rates or credit risk of counter parties.

9.3 Accordingly, the Council will ensure that robust due diligence procedures cover all external capital investment. Where possible contingency plans will be identified at the outset and enacted when appropriate.

9.4 No project or investment will be approved where the level of risk is unacceptable – this is determined by the Cabinet or Chief Financial Officer as appropriate.

10. Skills and Knowledge

10.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Strategic Director of Resources (Section 151 Officer) and Head of Finance (Deputy Section 151 Officer) are both qualified accountants and the Head of Property Services and Economic Regeneration is a qualified surveyor. The Council pays for junior staff to study towards relevant professional qualifications including Chartered Institute of Public Finance and Accountancy (CIPFA), Association of Accounting Technicians (AAT) and Royal Institute of Chartered Surveyors (RICS).

10.2 Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers, and Wilks, Head and Eve as valuation consultants. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

10.3 Appropriate training will be provided for all those charged with investment responsibilities. This includes all those involved in making investment decisions such as members of CSG as well as those involved in scrutiny and governance such as relevant scrutiny committees and the audit committee. Training will be provided either as part of the meetings or by separate ad-hoc arrangements.

10.4 When considering complex and 'commercial' investments, the Council will ensure that appropriate specialist advice is taken. If this is not available internally it will be commissioned externally to inform decision making and appropriate use will be made of the Council's Treasury Management advisers.

Capital Strategy Prudential Indicators

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2023/24 forecast*	**2024/25 forecast ***	**2025/26 budget**	**2026/27 budget**	**2027/28 budget**
General Fund services	6.4	11.9	9.5	6.4	1.6
Council housing (HRA)	15.2	15.9	15.6	15.1	15.8
TOTAL	21.6	27.8	25.1	21.5	17.4

* 2023/24 and 2024/25 forecasts are based on the draft outturn position and may be subject to change

Table 2: Prudential Indicator: Proportion of financing costs to net revenue stream

	2023/24 forecast*	2024/25 forecast*	2025/26 budget	2026/27 budget	2027/28 budget
General Fund					
Net Financing costs (£m)	1.8	1.9	1.9	1.8	1.8
Proportion of net revenue stream	10%	11%	10%	11%	10%
Housing Revenue Account					
Net Financing costs (£m)	1.6	1.3	1.9	2.1	2.5
Proportion of net revenue stream	8%	6%	9%	9%	10%

* 2023/24 and 2024/25 forecasts are based on the draft outturn position and may be subject to change

Capital financing in £ millions **Appendix B**

	2023/24 forecast*	2024/25 forecast*	2025/26 budget	2026/27 budget	2027/28 budget	2028/29 budget
General Fund						
External sources	1.3	3.7	1.9	0.7	0.7	0.7
Capital receipts	0.1	0.1	0.0	0.0	0.0	0.0
Revenue resources	8.0	8.1	7.6	5.7	0.9	0.0
Debt	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**9.4**	**11.9**	**9.5**	**6.4**	**1.6**	**0.7**
Housing Revenue Account						
External sources	0.0	0.0	4.0	0.0	0.0	0.0
Capital receipts	3.0	6.2	5.2	2.6	2.4	3.4
Revenue resources	7.2	5.9	4.5	4.5	4.5	3.5
Debt	0.0	3.8	1.9	8.1	8.9	6.7
TOTAL	**10.2**	**15.9**	**15.6**	**15.2**	**15.8**	**13.6**
Total	-	-	-	-	-	-
External sources	1.3	3.8	5.9	0.7	0.7	0.7
Capital receipts	3.1	6.2	5.2	2.6	2.4	3.4
Revenue resources	15.2	14.0	12.1	10.2	5.4	3.5
Debt	0.0	3.8	1.9	8.1	8.9	6.7
TOTAL	**19.6**	**27.8**	**25.1**	**21.6**	**17.4**	**14.3**

* 2023/24 and 2024/25 forecasts are based on the draft outturn position and may be subject to change

Appendix C

Replacement of prior years' debt finance in £ millions

	2023/24 forecast*	2024/25 forecast*	2025/26 budget	2026/27 budget	2027/28 budget
General Fund MRP	1.8	2.2	1.4	1.3	1.3
Housing Revenue Account MRP	1.2	1.3	1.3	1.3	0.6
Capital receipts	0	0	0	0	0
TOTAL	**3.0**	**3.5**	**2.7**	**2.6**	**1.9**

* 2023/24 and 2024/25 forecasts are based on the draft outturn position and may be subject to change

Appendix D

Flexible Use of Capital Receipts Strategy 2025/26

1. Introduction

1.1 As part of the November 2015 Spending Review, the Government announced that it would introduce flexibility for the period of the Spending Review for local authorities to use capital receipts from the sale of assets to fund the revenue costs of service reform and transformation. Guidance on the use of this flexibility was issued in March 2016 which applied to the financial years 2016/17 through to 2019/20.

1.2 In December 2017, the Secretary of State announced that this flexibility would be extended for a further three years (until 2021-2022) and in February 2021 an additional extension of three years was announced. The latest extension focused on the use of capital receipts to fund transformation or other projects that produce long-term savings or reduce the costs of service delivery.

2. The Guidance

2.1 Local Government Act 2003 specifies that;

- Local authorities will only be able to use capital receipts from the sale of property, plant and equipment received in the years in which this flexibility is offered. They may not use their existing stock of capital receipts to finance the revenue costs of reform.

- Local authorities cannot borrow to finance the revenue costs of the service reforms.

- The expenditure for which the flexibility can be applied (known as 'Qualifying Expenditure') should be the up-front (set up or implementation) costs that will generate future ongoing savings and/or transform service delivery to reduce costs or the demand for services in future years. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.

- The key determining criteria to use when deciding whether expenditure can be funded by the new capital receipts flexibility is that it is forecast to generate ongoing savings to an authority's net service expenditure.

- In using the flexibility, the Council will have due regard to the requirements of the Prudential Code, the CIPFA Local Authority Accounting Code of Practice and the current edition of the Treasury Management in Public Services Code of Practice.

2.2 To make use of this flexibility, the Council is required to prepare a "Flexible use of capital receipts strategy" before the start of the year, to be approved by Full Council. This can form part of the budget report to Council. This Strategy therefore applies to the financial year 2025/26, which commences on 1 April 2025.

3. Examples of qualifying expenditure

3.1 There are a wide range of projects that could generate qualifying expenditure and the list below is not prescriptive. Examples of projects include:

- Sharing back-office and administrative services with one or more other council or public sector bodies;

- Investment in service reform feasibility work, e.g. setting up pilot schemes;

- Collaboration between local authorities and central government departments to free up land for economic use;

- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;

- Sharing Chief-Executives, management teams or staffing structures;

- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;

- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations;

- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training;

- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others);

- Integrating public facing services across two or more public sector bodies to generate savings or to transform service delivery.

4. The Council's 2025/26 Budget Proposal

4.1 The Government has provided a definition of expenditure which qualifies to be funded from capital receipts: "Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility."

4.2 The 2025/26 budget proposal does not include any proposal to utilise the flexible use of capital receipts. However, if during the year projects are identified as "qualifying expenditure" these will be considered by Cabinet, and approval for the use of capital receipts will be requested through the relevant channels in line with the Council's Budget and Policy Framework Rules.

5. Impact on Prudential Indicators

5.1 The guidance requires that the impact on the Council's Prudential Indicators should be considered when preparing a Flexible Use of Capital Receipts Strategy. Capital receipts which are allocated to fund the Council's capital programme will be monitored throughout the year and will not be subsequently used to fund qualifying expenditure. Therefore, there will be no change to the council's Prudential Indicators that are contained in the Treasury Management Strategy Statement.

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Appendix 2

North West Leicestershire District Council

Treasury Management Strategy Statement 2025/26

1 Introduction

1.1 Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.

1.2 Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

1.3 Investments held locally for service purposes, local regeneration, local investment, and profit to be spent on local public services are considered in a different document, the Investment Strategy.

2 External Context (Provided by Arlingclose, Treasury Management Advisors)

2.1 **Economic background:** The impact on the UK from the government's Autumn Budget, slower interest rate cuts, modestly weaker economic growth over the medium term, together with the impact from President-elect Trump's second term in office and uncertainties around US domestic and foreign policy, will be major influences on the Authority's treasury management strategy for 2025/26.

2.2 The Bank of England's (BoE) Monetary Policy Committee (MPC) reduced Bank Rate to 4.75% at its meeting in November 2024, having previously cut by 25bp from the 5.25% peak at the August MPC meeting. At the November meeting, eight Committee members voted for the cut while one member preferred to keep Bank Rate on hold at 5%.

2.3 The November quarterly Monetary Policy Report (MPR) is forecasting Gross Domestic Product (GDP) growth to pick up to around 1.75% (four-quarter GDP) in the early period of the BoE's forecast horizon before falling back. The impact from the Budget pushes GDP higher in 2025 than was expected in the previous MPR, before becoming weaker. Current GDP growth was shown to be 0.5% between April and June 2024, a downward revision from the 0.6% rate previously reported by the Office for National Statistics (ONS).

2.4 Office of National Statistics (ONS) figures reported the annual Consumer Price Index (CPI) inflation rate at 1.7% in September 2024, down from 2.2% in the previous month and lower than the 1.9% expected. Core CPI also declined further than expected to 3.2% against a forecast of 3.4% and the previous month's 3.6%. The outlook for CPI inflation in the

November MPR showed it rising above the MPC's 2% target from 2024 into 2025 and reaching around 2.75% by the middle of calendar 2025. This represents a modest near-term increase due to the ongoing impacts from higher interest rates, the Autumn Budget, and a projected margin of economic slack. Over the medium-term, once these pressures ease, inflation is expected to stabilise around the 2% target.

2.5 The labour market appears to be easing slowly, however, but the data still requires treating with some caution. The latest figures reported the unemployment rate fell to 4.0% in the three months to August 2024, while economic inactivity also declined. Pay growth for the same period was reported at 4.9% for regular earnings (excluding bonuses) and 3.8% for total earnings. Looking ahead, the BoE MPR showed the unemployment rate is expected to increase modestly, rising to around 4.5%, the assumed medium-term equilibrium unemployment rate, by the end of the forecast horizon.

2.6 The US Federal Reserve has also been cutting interest rates, bringing down the Fed Funds Rate by 0.25% at its November 2024 monetary policy meeting to a range of 4.5%-4.75%. Further interest rate cuts are expected, but uncertainties around the potential inflationary impact of incoming President Trump's policies may muddy the waters in terms of the pace and magnitude of further rate reductions. Moreover, the US economy continues to expand at a decent pace, rising at an annual rate of 2.8% in the third quarter of 2024, and inflation remains elevated suggesting that monetary policy may need to remain more restrictive in the coming months than had previously been anticipated

2.7 Euro zone inflation fell below the European Central Bank (ECB) 2% target in September 2024, the first time in over three years. This allowed the ECB to continue its rate cutting cycle and reduce its three key policy rates by 0.25% in October. Inflation is expected to rise again in the short term, but then fall back towards the 2% target during 2025, with the ECB remaining committed to maintaining rates at levels consistent with bringing inflation to target, but without suggesting a specific path.

2.8 **Credit outlook:** Credit Default Swap (CDS) prices have typically followed a general trend downwards during 2024, reflecting a relatively more stable financial period compared to the previous year. Improved credit conditions in 2024 have also led to greater convergence in CDS prices between ringfenced (retail) and non-ringfenced (investment) banking entities again.

2.9 Higher interest rates can lead to a deterioration in banks' asset quality through increased loan defaults and volatility in the value of capital investments. Fortunately, the rapid interest rate hikes during this monetary tightening cycle, while putting some strain on households and corporate borrowers, has not caused a rise in defaults, and banks have fared better than expected to date, buoyed by strong capital positions. Low unemployment and robust wage growth have also limited the number of problem loans, all of which are positive in terms of creditworthiness.

2.10 Moreover, while a potential easing of US financial regulations under a Donald Trump Presidency may aid their banks' competitiveness compared to institutions in the UK and other regions, it is unlikely there will be any material impact on the underlying creditworthiness of the institutions on the counterparty list maintained by Arlingclose, the authority's treasury adviser.

2.11 Overall, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

2.12 **Interest rate forecast (November 2024):** The Authority's treasury management adviser Arlingclose forecasts that The Bank of England's Monetary Policy Committee will continue reducing rates during 2024 and through 2025, taking Bank Rate to around 3.75% by the end of the 2025/26 financial year. The effect from the Autumn Budget on economic growth and inflation has reduced previous expectations in terms of the pace of rate cuts as well as pushing up the rate at the end of the loosening cycle.

2.13 Arlingclose expects long-term gilt yields to remain broadly at current levels on average (amid continued volatility), but to end the forecast period modestly lower compared to now. Yields will continue remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will be short-term volatility due to economic and (geo)political uncertainty and events.

2.14 A more detailed economic and interest rate forecast provided by Arlingclose is in Appendix A.

2.15 For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate/yield of 3.27%, and that new long-term loans will be borrowed at an average rate of 5.87%.

3 Local Context

3.1 On 31 October 2024, the Council held £55.77 million of borrowing and £31.11 million of treasury investments. This is set out in further detail at Appendix B. Forecast changes in these sums are shown in the balance sheet analysis in Table 1 below. Please note that due to the 2021/22 and 2022/23 accounts only recently being finalised this forecast uses financial data from the draft 2021/22 and 2022/23 Statement of Accounts. Where available these figures have been updated with current positions, but the overall position is still subject to some change.

Table 1: Balance sheet summary and forecast.

	31.3.26 Forecast £m	31.3.27 Forecast £m	31.3.28 Forecast £m	31.3.29 Forecast £m	31.3.30 Forecast £m
Capital financing requirement	**88.7**	**94.1**	**100.7**	**100.8**	**104.1**
Less: External borrowing *	59.3	65.8	73.5	74.7	78.6
Internal borrowing	**29.4**	**28.3**	**27.2**	**26.1**	**25.5**
Less: Balance sheet resources	-68.0	-69.3	-71.1	-73.0	TBC
Treasury investments	**38.6**	**41.0**	**43.9**	**46.9**	**TBC**

* shows only loans to which the Authority is committed and excludes optional refinancing

3.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying sums available for investment. In other words, the CFR is the total historic outstanding capital expenditure which has not yet been paid for. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

3.3 CIPFA' s *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2025/26 and beyond.

3.4 **Liability benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as Table 1 above, but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk. This also allows the Council to maintain its professional investor status (known as MIFID) which allows for higher levels of advice from its treasury advisors and investment in a more diverse range of sources.

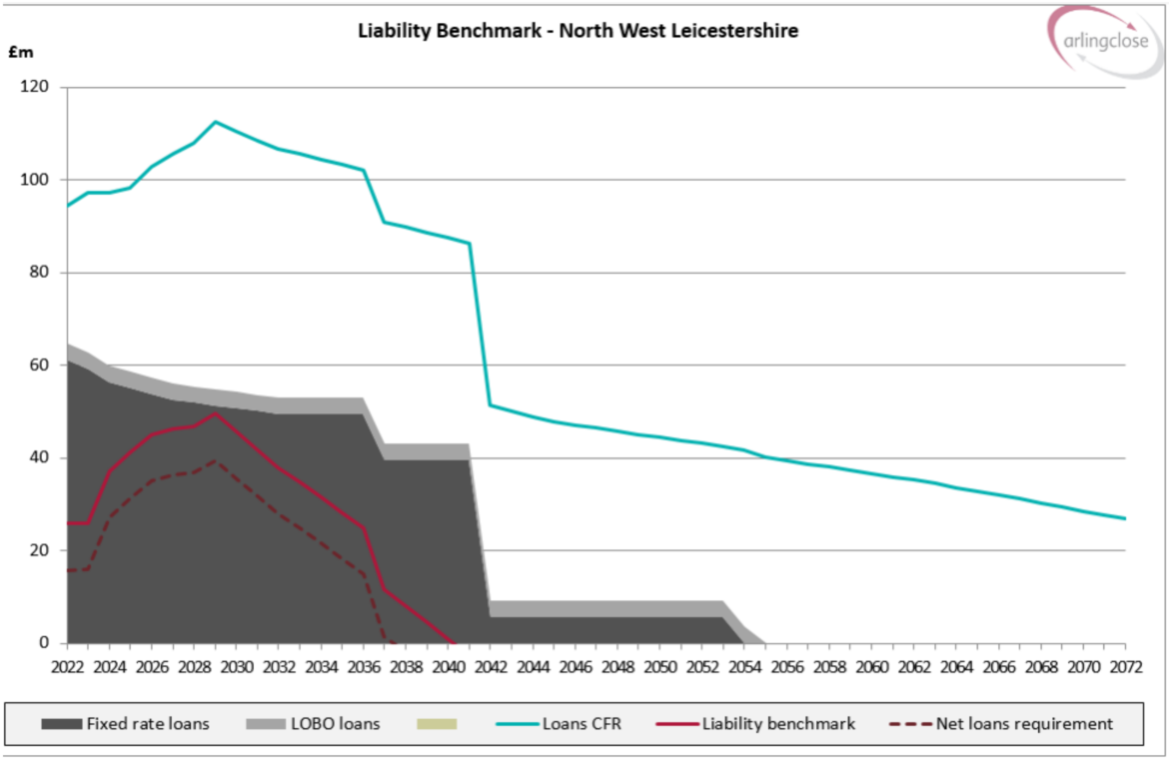
3.5 The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

3.6 Please note that the balance sheet resources figures are based on the 2021/22 unaudited accounts which are yet to be audited. Therefore, it is subject to change.

Table 2: Prudential Indicator: Liability benchmark

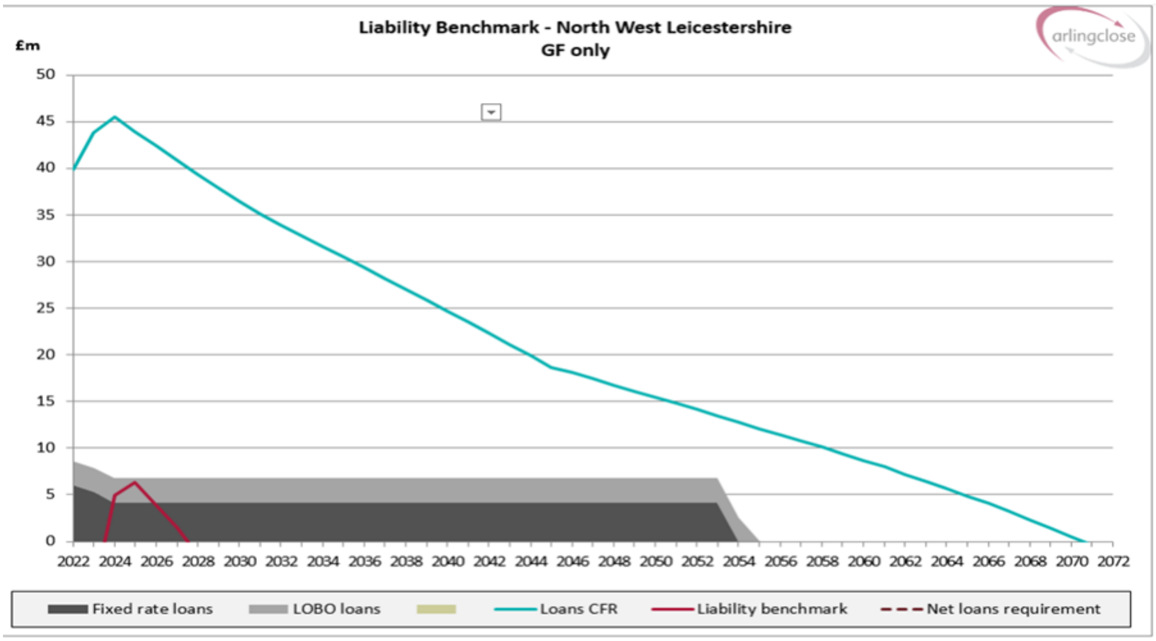
	31.3.26 Forecast £m	**31.3.27 Forecast £m**	**31.3.28 Forecast £m**	**31.3.29 Forecast £m**	**31.3.30 Forecast £m**
Loans CFR	88.7	94.1	100.7	100.8	104.1
Less: Balance sheet resources	-68.0	-69.3	-71.1	-73.0	TBC
Net loans requirement	20.7	24.8	29.6	27.8	TBC
Plus: Liquidity allowance	10.0	10.0	10.0	10.0	TBC
Liability benchmark	30.7	34.8	39.6	37.8	TBC

3.7 Following on from the medium-term forecasts in Table 2 above, the long-term liability benchmark assumes capital expenditure funded by borrowing only for the HRA, minimum revenue provision on new capital expenditure based on local decisions on asset life and income, expenditure and reserves all increasing by inflation of 2.5% a year. This measure is shown in the charts below initially for the Council as a whole and then split into the General Fund and HRA together with the maturity profile of the Council's existing borrowing. Please note that as with the above graph these figures are in part using the 2020/21 unaudited accounts and may be subject to change:

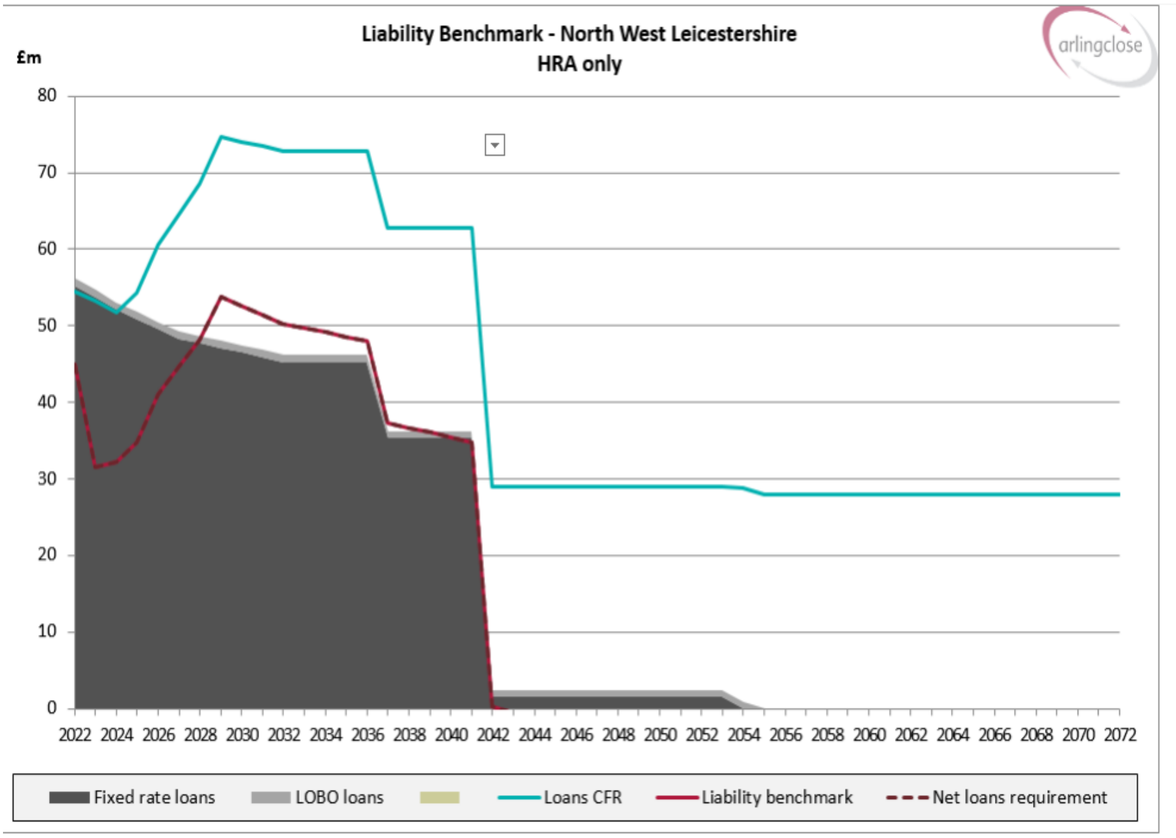


3.8 The above graph demonstrates the Council's overall forecasted borrowing requirement and anticipated underlying need to borrow. It shows that the Council is funding its CFR through a mixture of both internal and external borrowing.

3.9 The following graph shows the Liability Benchmark position for the general fund only. This graph demonstrates that the general fund may need to borrow in the short term. This could be funded through borrowing from the HRA. This situation is subject to change due to a variety of internal and external circumstances.



3.10 The following graph shows the Liability Benchmark position for the HRA. This shows that the HRA will likely require borrowing from 2024/25 to fund the capital programme. As discussed previously this is subject to change and reflects the forecasted position.



4 Borrowing Strategy

4.1 On 31 October 2024, the Council held £55.77 million of borrowing and £31.11 million of treasury investments a decrease of £0.6 million compared to the start of the financial year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in Table 1 shows that the Council's CFR is due to decrease by around £0.7 million in 2025/26, this will reduce the need to be financed through internal or external borrowing. The Council may borrow additional sums to pre-fund future years' requirements, providing this does not exceed the forecast CFR plus any cashflow requirements. This is represented with the authorised limit for borrowing of £100.7 million as outlined below.

4.2 **Affordable borrowing limit:** The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

4.3 Leases limits will come into effect in the 2024/25 financial year with the implementation of IFRS16.

Table 3: Authorised limit and operational boundary for external debt in £m

	31.3.26 Limit	31.3.27 Limit	31.3.28 Limit	31.3.29 Limit	31.3.30 Limit
Operational boundary – borrowing	88.7	94.1	100.7	100.8	104.1
Operational boundary – PFI and leases	2	2	2	2	2
Operational boundary – total external debt	90.7	96.1	102.7	102.8	106.1
Authorised Limit – borrowing	98.7	104.1	110.7	110.8	104.1
Authorised Limit – PFI and leases	2	2	2	2	2
Authorised Limit – total external debt	100.7	106.1	112.7	112.8	106.1

4.4 **Objectives:** The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

4.5 **Strategy:** Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates are currently higher than in the recent past, but are expected to fall in the coming year and it is therefore likely to be more cost effective over the medium-term to either use internal resources, or to borrow short-term loans instead. The risks of this approach will be managed by keeping the Authority's interest rate exposure within the limit set in the treasury management prudential indicators, see below.

4.6 By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2025/26 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

4.7 The Council has previously raised most of its long-term borrowing from the Public Works Loan Board (PWLB) but will consider long-term loans from other sources including banks, pensions, and local authorities, and will investigate the possibility of issuing bonds and similar instruments, to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council intends to avoid this activity to retain its access to PWLB loans.

4.8 Alternatively, the Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

4.9 In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages.

4.10 **Sources of borrowing:** The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- National Wealth Fund Ltd (formerly UK Infrastructure Bank Ltd)
- Any institution approved for investments (see below)
- Any other bank or building society authorised to operate in the UK.
- Any other UK public sector body
- UK public and private sector pension funds (except Leicestershire County Council Pension Fund)
- Capital market bond investors.
- retail investors via a regulated peer-to-peer platform
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local Council bond issues.

4.11 **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Leasing
- Hire purchase.
- Private Finance Initiative
- Sale and leaseback
- Similar asset-based finance.

4.12 **Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

4.13 **Lender's Option Borrower's Option (LOBOs):** The Council holds no LOBO loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost.

4.14 **Short-term and variable rate loans**: These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

4.15 **Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

5 Treasury Investment Strategy

5.1 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. Since 31 March 2024, the Council's treasury investment balance has ranged between £45.9 million and £26.3 million. These levels are expected to gradually reduce over the coming year due to planned capital expenditure, use of reserves and repayment of debt.

5.2 **Objectives:** The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, to maintain the spending power of the sum invested. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

5.3 **Strategy:** As demonstrated by the liability benchmark above, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.

5.4 The CIPFA Code does not permit local authorities to both borrow and invest long-term for cash flow management. But the Council may make long-term investments for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme for up to three years; to manage inflation risk by investing usable reserves in instruments whose value rises with inflation; and to manage price risk by adding diversification to the strategic pooled fund portfolio.

5.5 **ESG policy:** Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship

5.6 Where practical when making investment decisions ESG will be considered and counterparties with integrated ESG policies and commitments to carbon net zero by 2050 will be favoured by the council.

5.7 **Business models:** Under the IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

5.8 **Approved counterparties:** The Council may invest its surplus funds with any of the counterparty types in Table 4 below, subject to the limits shown.

Table 4: Treasury investment counterparties and limits

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	5 years	£60m	n/a
Local authorities & other government entities	5 years	£5m	£60m
Secured investments*.	5 years	£5m	£60m
Banks (unsecured) *	13 months	£2.5m	£60m
Building societies (unsecured) *	13 months	£2.5m	£5m
Registered providers (unsecured) *	5 years	£2.5m	£12.5m
Money market funds *	n/a	£5m	£60m
Strategic pooled funds	n/a	£5m	£25m
Real estate investment trusts	n/a	£5m	£12.5m
Other investments *	5 years	£2.5m	£5m

This table must be read in conjunction with the notes below:

5.9 * **Minimum credit rating**: Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be considered.

5.10 For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £5 million per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

5.11 **UK Government:** Sterling-denominated investments with or explicitly guaranteed by the UK Government, including the Debt Management Account Deposit Facility, treasury bills and gilts. These are deemed to be zero credit risk due to the government's ability to create additional currency and therefore may be made in unlimited amounts for up to five years.

5.12 **Local authorities and other government entities:** Loans to, and bonds and bills issued or guaranteed by, other national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk.

5.13 **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds, secured deposits and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

5.14 **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

5.15 **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government, and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

5.16 **Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. A £60 million sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

5.17 **Strategic pooled funds:** Bond, equity and property funds, including exchange traded funds, that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date but can be either withdrawn after a notice period or sold on an exchange, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

5.18 **Real estate investment trusts (REIT):** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

5.19 **Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and unsecured loans to companies and universities. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.

5.20 **Operational bank accounts:** The Council may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £2.5 million per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

5.21 **Risk assessment and credit ratings**: Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- No new investments will be made,
- Any existing investments that can be recalled or sold at no cost will be, and
- Full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

5.22 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

5.23 **Other information on the security of investments**: The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

5.24 **Reputational aspects**: The Council is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will, therefore, be considered when making investment decisions.

5.25 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

5.26 **Investment limits**: The Council's revenue reserves available, if required, to cover investment losses are forecast to be £22.71 million on 31 March 2025 and £28.16 million on 31 March 2026. In order that no more than 50% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will remain at £5 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

5.27 Credit risk exposures arising from non-treasury investments, financial derivatives and balances greater than £2.5 million in operational bank accounts count against the relevant investment limits.

5.28 Limits are also placed on fund managers, investments in brokers' nominee accounts and foreign countries as detailed in the table below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 5: Additional investment limits

	Cash limit
Any group of pooled funds under the same management	£12.5m per manager
Negotiable instruments held in a broker's nominee. account	£12.5m per broker

5.29 **Liquidity management**: The Council forecasts its cashflow using an excel spreadsheet to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

5.30 The Council will spread its liquid cash over at least three providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

6 Treasury Management Prudential Indicators

6.1 The Council measures and manages its exposures to treasury management risks using the following indicators.

6.2 **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	**Target**
Portfolio average credit rating	A-

6.3 **Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

Liquidity risk indicator	**Target**
Total cash available within 3 months	£2.5m

6.4 **Interest rate exposures**: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	External Borrowing Limit	Internal Borrowing Limit
Upper limit on one-year revenue impact per a 1% rise in interest rates	£550,000	£600,000
Upper limit on one-year revenue impact per a 1% fall in interest rates	£550,000	£600,000

6.5 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates.

6.6 **Maturity structure of borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Lower limit	Upper Limit	Position as at 01/04/2024
Under 12 months	0%	70%	42%
12 months and within 24 months	0%	30%	1%
24 months and within 5 years	0%	30%	3%
5 years and within 10 years	0%	30%	2%
10 years and within 20 years	0%	90%	46%
20 years and above	0%	30%	6%
TOTAL			**100%**

**includes internal borrowing*

6.7 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

6.8 The figures above include internal borrowing. The assumption is made that internal borrowing matures in one working day so the full amount of £39.7 million is all represented in the 'under 12 months' row.

6.9 **Long-term treasury management investments:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management investments will be:

Price risk indicator	2025/26	2026/27	2027/28	No fixed date
Limit on principal invested beyond year end	£60m	£10m	£10m	£10m

6.10 The section named ‘no fixed date’ refers to longer dated investments which have no set maturity point but are anticipated to be held for a period longer than a year e.g., strategic property funds.

7 Related Matters

7.1 The CIPFA Code requires the Council to include the following in its treasury management strategy.

7.2 **Financial derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities’ use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

7.3 The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

7.4 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

7.5 In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

7.6 **Housing Revenue Account:** In 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA’s underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred between the General Fund and HRA at the Council’s average interest rate on investments, adjusted for credit risk.

7.7 **External Funds:** The Council manages S106 funds. These funds contribute towards the investment balances. Therefore, interest earnt on S106 balances are repaid to the S106 fund. The value of the S106 funds as at 31 October 2024 equals £5.8 million. Reducing the

Council's overall interest earnt forecast by an estimated £273,000.

7.8 Additionally, the Council holds funds for the Chairman's Charity which is gathered throughout the year and apportioned out to selected charities. These amounts are negligible.

7.9 **Markets in Financial Instruments Directive**: The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Head of Finance believes this to be the most appropriate status.

8 Financial Implications

8.1 The risk adjusted budget for investment income in 2025/26 is £558,427, based on an average investment portfolio of £21.8 million at an interest rate of 3.19%. Deductions largely consisting of S106 Balances will reduce this by £162,157 leaving a total forecasted interest income of £396,270.

8.2 The allocations of interest to the General Fund and HRA will be worked out based on the average notional investment balances of both funds throughout the financial year the percentage of which will be applied to the overall interest received after deductions. The forecasted notional balances of each fund throughout the year result in a split of 38% for the general fund totalling £150,358 and 62% for the HRA totalling £245,912.

8.3 This interest forecast is subject to a great deal of change as it is impacted by cashflow timings, delivery of capital programmes and their subsequent forecasts, grant payments, grant repayments and growth in council tax, business rates and social housing rents. It is also dependent on our base rate forecast being accurate (shown in appendix A and paragraph 2.14) which in turn is impacted by economic factors such as inflation which are notoriously difficult to predict. Therefore, this forecast is likely to evolve throughout the year and can change on a daily basis. As a result of the changeable nature of investment return the above interest income forecast is risk adjusted to be reduced by 20% of actual projections to reduce the risk to the Councils budget of the possible changes.

8.4 The budget for debt interest paid in 2025/26 is £2.2 million. Of this £0.2 million refers to the General Fund and £2 million to the HRA. This is based on an average debt portfolio of £58.8 million at an average interest rate of 3.66%. £54.6 million of this forecast is HRA Borrowing and £4.2 million is General Fund.

8.5 If actual levels of investments and borrowing, or actual interest rates, differ from those forecasts, performance against budget will be correspondingly different.

8.6 Where investment income exceeds budget, e.g., from higher risk investments including pooled funds, or debt interest paid falls below budget, e.g., from cheap short-term borrowing, then 50% of the revenue savings will be transferred to a treasury management reserve to cover the risk of capital losses or higher interest rates payable in future years. This option will be at the discretion of the Chief Financial Officer and will not be taken in periods of outstanding financial pressures or uncertainties.

9 Other Options Considered

9.1 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Head of Finance, having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Narrative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller

Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default. however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Appendix A – Arlingclose Economic & Interest Rate Forecast – November 2024

Underlying assumptions:

- As expected, the Bank of England Monetary Policy Committee (MPC) cut Bank Rate to 4.75% in November in an 8-1 vote. However, the outlook for monetary policy has changed following the new government's fiscal plans, as delivered in the recent Budget.
- The Budget contained measures that will boost demand, in a constrained supply environment, while pushing up direct costs for employers. The short to medium-term inflationary effects of the Budget require a change to our Interest Rate Forecast.
- UK GDP recovered well in H1 2024 from technical recession, but underlying growth appears relatively subdued. However, the Budget will significantly boost government spending over the short-term, with few offsetting measures to subdue household demand, so GDP growth is likely to rise relatively steeply.
- Private sector wage growth has eased to 4.8% yet remains high, while services inflation continues to hold above pre-pandemic levels. The increase in employers' NICs, minimum and public sector wage levels could have wide ranging impacts on private sector employment demand and costs, but the near-term impact will likely be inflationary as these additional costs get passed to consumers.
- CPI inflation was below the 2% target in September but will rise a little by year-end as energy price declines from the previous year fall out of the annual comparison. The Bank of England (BoE) estimates the Budget impact will see the CPI rate at 2.7% by year end 2025 and remain over target in 2026, as opposed to the prior projection of inflation easing back to and then below target by this point.
- The MPC re-emphasised the gradual move to easing monetary policy, and we now believe the Budget measures have both reduced the pace of Bank Rate cuts and increased the low for this loosening cycle (although downside risks remain in the medium term).
- The increase in borrowing, rise in inflation and shallower path for Bank Rate projected by the Office for Budget Responsibility (OBR) raised gilt yields. The material change in rate expectations means that yields will be generally higher in the post-Budget world.
- US government yields have risen following Donald Trump's and Republican victories in the US elections. Trump has run on a platform of policies that appear inflationary, calling into question the extent of policy loosening required from the Federal Reserve (which was already uncertain given continued solid US growth data). Higher US yields could also support higher UK yields.

Forecast:

- In line with our forecast, Bank Rate was cut to 4.75% in November 2024.
- The MPC will continue to lower Bank Rate to reduce the restrictiveness of monetary policy, but more slowly and to a higher level. We see another rate cut in February 2025, followed by one cut per quarter, in line with Monetary Policy Report publication, to a low of 3.75%.
- Long-term gilt yields have risen to reflect both UK and US economic, monetary and fiscal policy expectations, and increases in bond supply. Volatility is likely to remain elevated as the market digests incoming data for clues around the impact of policy

changes.

- This uncertainty may also necessitate more frequent changes to our forecast than has been the case recently.
- Upside risks to inflation over the next 12 months could limit the extent of monetary easing, but we see the risks as broadly balanced over the medium term.

	Current	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.75	4.75	4.50	4.25	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Downside risk	0.00	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
3-month money market rate													
Upside risk	0.00	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.95	4.80	4.60	4.35	4.10	3.90	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
5yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.30	4.20	4.10	4.05	3.95	3.90	3.90	3.90	3.95	4.00	4.05	4.05	4.05
Downside risk	0.00	-0.40	-0.50	-0.60	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65
10yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.41	4.40	4.35	4.35	4.35	4.30	4.30	4.30	4.35	4.35	4.35	4.35	4.35
Downside risk	0.00	-0.40	-0.50	-0.60	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65
20yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.84	4.80	4.75	4.70	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65
Downside risk	0.00	-0.40	-0.50	-0.60	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65
50yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.35	4.50	4.45	4.40	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
Downside risk	0.00	-0.40	-0.50	-0.60	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65

PWLB Standard Rate = Gilt yield + 1.00%
PWLB Certainty Rate = Gilt yield + 0.80%
PWLB HRA Rate = Gilt yield + 0.40%
National Wealth Fund (NWF) Rate = Gilt yield + 0.40%

Appendix B

Existing Investment & Debt Portfolio Position - 31 October 2024

	31/10/2024 Actual portfolio £m	31/10/2024 Average rate %
External borrowing:		
Public Works Loan Board	51.77	3.39%
LOBO loans from banks	0.0	0.00%
Other loans	3.94	4.74%
Hinckley & Bosworth	0.06	3.14%
Total external borrowing	**55.77**	**3.49%**
Treasury investments:		
The UK Government	10.00	4.84%
Local authorities	5.00	5.75%
Banks (unsecured)	0.37	4.90%
Money market funds	15.75	5.02%
Total treasury investments	**31.12**	**5.07%**
Net debt	**24.66**	

Appendix 3

North West Leicestershire District Council

Minimum Revenue Provision Statement 2025/26

1. Annual Minimum Revenue Provision Statement 2025/26

1.1 Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The *Local Government Act 2003* requires the Council to have regard to the Ministry of Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the Ministry of Housing, Communities and Local Government (MHCLG) Guidance) most recently issued in April 2024.

1.2 The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is aligned with that over which the capital expenditure provides benefits.

1.3 The MHCLG Guidance requires the Council to approve an Annual MRP Statement each year and provides a number of options for calculating a prudent amount of MRP, but not preclude the use of other appropriate methods. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.

1.4 MRP is calculated by reference to the capital financing requirement (CFR) which is the total amount of past capital expenditure that has yet to be permanently financed, noting that debt must be repaid and therefore can only be a temporary form of funding. The CFR is calculated from the Authority's balance sheet in accordance with the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Expenditure in Local Authorities*, 2021 edition.

General Fund

- Capital expenditure funded by borrowing incurred before 1 April 2008 MRP will be determined in accordance with the former regulations that applied on 31 March 2008, incorporating an "Adjustment A" of £606k.

- For capital expenditure funded by borrowing incurred between 1 April 2008 and 31 March 2019, MRP will be determined as 4% of the capital financing requirement in respect of that expenditure. This will be charged on a straight-line basis over 25 years.

- For capital expenditure funded by borrowing incurred after 31 March 2019, MRP will be determined by charging the expenditure over the expected life of the relevant asset. This will be on a straight-line basis for financial years 2020/21 and 2021/22, then on the remaining balance, as the principal repayment on an annuity equal to the average relevant PWLB rate for year of expenditure, starting in the financial year 2022/23. MRP in purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.

- For capital expenditure funded by borrowing incurred after 31 March 2022, MRP will be determined by charging the expenditure over the expected life of the relevant asset as the principal repayment on an annuity equal to the average relevant PWLB rate for year of expenditure, stating in the year after the asset becomes operational. MRP in purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.

- For transferred debt from Hinckley and Bosworth Borough Council, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

- Where former operating leases have been brought onto the balance sheet due to the adoption of the *IFRS 16 Leases* accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or discounts, then the annual MRP charges will be adjusted so that the overall charge for MRP over the life of the lease reflects the value of the right-of-use asset recognised on transition rather than the liability.

Capital loans

- For capital expenditure on loans to third parties which were made primarily for financial return rather than direct service purposes, MRP will be charged in accordance with the policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. This MRP charge will be reduced by the value any repayments of loans principal received during the year, with the capital receipts so arising applied to finance the expenditure instead.

- For capital expenditure on loans to third parties which are primarily for service purposes, the Council will make nil MRP expect as detailed below for credit losses. Instead, the Council will apply the capital receipts arising from the repayments of the loan principal to finance the expenditure in the year they are received.

- For capital loans made on or after 7 May 2023 where an expected credit loss is recognised during the year, the MRP charge in respect of the loan will be no lower than the loss recognised. Where expected credit losses are reversed, for example on the eventual repayment of the loan, this will be treated as an overpayment.

- For capital loans made before May 2024 and for loans where expected credit losses are not applicable, where a shortfall in capital receipts is anticipated, MRP will be charged to cover that shortfall over the remaining life of the assets funded by the loan.

Housing Revenue Account (HRA)

- No MRP will be charged in respect of assets held within the Housing Revenue Account but depreciation on those assets will be charged instead in line with regulations.

- MRP in respect of the £80 million payment made in 2012 to exit the Housing Revenue Account subsidy system will be determined as being equal to the principal amount repaid on the loans borrowed to finance that payment.

1.4 Capital expenditure incurred during 2025/26 will not be subject to a MRP charge until 2026/27.

1.5 MRP will only be charged once the asset is fully operational and will not be charged whilst the asset is under construction. The MRP charge will commence the year after the asset becomes operational.

1.6 Based on the Council's latest estimate of its capital financing requirement (CFR) on 31 March 2024, the budget for MRP has been set as follows:

	31.03.2026 Estimated CFR £m	**2025/26 Estimated MRP £m**
Capital expenditure funded by borrowing before 01.04.2008	7.2	0.4
Capital expenditure funded by borrowing between 01.04.2008 and 31.03.2019	3.9	0.2
Unsupported capital expenditure after 31.03.2019	24.1	0.7
Total General Fund	**35.2**	**1.4**
Assets in the Housing Revenue Account	5.2	0.0
HRA subsidy reform payment	48.1	1.3
Total Housing Revenue Account	**53.3**	**1.3**
Total	**88.5**	**2.7**

Appendix 4

North West Leicestershire District Council

Non-Treasury Investment Strategy Report 2025/26

1. Introduction

1.1 The Council invests its money for three broad purposes:

- Because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- To support local public services by lending to or buying shares in other organisations (**service investments**), and
- To earn investment income (known as **Commercial investments** where this is the main purpose). It is important to stress that the primary goal of the commercial investments held by the Council and discussed in this report is not generation of profit but instead supporting local growth, local regeneration and the efficient use of local assets. Investment income is a secondary objective which is reinvested in local services.

1.2 Although not classed as a category of investment the Council also invests its own funds to finance capital expenditure funded through borrowing. This is known as internal borrowing.

1.3 This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.

1.4 The statutory guidance defines investments as “all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios.” The Authority interprets this to exclude (a) trade receivables which meet the accounting definition of financial assets but are not investments in the everyday sense of the word and (b) property held partially to generate a profit but primarily for the provision of local public services. This aligns the Authority’s definition of an investment with that in the 2021 edition of the CIPFA Prudential Code, a more recent piece of statutory guidance.

2. Treasury Management Investments

2.1 The Council typically receives its income in cash (e.g., from taxes and grants) before it pays for its expenditure in cash (e.g., through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £13.3 million and £26.9 million during the 2025/26 financial year.

2.2 **Contribution:** The contribution that these investments make to the objectives of the Council is to support effective treasury management activities.

2.3 **Further details:** Full details of the Council's policies and its plan for 2025/26 for treasury management investments are covered in a separate document, the Treasury Management Strategy Statement 2025/26.

3. Service Investments: Loans

3.1 **Contribution:** The Council does not currently, but may in the future, lend money to various organisations including its subsidiaries or trading companies, suppliers, local businesses, local charities, housing associations, local residents and its employees to support local public services and stimulate local economic growth.

3.2 **Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Council, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for service purposes in £ millions

Category of borrower	31.3.2024 actual			2025/26
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Subsidiaries	Nil	Nil	Nil	Nil
Suppliers	Nil	Nil	Nil	Nil
Parish councils	Nil	Nil	Nil	Nil
Local businesses	Nil	Nil	Nil	Nil
Local charities	Nil	Nil	Nil	Nil
Housing associations	Nil	Nil	Nil	Nil
Local residents	Nil	Nil	Nil	Nil
Employees	Nil	Nil	Nil	Nil
TOTAL	**Nil**	**Nil**	**Nil**	**Nil**

3.3 Loans made for service purposes will be undertaken on a case-by-case basis and require approval by Full Council. Therefore, there is no approved limit for these loans outlined in the above table, but the option is available following a proper risk and benefit review.

3.4 Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council's statement of accounts are shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

3.5 **Risk assessment:** The Council assesses the risk of loss before entering into and whilst holding service loans by:

- Requesting a business case to support the service loan and reviewing the business case for validity and robustness;
- Completing a financial appraisal of the business case;
- Seeking external advice where necessary to ensure compliance with for example state aid/subsidy law and creditworthiness of the counterparty seeking a service loan;
- Monitoring and undertaking regular reviews of counterparties for credit risk.

4. Service Investments: Shares

4.1 **Contribution:** The Council does not currently, but may in the future, invest in the shares of its subsidiaries or trading companies, its suppliers, and local businesses to support local public services and stimulate local economic growth.

4.2 **Security:** One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. In order to limit this risk, upper limits on the sum invested in each category of shares have been set as follows:

Table 2: Shares held for service purposes in £ millions

Category of company	31.3.2024 actual			2025/26
	Amounts invested	Gains or losses	Value in accounts	Approved Limit
Subsidiaries	Nil	Nil	Nil	Nil
Suppliers	Nil	Nil	Nil	Nil
Local businesses	Nil	Nil	Nil	Nil
TOTAL	Nil	Nil	Nil	Nil
	Nil	**Nil**	**Nil**	**Nil**

4.3 As in Table 1 there are no approved limits for investments of this kind. Applications will be dealt with on a case-by-case basis and require approval by Full Council following a comprehensive review.

4.4 **Risk assessment:** The Council assesses the risk of loss before entering into and whilst holding shares by:

- Requesting a business case to support the investment and reviewing the business case for validity and robustness;
- Completing a financial appraisal of the investment;
- Seeking external advice where necessary to ensure the creditworthiness of the counterparty; and
- Monitoring and maintain regular review of counterparties for credit risk.

4.5 **Liquidity:** To maintain liquidity, the council determines the maximum period for which funds may be prudently committed through financial planning in the Medium-Term Financial Strategy and the Treasury Management Strategy Statement. The Council's cash flow is monitored and reviewed to inform these strategies.

4.6 **Non-specified Investments:** Shares are the only investment type that the Council has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Council's upper limits on non-specified investments. The Council has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

5. Commercial Investments: Property

5.1 **Contribution:** The Council invests in local commercial property with the primary aim of supporting local growth, regeneration and efficient use of local assets. The secondary aim is investment income that will be spent on local public services. Currently the Council only holds commercial investments within the district boundaries in line with these aims.

Table 3: Property held for investment purposes in £ millions

Property	31.3.2024 actual		31.3.2025 expected	
	Gains or (losses)	Value in accounts	Gains or (losses)	Value in accounts
Industrial Units	TBC	TBC	TBC	TBC
Market Hall	TBC	TBC	TBC	TBC
Whitwick Business Centre	TBC	TBC	TBC	TBC
Land	TBC	TBC	TBC	TBC
TOTAL	**TBC**	**TBC**	**TBC**	**TBC**

5.2 **Security:** In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs. A different analysis will be required for project subject to a finance lease. An assessment of the council's investment property portfolio is undertaken each year in the Final Accounts year-end process.

- Where the value in the accounts is at or above purchase cost: the property investment is deemed to be secure as the property could be sold to cover the purchase cost.
- Where the value in the accounts is below the purchase cost: the investment property portfolio is no longer sufficient to provide security against loss.

5.3 **Risk assessment:** The Council assesses the risk of loss before entering into and whilst holding property investments by:

- Assessment of the business case on a case by case basis, reviewing for validity and robustness;
- Financial appraisal of the business case;
- Seeking external expertise and advice where necessary; and
- Assessing the market competition including barriers to entry or exit; market needs; nature and level of competition; ongoing investments required;
- The council will also take into consideration any impact on local businesses before entering into new investments. This is to protect local business's interest in the local market.

5.4 **Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Council has minimised this risk by holding a minimal investment portfolio.

6. Loan Commitments and Financial Guarantees

6.1 Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risk to the Council and are included here for completeness.

6.2 The Council has contractually committed to make up to £Nil million of loans.

7. Borrowing in Advance of Need

7.1 Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Council does not have any plans to borrowing in advance of need in 2025/26.

8. Capacity, Skills and Culture

8.1 **Elected members and statutory officers**: The Council recognises the importance of ensuring that all Elected Members and Officers involved in investment decisions are fully equipped to undertake the duties and responsibilities allocated to them and have the appropriate capacity, skills and information to enable them to make informed decisions e.g. as to whether to enter into a specific investment. There is a requirement to understand:

- The context of the Council's corporate objectives;
- The Council's risk appetite and risk assessment framework;
- The Prudential Framework;
- The regulatory regime within local authorities operations.

8.2 The Council will, therefore, seek to appoint individuals who are both capable and experienced and provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The following measures are in place:

- Identification of officer training needs on commercial investment related issues through the reflection process;
- Attendance at relevant training events, seminars and workshops; and
- Support from the Council's treasury management advisors, Arlingclose.

8.3 Elected members' training needs are assessed through the Member Development Group. The Council will also specifically address this important issue by:

- Periodically facilitating workshops or other training for members on commercial investment issues; and
- Interim reporting and advice to members.

8.4 Where necessary the Council will engage external advisers for investment advice, property surveys and due diligence checks. The cost of any such advice will be taken into account when developing business cases and when assessing the overall viability of projects.

8.5 **Commercial deals:** The Council has a decision-making framework which is aligned to the requirements of the Statutory Guidance relating to Local Authority Investments. A Commercial Board would be constituted if the requirement arises. The Commercial Board will consider any future commercial opportunities. The guiding principles that will be used will require future commercial projects to:

- Meet the Council's corporate priorities;
- Deliver community benefit
- Require minimum investment for maximum return;
- Be primarily within the District boundaries, consideration will be given to opportunities outside these boundaries if the benefit to the Council or North West Leicestershire is significant;
- Grow the business base;
- Deliver a diversified portfolio of projects that balance risk and return.

8.6 The Commercial Board will assess future commercial investment against the Investment Strategy. All investments will be subject to rigorous scrutiny and successful schemes will result in the provision of a report to Council for approval. Schemes will be considered for investment against the following criteria;

- Economic Impact – in particular; jobs, business growth and new housing;
- Impact on Market Towns – in terms of vibrancy, footfall and heritage;
- Financial Implications – value for money, affordability and return of investment; and
- Deliverability – the ability to deliver the proposals and the associated risks.

8.7 **Corporate governance:** It is important that the Council has sound arrangements in place to ensure accountability, responsibility and authority for decision making on investment activities within the context of the Council's values. In terms of governance, the Commercial Board will consider all new commercial investment proposals. The Commercial Board may determine an application under delegated powers or may recommend a project to Council for approval. Full Council is responsible for the approval of the Investment Strategy and for monitoring performance against it.

8.8 The Council's values include transparency in decision-making. To facilitate that, the following arrangements are in place:

- This Corporate Investment Strategy will be made available on the Council's website;
- Meetings of the Full Council will be open to the public and the agendas and minutes from such meetings will be shown on the Council's website.

9. Investment Indicators

9.1 The Council has set the following quantitative indicators to allow elected members and the public to assess the Council's total risk exposure as a result of its investment decisions.

9.2 **Total risk exposure:** The first indicator shows the Council's total exposure to potential investment losses. This includes amounts the Council is contractually committed to lend but have yet to be drawn down and guarantees the Council has issued over third-party loans.

Table 5: Total investment exposure in £ millions

Total investment exposure	01.12.2024 Actual £m	31.03.2025 Forecast £m	31.03.2026 Forecast £m
Treasury management investments	26.2	15.4	13.3
Commercial investments: Property	8.5	8.5	8.5
TOTAL INVESTMENTS	**34.7**	**23.9**	**21.8**
Commitments to lend	0	0	0
Guarantees issued on loans	0	0	0
TOTAL EXPOSURE	**34.7**	**23.9**	**21.8**

9.3 **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Council's investments are funded by usable reserves and income received in advance of expenditure.

9.4 These figures have been worked out by using the actual and forecast percentage of the overall capital financing requirement (CFR) that is funded by external borrowing and applying that to the value of the investments in Table 5.

Table 6: Investments funded by borrowing in £ millions

Investments funded by borrowing	31.03.2024 Actual £m	31.03.2025 Forecast £m	31.03.2026 Forecast £m
Treasury management investments	4.2	3.6	3.4

Service investments: Loans	0	0	0
Service investments: Shares	0	0	0
Commercial investments: Property	1.4	2.0	2.2
Total Funded by Borrowing	**5.6**	**5.6**	**5.6**

9.5 **Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 7: Investment rate of return (net of all costs)

Investments net rate of return	2023/24 Actual	2024/25 Forecast	2025/26 Forecast
Treasury management investments	6%	5%	4%
Commercial investments: Property	1%	2%	3%

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – THURSDAY , 9 JANAURY 2025

Title of Report	**DRAFT GENERAL FUND BUDGET 2025/26**	
Presented by	Councillor Nick Rushton Corporate Portfolio Holder PH Briefed: 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:**	

	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 .** **2. NOTE THE COUNCIL'S KEY RISKS TO THE BUDGET.**

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 <u>Economic</u>

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 <u>Local Government</u>

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	• 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	• Align resources to Council Delivery Plan objectives
Maximising Our Sources of Income	• Fees and Charges maximised in accordance with the Corporate Charging Policy (increased by inflation)
Managing our Risks	• 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
		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. 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	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. A review of the Financial Procedures Rules is planned.
Have the previous years Accounts been signed off by external audit to verify balances?	N	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. 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.
Has there been a degree and quality of engagement with colleagues and councillors in the process to develop and construct the budget?	Y	There has been a continuation of the improvements introduced to the budget setting process last year. 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.

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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Appendix 1

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL GENERAL FUND SUMMARY BUDGET 2025/26

2024/25 Budget £	Service	2025/26 Indicative £	2026/27 Indicative £	2027/28 Indicative £	2028/29 Indicative £	2029/30 Indicative £
201,490	Chief Executive	201,490	201,490	201,490	201,490	201,490
732,700	Human Resources	756,780	759,270	761,930	761,930	761,930
1,873,460	Legal & Support Services	1,996,860	2,003,380	2,009,000	2,009,000	2,009,000
2,807,650	**Total Chief Executive**	**2,955,130**	**2,964,140**	**2,972,420**	**2,972,420**	**2,972,420**
137,970	Strategic Director of Place	137,970	137,970	137,970	137,970	137,970
1,279,120	Property & Economic Regeneration	717,255	1,218,415	1,219,610	1,219,610	1,219,610
1,070,580	Planning	1,073,730	1,073,730	1,081,585	1,081,585	1,081,585
(2,890)	Joint Strategic Planning	(4,600)	(6,340)	(8,120)	(9,930)	(9,930)
2,484,780	**Total Place**	**1,924,355**	**2,423,775**	**2,431,045**	**2,429,235**	**2,429,235**
110,990	Director of Communities	110,990	110,990	110,990	110,990	110,990
6,514,950	Community Services	6,339,090	6,123,370	5,932,560	5,733,660	5,733,660
540,188	Strategic Housing	540,188	542,188	542,188	542,188	542,188
7,166,127	**Total Community Services**	**6,990,267**	**6,776,547**	**6,585,737**	**6,386,837**	**6,386,837**
237,130	Strategic Director of Resources	237,130	237,130	237,130	237,130	237,130
1,009,760	Customer Services	1,011,180	1,012,630	1,014,110	1,014,110	1,014,110
1,052,640	Finance	1,110,460	1,053,990	1,055,590	1,055,590	1,055,590
1,170,850	Revenues & Benefits	1,211,620	1,233,230	1,255,710	1,255,710	1,255,710
1,221,640	ICT	1,252,280	1,252,280	1,262,280	1,262,280	1,262,280
570,090	Business Change	0	0	0	0	0
5,262,110	**Total Resources**	**4,822,670**	**4,789,260**	**4,824,820**	**4,824,820**	**4,824,820**
115,140	Non Distributed - Revenue Expenditure on Surplus Assets	116,120	117,120	118,140	118,140	118,140
69,980	Non Distributed - Retirement Benefits	71,330	72,710	74,120	74,120	74,120
92,500	Corporate & Democratic Core	108,500	113,500	113,500	113,500	113,500
526,781	Pay award	1,305,461	1,736,351	2,177,211	2,628,341	3,090,041
0	Contingency	660,563	0	0	0	0
18,525,068	**NET COST OF SERVICES**	**18,954,396**	**18,993,403**	**19,296,993**	**19,547,413**	**20,009,113**
(1,859,136)	Net Recharges from General Fund	(1,714,066)	(1,714,066)	(1,714,066)	(1,714,066)	(1,714,066)
16,665,932	**NET COST OF SERVICES AFTER RECHARGES**	**17,240,330**	**17,279,337**	**17,582,927**	**17,833,347**	**18,295,047**
	CORPORATE ITEMS AND FINANCING					
	Corporate Income and Expenditure					
1,906,878	Net Financing Costs	1,788,070	1,739,498	1,702,267	1,701,701	1,615,941
(410,200)	Investment Income	(150,360)	(150,360)	(150,360)	(150,360)	(150,360)
18,162,610	**NET REVENUE EXPENDITURE**	**18,878,040**	**18,868,475**	**19,134,834**	**19,384,688**	**19,760,628**
(770,805)	Budget Proposals Funded from Reserves - One-Off	0	0	0	0	0
19,448	Contribution to/(from) Balances/Reserves	0	0	0	0	0
17,411,253	**MET FROM GOVT GRANT & COUNCIL TAX (Budget Requirement)**	**18,878,040**	**18,868,475**	**19,134,834**	**19,384,688**	**19,760,628**
0	**ANTICIPATED BASELINE FUNDING GAP**	**0**	**411,325**	**1,472,104**	**2,473,348**	**3,494,440**

2024/25 Budget £	Service	2025/26 Indicative £	2026/27 Indicative £	2027/28 Indicative £	2028/29 Indicative £	2029/30 Indicative £
	Financed By					
(918,476)	New Homes Bonus	(679,330)	0	0	0	0
(11,470)	Council Tax - Previous year's Surplus/(Deficit)	0	0	0	0	0
(6,041,652)	Council Tax	(6,242,630)	(6,466,030)	(6,697,420)	(6,937,090)	(7,185,340)
(8,619,604)	Non Domestic Rates	(8,673,560)	1,158,860	385,390	(380,050)	(1,119,658)
(1,707,118)	Minimum Funding Guarantee	(1,577,320)	0	0	0	0
0	Extended Producer Responsibility	(1,574,000)	(1,259,000)	(1,007,000)	(806,000)	(645,000)
(16,782)	2022/23 Services Grant	0	0	0	0	0
- 96,151	Revenue Support Grant	(131,200)	(439,800)	(395,240)	(346,770)	(298,450)
-	Damping payment	0	(11,451,180)	(9,948,460)	(8,441,430)	(7,017,740)
(17,411,253)	**TOTAL FUNDING AVAILABLE**	**(18,878,040)**	**(18,457,150)**	**(17,662,730)**	**(16,911,340)**	**(16,266,188)**

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Appendix 2

North West Leicestershire District Council
General Fund Budget Amendments to the MTFP 2025/26 to 2029/30

Proposal Description & Service Impact	Directorate	Service	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	Reserve
Unavoidable Cost Pressures								
Increase in contract prices – Microsoft Licences, Firewall renewal, data centre	Resources	ICT	29					
Unachievable budgeted staff staffings	Resources	ICT	64					
Reducing Legal Income budget	Chief Executive	Legal	45					
Additional IT licenses - Legal	Chief Executive	Legal	6					
Additional subscription - Legal	Chief Executive	Legal	1					
Reducing Pubic Conveniences income budget	Community Services	Community Services	11					
Additional IT licenses - Waste - customer reporting software	Community Services	Community Services	7					
Reducing Waste Clearance income budget	Community Services	Community Services	106					
Additional property costs inc. security, facilities management, landlord costs and maintenance	Place	Property and Economic Regeneration	46					
Additional subscription - Finance	Resources	Finance	5					
Development of Unit 4 finance system	Resources	Finance	50	(50)				MTFP Reserve
Additional IT licenses - Finance systems	Resources	Finance	21					
Pay Award - additional 1% in 24/25 and 25/26	Various	Corporate	378	8	17	23	402	
National Insurance Increase	Various	Corporate	351					
Two Independent Member posts approved an allowance by the Remuneration Panel.	Chief Executive	Democratic Services	2					
Reducing government grant due to Universal Credit transfer to Department of Works and Pension	Resources	Finance	20					
Inflation on utilities, business rates and fuel	Various	Corporate	50	52	55	57	60	
Delivery of Asset Management Plans – play area equipment, changing pavilions and closed churchyards.	Community Services	Community Services	30	(30)				Business Rates Reserve
Technical budget adjustments and HRA recharges	Corporate	Corporate	190	7				
			1,412	**(13)**	**72**	**80**	**462**	
Additional Capacity								
Increase in Internal Audit resources to enable adequate audit coverage and assurance	Resources	Internal Audit	60	60	(120)			MTFP Reserve
Additional solicitor post – to adequately resource the team.	Chief Executive	Legal	62					
Increase of Senior Human Resources Advisor hours from 21.75 to 36.25	Resources	HR	22					
To recruit a "superuser" post for the new Capital Asset Facilities Management system	Place	Property and Economic Regeneration	43					
Creation of an Insurance Officer post, to manage the insurance contract including annual renewal.	Resources	Finance	53	53	(106)			MTFP Reserve
Upgrading the Financial Services Team Leader post to a Team Manager.	Resources	Finance	9					
Recruitment of a Principal Officer to lead the implementation of Council development projects	Place	Property and Economic Regeneration	63	(63)				Business Rates Reserve
Reversal of Ashby Toilets asset transfer decision made in February 2024.	Community Services	Community Services	26					
CCTV changes to manned hours. (Sunday hours)	Community Services	Community Services	7					
Recruit a finance graduate through the Local Government Association Graduate Programme	Resources	Finance	22	44	(66)			MTFP Reserve
Additional hours for Senior Planning Officer within the planning policy team.	Place	Planning and Infrastructure	5					
Increased planning application income to fund above	Place	Planning and Infrastructure	(5)					
Contribution to feasibility costs	Resources	Finance	100	(100)				Business Rates Reserve
Keep Britain Tidy Assessment costs	Community Services	Community Services	10	(10)				MTFP Reserve
Contingency Budget	Corporate	Corporate	661	(661)				
			1,138	**(677)**	**(292)**	**0**	**0**	
Savings Agreed								
Deletion of Leisure Officer at Measham Leisure Centre.	Community Services	Community Services	(18)					
Deletion of Community Focus post.	Community Services	Community Services	(53)					
Funding of regeneration salaries – capitalisation of salaries which provides a saving on the revenue budget	Place	Property and Economic Regeneration	(500)	500				
Disabled Facilities Grant service provision saving	Community Services	Community Services	(1)					
Everyone Active changes in line with contract	Community Services	Community Services	26	(38)				
De minimis budgets ranging from £2k to £10k including subscriptions and additional income	Various	Various	(27)					
			(573)	**462**	**0**	**0**	**0**	

Proposal Description & Service Impact	Directorate	Service	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	Reserve
Corporate								
Treasury			(38)	0	0	28	(86)	
			(38)	**0**	**0**	**28**	**(86)**	
Funding								
Extender Producer Responsibility Payment			(1,574)	315	252	201	161	
Business Rates							684	
National Insurance			(351)					
Council Tax			74	63	69	74	(248)	
Core Funding			(85)	(57)	0	0	48	
			(1,936)	**321**	**321**	**275**	**645**	
Net Changes to MTFP			**3**	**93**	**101**	**383**	**1,021**	
MTFP Reserve			(195)	(97)	292			
Business Rates Reserve			(193)	193				
Total Reserve			**(388)**	**96**	**292**	**0**	**0**	
Total			**(385)**	**189**	**393**	**383**	**1,021**	

Appendix 3(a)

North West Leicestershire District Council
Proposed Fees & Charges 2025/26 - Place Directorate

Service	Fee/Charge	Charging Policy	2024/25 Proposed Fees	2025/26 Proposed Fees	Percentage Change in Fees	Basis for Change
Property	Rent of Commercial Property	Rent agreement	No change	No change	n/a	Where new lease negotiated.
Property	Maintenance Charge for Commercial Property	% of rent	Various	Various	n/a	Where new lease negotiated.
Property	Service Charges for Commercial Property	Actual cost	No change	No change	n/a	Based on actual costs
Planning	Copy Planning/ Planning App Documents		No change	No change	0%	
Planning	Search fees CON29		No change	No change	0%	
Planning	Planning Application Fees	Set Nationally	Various	Various	n/a	Set Nationally
Planning	Planning Conditions Discharge	Set Nationally	Various	Various	n/a	Set Nationally
Planning	Pre-application fees	Individually determined	Individually determined	Individually determined	n/a	Individually determined

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Appendix 3(b)

North West Leicestershire District Council
Proposed Fees & Charges 2025/26 - Communities Directorate

Service	Fee/Charge	Charging Policy	2024/25 Fees	2025/26 Proposed Fees	Percentage Change in Fees	Basis for Change
Waste Services	Bulky Collections	Full Cost Recovery	£25 For 1-3 items, £6.20 for each additional item	£25 For 1-3 items, £6.20 for each additional item	0.0%	No increase
Waste Services	POP's Collections	Full Cost Recovery	£37.50 For 1-3 items, £7.80 for each additional item up to a maximum of 6 items	£38.00 For 1-3 items, £7.90 for each additional item up to a maximum of 6 items	1.7%	September CPI
Waste Services	Trade Refuse	Full Cost Recovery	between £10.00 to £21.20 for 240l, 360l, 1100l bins (per bin per collection)	between £10.20 to £21.60 for 240l, 360l, 1100l bins (per bin per collection)	1.7%	September CPI
Waste Services	Trade Sacks	Full Cost Recovery	£3.40 per sack (min 50 sacks)	£3.50 per sack (min 50 sacks)	1.7%	September CPI
Waste Services	Trade Recycling	Full Cost Recovery	between £4.30 to £7.30 for 240l, 360l, 1100l bins (per bin per collection)	between £4.40 to £7.40 for 240l, 360l, 1100l bins (per bin per collection)	1.7%	September CPI
Waste Services	Additional Garden Waste bin collection	Subsidised/Full Cost Recovery	£57.00	£58.00	1.7%	September CPI
Waste Services	Emptying of litter bins	Full Cost Recovery	between £3.80 to £6.70 (per bin per wk)	between £3.90 to £6.90 (per bin per wk)	1.7%	September CPI
Waste Services	MOT's - Staff vehicles	Subsidised	£40.00	£41.00	1.7%	September CPI
Waste Services	Air Con Service - Staff vehicles	Full Cost Recovery	£43.00	£44.00	1.7%	September CPI
Leisure Services	Football pitch fees	Subsidised	**Per match** - Junior £35.00, Adult £60.00. **Per season** - Junior £334.00, Adult £602.00	**Per match**: Junior £36, Adult £61. **Per season**: Junior £340, Adult £612	1.7%	September CPI
Leisure Services	3G Pitch fees (Hermitage Rec Grd)	Subsidised/Full Cost Recovery	Between £34.00 to £85.00 depending on pitch size and Adult/Junior	Between £35 to £86 depending on pitch size and Adult/Junior	1.7%	September CPI
Environmental Prot (Leisure Services -Special Expenses)	Burial fees	Full Cost Recovery	Fees vary from £79.00 to £2,244.00	Fees vary from £80 to £2,279.00	1.7%	September CPI
Environmental Protection	Public Conveniences - Ashby & Coalville	Full Cost Recovery	flat rate of £0.30p	flat rate of £0.30p	0.0%	No increase
Environmental Protection	EV	Profit Generating	70p kwh	70p kwh	1.7%	September CPI
Environmental Protection	New Market	Full Cost Recovery	Fees vary from £17.50 to £60	Fees vary from £17.50 to £60	0.0%	No increase
Environmental Protection	Private Sector Housing	Full Cost Recovery	From £113 to £508	From £115 to £517	1.7%	September CPI
Environmental Protection	Scrap Metal Dealers - Licenses	Full Cost Recovery	Fees vary from £41 to £592	Fees vary from £42 to £602	1.7%	September CPI
Environmental Protection	High Hedges	Full Cost Recovery	£592.00	£602.00	1.7%	September CPI
Environmental Protection	Noise surveys	Full Cost Recovery	£483.00	£491.00	1.7%	September CPI
Environmental Protection	Caravans/Mobile Homes	Full Cost Recovery	Fees vary from £85 to £441	Fees vary from £86 to £448	1.7%	September CPI
Environmental Health	Licensing	Subsidised/Full Cost Recovery	Fees vary between £3.21 and £64,000	Fees vary between £3.30 and £64,000	1.7%	September CPI

Service	Fee/Charge	Charging Policy	2024/25 Fees	2025/26 Proposed Fees	Percentage Change in Fees	Basis for Change
Environmental Health	Health and Food Safety	Full Cost Recovery	Fees vary between £5.50 and £172	Fees vary between £5.50 and £175	1.7%	September CPI
Environmental Health	Border Inspection Post	Full Cost Recovery	Fees vary between £10 and £199	Fees vary between £10 and £204	1.7%	September CPI
Environmental Health	Pest Control	Subsidised/Full Cost Recovery	Fees vary between £19.80 and £220	Fees vary between £20.10 and £224	1.7%	September CPI
GF Housing	Caravan Site Rental	Rental Agreement	£43.39 from April 2023 on anniversary of individual rental agreement	£44.13 from April 2023 on anniversary of individual rental agreement	1.7%	September CPI
GF Housing	Lifelines for Private Customers - Basic	Contract	£5.10 pw	£5.19 pw	1.7%	September CPI
GF Housing	Lifelines Private Customers - Enhanced	Contract	£7.68 pw	£7.81 pw	1.7%	September CPI
GF Housing	Lifelines for Registered Providers - Basic	Contract	£2.33 to £4.07 pw	£2.37 to £4.14 pw	1.7%	September CPI

Appendix 3(c)

North West Leicestershire District Council
Proposed Fees & Charges 2025/26 - Resources & Chief Executive Directorates

Service	Fee/Charge	Charging Policy	2024/25 Fees	2025/26 Proposed Fees	Percentage Change in Fees	Basis for Change
Legal	Legal fees various		Various	Various	0	No Change
Democratic Services	Electoral Registration sale of register	Statutory	Data - per 1000 electors or part thereof £1.50 + handling fee £20 Printed copy per 1000 electors or part thereof £5 + handling fee £10 Certificate of Registration (subject to review) £0.	Data - per 1000 electors or part thereof £1.50 + handling fee £20 Printed copy per 1000 electors or part thereof £5 + handling fee £10	1.7%	September CPI
Democratic Services	Address Management		Renaming existing Property £46.50. Naming/numbering existing property £46.50. Naming/numbering a development of up to 5 plots £46.50 per plot. Naming/numbering a development of more than 5 plots £232.50 + £24.50 for each plot from 6 onwards. Naming a street £174. Change to development after notification: Admin £61.25 plus £31.25 per plot Street re-naming at residents request £305 plus all compensation met by applicant Confirmation of postal address details £31.25 Number a new flat complex £31.25 per flat.	Renaming existing Property £47.00. Naming/numbering existing property £47.00. Naming/numbering a development of up to 5 plots £47.00 per plot. Naming/numbering a development of more than 5 plots £236.00 + £25.00 for each plot from 6 onwards. Naming a street £177. Change to development after notification: Admin £62.00 plus £32.00 per plot Street re-naming at residents request £310 plus all compensation met by applicant Confirmation of postal address details £32.00 Number a new flat complex £32.00 per flat.	1.7%	September CPI
ICT	Print Room Sales	Cost plus 25%	Mono 7p + paper and finishing Colour 8p + paper and finishing +25% for external customers	Mono 7p + paper and finishing Colour 8p + paper and finishing +25% for external customers	1.7%	September CPI
Finance - Fin Planning	External charges (Insurance)	Cost	Cost	Cost	Various	As per cost

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Appendix 4

Draft 25/26 Capital Programme

PROJECT	2025/26 For Approval £	2026/27 Indicative £	2027/28 Indicative £	2028/29 Indicative £	2029/30 Indicative £	Total Indicative £	Grants/ Contributions	Capital Receipts	Revenue	Business Rates Reserve	Ear-Marked Reserves	Total
ACTIVE PROJECTS												
Coalville Regeneration Projects												
Marlborough Square Improvements	61,039	-	-	-	-	**61,039**	-	-	-	61,039	-	61,039
Marlborough Centre Purchase and Renovation	500,000	2,400,000	52,923	-	-	**2,952,923**	-	-	-	2,952,923	-	2,952,923
Total Coalville Regeneration Projects	**561,039**	**2,400,000**	**52,923**	**-**	**-**	**3,013,962**	**-**	**-**	**-**	**3,013,962**	**-**	**3,013,962**
Vehicle, Plant and Equipment												
Food Waste Collections	1,154,138	-	-	-	-	**1,154,138**	1,062,066	-	-	92,072	-	1,154,138
Total - Vehicle, Plant and Equipment	**1,154,138**	**-**	**-**	**-**	**-**	**1,154,138**	**1,062,066**	**-**	**-**	**92,072**	**-**	**1,154,138**
New Construction or Renovation												
The Courtyard Roof Repair	200,000	-	-	-	-	**200,000**	-	-	-	200,000	-	200,000
Total - New Construction or Renovation	**200,000**	**-**	**-**	**-**	**-**	**200,000**	**-**	**-**	**-**	**200,000**	**-**	**200,000**
TOTAL ACTIVE PROGRAMME	**1,915,177**	**2,400,000**	**52,923**	**-**	**-**	**4,368,100**	**1,062,066**	**-**	**-**	**3,306,034**	**-**	**4,368,100**
DEVELOPMENT PROGRAMME												
Coalville Regeneration Projects												
Coalville Regeneration Framework	1,500,000	-	-	-	-	**1,500,000**	-	-	-	1,500,000	-	1,500,000
Demolition of Council Offices	120,000	-	-	-	-	**120,000**	-			120,000		120,000
Total Coalville Regeneration Projects	**1,620,000**	**-**	**-**	**-**	**-**	**1,620,000**	**-**	**-**	**-**	**1,620,000**	**-**	**1,620,000**
UK Shared Prosperity Investment Plan Programme (UKSPF)												
UK Shared Prosperity Investment Plan Programme	145,859	-	-	-	-	**145,859**	145,859					145,859
Total - UK Shared Prosperity Investment Plan Programme (UKSPI	**145,859**	**-**	**-**	**-**	**-**	**145,859**	**145,859**	**-**	**-**	**-**	**-**	**145,859**
Carbon Zero												
Electrical Vehicle (EV) Charging Infrastructure Strategy	40,000	-	-	-	-	**40,000**	-	-	-	40,000	-	40,000
Solar Panels - Ashby & Coalville Leisure Centres	195,000	-	-	-	-	**195,000**	-	-	-	195,000	-	195,000
Total - Carbon Zero	**235,000**	**-**	**-**	**-**	**-**	**235,000**	**-**	**-**	**-**	**235,000**	**-**	**235,000**
Systems / ICT Schemes												
Laptop Replacement	92,000	49,000	49,000	60,000	92,000	**342,000**	-	-	-	342,000	-	342,000
Replacement Windows Server	50,000	-	-	-	50,000	**100,000**	-	-	-	100,000	-	100,000
Wide Area Network (WAN)	50,000	-	-	-	50,000	**100,000**	-	-	-	100,000	-	100,000
Total Systems / ICT Schemes	**192,000**	**49,000**	**49,000**	**60,000**	**192,000**	**542,000**	**-**	**-**	**-**	**542,000**	**-**	**542,000**
Vehicle, Plant and Equipment												
Refuse Bins and Recycling Containers	200,000	200,000	202,000	-	-	**602,000**	-	-	-	602,000	-	602,000
Fleet Replacement Programme	591,000	99,000	637,000	-	-	**1,327,000**	-	20,760	-	1,306,240	-	1,327,000
Total - Vehicle, Plant and Equipment	**791,000**	**299,000**	**839,000**	**-**	**-**	**1,929,000**	**-**	**20,760**	**-**	**1,908,240**	**-**	**1,929,000**
New Construction or Renovation						**-**						
Hermitage Leisure Centre Demolition	146,068	-	-	-	-	**146,068**	-	-	-	146,068	-	146,068
Hermitage Recreational Ground 3G Pitch	-	150,000	-	-	-	**150,000**	-	-	-	150,000	-	150,000
Stenson Square Public Realm	1,000,000	1,000,000	-	-	-	**2,000,000**	-	-	-	2,000,000	-	2,000,000
Enterprise Park	1,850,000	1,850,000	-	-	-	**3,700,000**	-	-	-	3,700,000	-	3,700,000
Moira Furnance	266,741					**266,741**	-	-	-	266,741	-	266,741
Service Road Resurfacing	500,000					**500,000**				500,000		500,000
Car Park Resurfacing	164,000	-	-	-	-	**164,000**	-	-	-	164,000	-	164,000
Total - New Construction or Renovation	**3,926,809**	**3,000,000**	**-**	**-**	**-**	**6,926,809**	**-**	**-**	**-**	**6,926,809**	**-**	**6,926,809**
TOTAL DEVELOPMENT PROGRAMME	**6,910,668**	**3,348,000**	**888,000**	**60,000**	**192,000**	**11,398,668**	**145,859**	**20,760**	**-**	**11,232,049**	**-**	**11,398,668**
REFCUS												
Diabled Facilities Grants	670,310	670,310	670,310	670,310	670,310	**3,351,550**	3,351,550	-	-	-	-	3,351,550
TOTAL REFCUS	**670,310**	**670,310**	**670,310**	**670,310**	**670,310**	**3,351,550**	**3,351,550**	**-**	**-**	**-**	**-**	**3,351,550**
SPECIAL EXPENSES												
COALVILLE CEMETERY, MEADOW LANE (Broomleys)	22,000	-	-	-	-	**22,000**	-	-	22,000	-	-	
TOTAL SPECIAL EXPENSES	**22,000**	**-**	**-**	**-**	**-**	**22,000**	**-**	**-**	**22,000**	**-**	**-**	**22,000**
TOTAL	**9,518,154**	**6,418,310**	**1,611,233**	**730,310**	**862,310**	**19,140,317**	**4,559,475**	**20,760**	**22,000**	**14,538,082**	**-**	**19,140,317**

Appendix 5

North West Leicestershire District Council
Estimated Reserves 2025/26 to 2029/30

TEAM	Estimated Balance as at 1/4/25 £	Commitments & Budget Proposals 25/26 £	Estimated balance as at 31/3/26 £	Future commitment incl budget proposals 26/27 to 29/30 £	Estimated Balance 31/3/30 £
Earmarked Reserves:					
Human Resources	30,000	0	30,000	0	30,000
Property and Economic Regeneration	2,032,754	(221,500)	1,811,254	(85,000)	1,726,254
Planning & Infrastructure	742,239	(62,250)	679,989	(16,645)	663,344
Joint Strategic Planning	181,341	0	181,341	0	181,341
Community Services	636,773	(124,630)	512,143	0	512,143
Strategic Housing	404,158	0	404,158	0	404,158
Director of Resources	69,327	0	69,327	0	69,327
Finance	166,638	100,000	266,638	0	266,638
Customer Services	11,678	0	11,678	0	11,678
Business Change	566,718	(100,037)	466,681	(61,588)	405,093
MTFP Reserve	4,677,502	(195,000)	4,482,502	(157,000)	4,325,502
Business Rates Reserve	13,192,593	1,803,912	14,996,505	17,638,789	32,635,294
Total earmarked reserves - General Fund	**22,711,719**	**1,200,495**	**23,912,214**	**17,318,556**	**41,230,770**
Other reserves General Fund:					
General Balance (minimum level of reserves)	1,544,493	0	1,544,493	0	1,544,493
Total other Reserves - General Fund	**1,544,493**	**0**	**1,544,493**	**0**	**1,544,493**
TOTAL ALL RESERVES - GENERAL FUND	**24,256,212**	**1,200,495**	**25,456,707**	**17,318,556**	**42,775,263**
Total earmarked reserves - Special Expenses	**0**	0	**0**	**0**	**0**
Other reserves Special Expenses:					
General Balance	44,122	0	**44,122**	0	**44,122**
Total other Reserves - Special Expenses	**44,122**	**0**	**44,122**	**0**	**44,122**
TOTAL ALL RESERVES - SPECIAL EXPENSES	**44,122**	**0**	**44,122**	**0**	**44,122**

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Appendix 6

SPECIAL EXPENSES BUDGET SUMMARY 2024/25-2029/30

COALVILLE	**2024/25 Budget**	**2025/26 Budget**	**2026/27 Budget**	**2027/28 Budget**	**2028/29 Budget**	**2029/30 Budget**
Cemetery	(14,440)	(8,120)	(7,210)	(6,270)	(5,310)	(4,340)
Planned Preventative Maintenance (Cemetery)	12,090	29,450	7,670	7,900	13,130	8,370
Other Expenses	5,000	5,000	5,000	5,000	5,000	5,000
Parks, Recreation Grounds & Open Spaces	292,140	312,220	317,200	326,860	332,240	337,730
Planned Preventative Maintenance (Parks/Recreation Grounds)	24,400	14,450	189,660	75,180	69,260	77,700
Events	96,860	98,340	99,090	99,850	100,600	101,390
Net Cost of Services	**416,050**	**451,340**	**611,410**	**508,520**	**514,920**	**525,850**
Service & Committee Management	90,030	92,710	94,550	96,430	98,340	100,310
Net Cost of Services after Recharges	**506,080**	**544,050**	**705,960**	**604,950**	**613,260**	**626,160**
Funded By:						
Contribution To/ (From) Reserves	34,696	27,395	(111,700)	13,053	29,364	42,151
Precept (Council Tax)	(540,776)	(571,445)	(594,260)	(618,003)	(642,624)	(668,311)
Total Funding	**(506,080)**	**(544,050)**	**(705,960)**	**(604,950)**	**(613,260)**	**(626,160)**

WHITWICK	**2024/25 Budget**	**2025/26 Budget**	**2026/27 Budget**	**2027/28 Budget**	**2028/29 Budget**	**2029/30 Budget**
Cemetery	(4,440)	8,960	9,780	10,610	11,460	12,320
Open Space and Car Park	4,220	4,330	4,420	4,510	4,600	4,690
Planned Preventative Maintenance	4,730	9,100	12,200	4,600	3,400	3,500
Net Cost of Services	**4,510**	**22,390**	**26,400**	**19,720**	**19,460**	**20,510**
Service Management	14,130	14,550	14,840	15,130	15,440	15,750
Net Cost of Services after Recharges	**18,640**	**36,940**	**41,240**	**34,850**	**34,900**	**36,260**
Funded By:						
Contribution To/ (From) Reserves	(299)	(13,846)	(11,969)	2,246	12,120	23,320
Precept (Council Tax)	(18,341)	(23,094)	(29,271)	(37,096)	(47,020)	(59,580)
Total Funding	**(18,640)**	**(36,940)**	**(41,240)**	**(34,850)**	**(34,900)**	**(36,260)**

HUGGLESCOTE & DONINGTON-LE-HEATH	**2024/25 Budget**	**2025/26 Budget**	**2026/27 Budget**	**2027/28 Budget**	**2028/29 Budget**	**2029/30 Budget**
Cemetery	(190)	5,540	6,380	7,230	8,100	8,980
Planned Preventative Maintenance	9,980	38,080	22,160	16,240	2,820	2,900
Net Cost of Services	**9,790**	**43,620**	**28,540**	**23,470**	**10,920**	**11,880**
Service Management	14,770	15,220	15,530	15,840	16,160	16,480
Net Cost of Services after Recharges	**24,560**	**58,840**	**44,070**	**39,310**	**27,080**	**28,360**
Funded By:						
Contribution To/ (From) Reserves	(1,372)	(32,704)	(14,514)	(5,874)	10,730	14,406
Precept (Council Tax)	(23,188)	(26,136)	(29,556)	(33,436)	(37,810)	(42,766)
Total Funding	**(24,560)**	**(58,840)**	**(44,070)**	**(39,310)**	**(27,080)**	**(28,360)**

COLEORTON	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget	2029/30 Budget
Open Space	1,010	1,100	1,120	1,140	1,160	1,180
Planned Preventative Maintenance	1,300	0	0	0	0	0
Net Cost of Services	**2,310**	**1,100**	**1,120**	**1,140**	**1,160**	**1,180**
Service Management	0	0	0	0	0	0
Net Cost of Services after Recharges	**2,310**	**1,100**	**1,120**	**1,140**	**1,160**	**1,180**
Funded By:						
Contribution To/ (From) Reserves	(239)	585	268	7	(216)	(404)
Precept (Council Tax)	(2,071)	(1,685)	(1,388)	(1,147)	(944)	(776)
Total Funding	**(2,310)**	**(1,100)**	**(1,120)**	**(1,140)**	**(1,160)**	**(1,180)**

OAKTHORPE, DONISTHORPE & ACRESFORD	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget	2029/30 Budget
Play Areas	4,250	4,370	4,450	4,540	4,630	4,720
Planned Preventative Maintenance	1,660	0	0	0	2,200	0
Net Cost of Services	**5,910**	**4,370**	**4,450**	**4,540**	**6,830**	**4,720**
Service Management	0	0	0	0	0	0
Net Cost of Services after Recharges	**5,910**	**4,370**	**4,450**	**4,540**	**6,830**	**4,720**
Funded By:						
Contribution To/ (From) Reserves	5,424	7,232	7,335	7,440	5,346	7,651
Precept (Council Tax)	(11,334)	(11,602)	(11,785)	(11,980)	(12,176)	(12,371)
Total Funding	**(5,910)**	**(4,370)**	**(4,450)**	**(4,540)**	**(6,830)**	**(4,720)**

RAVENSTONE	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget	2029/30 Budget
Open Space	480	490	500	510	520	530
Planned Preventative Maintenance	640	660	680	700	720	740
Net Cost of Services	**1,120**	**1,150**	**1,180**	**1,210**	**1,240**	**1,270**
Service Management	0	0	0	0	0	0
Net Cost of Services after Recharges	**1,120**	**1,150**	**1,180**	**1,210**	**1,240**	**1,270**
Funded By:						
Contribution To/ (From) Reserves	117	(39)	(167)	(285)	(395)	(505)
Precept (Council Tax)	(1,237)	(1,111)	(1,013)	(925)	(845)	(765)
Total Funding	**(1,120)**	**(1,150)**	**(1,180)**	**(1,210)**	**(1,240)**	**(1,270)**

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – THURSDAY, 9 JANAURY 2025

Title of Report	**DRAFT HOUSING REVENUE ACCOUNT BUDGET AND RENTS 2025/26**	
Presented by	Councillor Andrew Woodman Housing, Property & Customer Services Portfolio Holder PH Briefed: Yes	
Background Papers	**Council 22 February 2024:** Housing Revenue Account (HRA) Budget and Rent Setting 2024/25	**Public Report:** Yes **Key Decision:** Yes
Financial Implications	This report sets out the draft Housing Revenue Account (HRA) budget including both capital and revenue for the period 2025/26 to 2029/30. It also sets out the proposed increase in rents along with other planned changes to the fees and charges levied by the Council for some services delivered within the scope of the HRA.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	No direct legal implications arising.	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	No direct Staffing and Corporate implications arising.	
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	This report seeks Cabinet approval to consult on the draft Housing Revenue Account budget and Rents for 2025/26 and the proposals contained within. The results of this consultation will be incorporated into future reports to the Cabinet and Council, aiming to secure approval for the final budget in February 2025	
Reason for Decision	Required as part of the budget setting process for 2025/26.	

Recommendations	THAT CABINET PROPOSES THE FOLLOWING FOR CONSULTATION: • DRAFT 2025/26 HOUSING REVENUE ACCOUNT BUDGET • RENT INCREASE 2025/26 • DRAFT MTFP FOR THE PERIOD 2025/26 TO 2029/30 • DRAFT 2025/26 HRA BUDGET PROPOSALS • DRAFT 2025/26 HRA FEES AND CHARGES AS CONTAINED WITHIN THIS REPORT.

1.0 BACKGROUND AND DISCUSSION

1.0.1 The Housing Revenue Account (HRA) Medium Term Financial Plan (MTFP) sets out the financial strategic direction for the HRA and is updated as it evolves and develops throughout the year, to form the framework for financial planning.

1.0.2 The purpose of the HRA 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 the HRA budget at a time when the council and its residents face a range of issues to contend with. In broad terms, these can be split into two categories: economic and housing. Each of these is explored below:

1.2 Economic

1.2.2 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, having stagnated last year, the economy is expected to grow by just over 1% this year, rising to 2% in 2025. Before falling to around 1.5%, slightly below its estimated potential growth rate of 1.6% over the remainder of the forecast.

1.2.3 Inflation is expected to rise by CPI inflation by around 0.5% percentage point, meaning it is projected to rise to 2.65% in 2025. And gradually fall back to target.

1.3 Housing

1.3.1 In response to the government Devolution revolution strategy, mayors will get unpresented powers to drive growth, turbo charge housebuilding and improve transport in a transformative fashion. The government published its English Devolution White paper on16 December 2024. It put English regions centre stage in the government's plan for change with a mission to grow the economy, delivering the 1.5m homes and infrastructure.

1.3.2 Recognising the wider context within which the budget is being set, the Council has made improvements to financial management in the last 12 months and has continued to use processes to develop its draft budget plans for 2025/26 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.

1.4 Budget Assumptions

1.4.1 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%

- Each budget line for the HRA has been reviewed to reflect the forecast actual value for future years, considering contract values, expected activity levels and previous years' expenditure with inflation added, as per contracts.

- Staffing requirements have been considered to ensure the delivery of an effective housing service with the best outcomes for tenants.

- Contracts have been linked to the Consumer Price Index (CPI)/ Retail Price 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.

- Fees and charges have been increased by inflation and where appropriate, these have been considered where demand has changed (see section 2.4 for more detailed information on fees and charges).

- Rents are assumed to increase, as per the rent standard, at the 12-month CPI from September 2024 which was 1.7% plus 1%, giving a total increase of 2.7%.

- The number of properties sold through Right to Buy is assumed to increase from previous years' estimate of 16 to 75 for the current year (2024/25) then reducing each year thereafter. Higher numbers of homes have been sold through Right to Buy in the current financial year due to the reduction in the right to buy discount that the government introduced in the recent budget in 2024.

- Future borrowing is assumed to cost 5.05% in interest.

2.0 HOUSING REVENUE ACCOUNT BUDGET AND MTFS 2025/26 to 2029/30

2.1 HRA Budget Summary

2.1.1 Appendix 1 shows the HRA budget position for 2024/25 and the budget for 2025/26 to 2029/30.

2.1.2 Table 1 below shows that in 2025/26 the budgeted net operating expenditure has reduced by £1.115m compared to 2024/25 whilst the anticipated income has decreased by £592K.

Table 1: Changes to the Housing Revenue Account budget from the previous year

	2024/25	2025/26	Movement
	£'000	**£'000**	**£'000**
Income	(21,613)	(21,020)	592
Operating Expenditure	20,168	19,053	(1,115)
Operating (surplus)/deficit	**(1,445)**	**(1,968)**	**(523)**
Appropriations	4,063	1,906	(2,157)
Net (surplus)/deficit	**2,618**	**(62)**	**(2,680)**

2.1.3 The appropriations in the table are the use of the HRA working balance to fund the capital programme as well as contributing to the loan repayment reserve. These appropriations are significantly lower in 2025/26 as the HRA balance has a lower capacity to fund capital.

2.2 Rents

2.2.1 As a self-financing account, the HRA's main source of income, the rent tenants pay for their homes. From 2016/17 to 2020/21 the Welfare Reform Act (2016) required all social rents to be reduced by 1% each year. This negatively impacted on the budget and the Council's ability to fund improvements. In 2023/24 a rent cap was imposed which capped rent increases at 7%.

2.2.2 For 2025/26, the Council proposes to increase the rent by 2.7%, which is in line with the Rent Standard of CPI +1% for 2025/26. (The rent standard is a policy that registered providers of social housing in England must comply with and is overseen by the Regulator of Social Housing). The increase is expected to result in a total rental income of £21.02 million in 2025/26.

2.2.3 The average annual rent for Social and Affordable Rent properties in 2025/26 is £5,163.15 and £7,107.50 respectively (2024/25: £5,009.29; £6,480.83). The average weekly rent in 2025/26 is £103.26 and £142.15 for Social and Affordable rent respectively, (2024/25: £100.19; £129.62, respectively) which is an increase of £3.07 and £12.53 per week. Those tenants who are more vulnerable are protected via increases in their benefits above this level, meaning that the worst off in the district will not be negatively impacted.

2.3 Budget Proposals

2.3.1 Appendix 2 summarises the most significant proposed changes to the HRA budgets. Looking at 2025/26 specifically, the total budget proposals of £420K include:

- **Net decrease in income totaling £600K.** This is largely due to the RTB sales and voids.

- **Repairs and maintenance savings of £1.3m.** Due to the reduction of staffing cost due to changes in the use of contractors and the Council's internal repairs team.

- **Pay-related increased costs** of £214K is due to £120k of budget proposals, to ensure compliance with new Consumer Standards, with the rest being the additional increase in pay award in both 2024/25 and 2025/26.

2.4 Fees and charges

2.4.1 In addition to the rental charges for dwellings, there are several other fees and charges in relation to services provided within the HRA. Some properties have service charges, on top of the rent, to pay for specific services relevant to their properties. The proposed fees and charges for 2025/26 are listed in Appendix 3. Most service charges increased by 1.7%, (September CPI) in line with the corporate charging policy.

3.0 HRA CAPITAL PROGRAMME 2025/26 TO 2029/30

3.1.1 The proposed HRA capital programme is outlined in Appendix 4. The Council has continued to ensure governance improvements by strengthening the Capital Strategy for managing the capital programme through its life cycle. The capital programme has been split into Active and Development Pool to allow development schemes in the early stages to go through further governance before being allocated an appropriate budget for each stage of development. A summary of the capital programme is shown in Table 2 below.

Table 2: Summary Capital Programme

	2025/26 Budget £'000	2026/27 Indicative £'000	2027/28 Indicative £'000	2028/29 Indicative £'000	2029/30 Indicative £'000	Total £'000
Stock Investment	9,715	9,715	9,465	6,715	6,715	42,325
Estate Improvements	500	500	500	500	500	2,500
Fleet Replacement	100	300	0	0	0	400
Other Capital	2,250	1,550	1,400	800	800	6,800
Total Approved Programme	12,565	12,065	11,365	8,015	8,015	52,025
Total Development Pool	3,013	3,066	4,433	1,396	4,189	16,097
Housing Revenue Account Total	**15,578**	**15,131**	**15,798**	**9,411**	**12,204**	**68,122**

3.1.2 Over the five-year period, the total programme totals £68.122m, an increase of £1.897m over the previous five-year programme. The difference is due to a reduction of £1.6m in the Development pool (New Supply) and the approved programme has a net increase of £3.5m mainly due to Major Aids and Adaptation within the Other Capital programme.

- **New Supply:** The programme has been extended to include sites being initially developed by registered providers.
- **Home Improvement Programme:** The backlog of work is on-going, and a budget has been made available for this within the capital programme.

3.1.3 Work has commenced on a revised Asset Management and Business Plan for the HRA. This will continue in 2025/26 and will inform the future programming of the HRA in future years.

3.2 Funding the Capital Programme

3.2.1 The capital programme is funded by a variety of sources, including revenue, grants, capital receipts and borrowing. Table 3 below summarises the funding sources identified for each year of the proposed HRA capital programme.

Table 3: Sources of funding for the Capital Programme

	2025/26 Budget £'000	2026/27 Indicative £'000	2027/28 Indicative £'000	2028/29 Indicative £'000	2029/30 Indicative £'000	Total £'000
Reserves	3,883	3,877	4,438	3,705	3,809	19,712
Capital Receipts	3,965	1,500	1,500	1,500	1,500	9,965
RTB Receipts	1,204	1,071	938	849	761	4,823
Revenue contributions	616	623	62	795	692	2,788
External Borrowing	1,909	8,060	8,860	2,562	5,443	**26,834**
Grants	4,000	0	0	0	0	4,000
Housing Revenue Account Total	**15,578**	**15,131**	**15,797**	**9,411**	**12,204**	

3.2.2 Table 3, above, shows a borrowing requirement of £26.8m (2024/25: £27.9m) over five years to fund the programme. This is a reduction of £1.134m when compared to the five-year plan for 2024/25. This is due to the increased usage of reserves to fund projects.

4.0 DEBT

4.1 The loan balance for the HRA is forecast to be £50.9m at the end of 2024/25. There are annuity loan repayments of approximately £1.3m to make each year, these repayments are usually funded from working balances but once working balances reach the £1m minimum, they will be funded from other capital resources.

4.2 There are also loans to be repaid at maturity. The next of these to repay is a £10m repayment in 2036/37. In accordance with the strategy agreed in 2012, when self-financing for the HRA was introduced, the Council sets aside funding each year in a Debt Repayment Reserve to ensure there is sufficient funding to repay debt when it matures. The budget assumes £2.7m is set aside in 2025/26 from the HRA to make the scheduled repayments at maturity, this increases each year as there is further borrowing to finance the capital programmed (shown in Table 4).

4.3 The HRA business plan is to be reviewed during 2025/26, and it will be investigated whether the approach of using a debt repayment reserve presents the best approach for a well-funded HRA and best use of resources. The findings will be presented to Scrutiny and Cabinet.

5.0 RESERVES

5.1 The Council has several reserves for the use of the HRA. Most of the reserves are used for capital financing. Table 4 below shows the projected reserve balances over the MTFP period.

Table 4: Reserve balances

Reserve	31/03/2026 £000	31/03/2027 £000	31/03/2028 £000	31/03/2029 £000	31/03/2030 £000
Major Repairs Reserve	4,162	4,399	4,545	4,719	4,888
Capital Receipts	5,410	5,446	5,393	5,279	5,106
Debt Repayment Reserve	3,357	5,945	8,936	12,370	15,932
Total Capital Reserves	**12,929**	**15,790**	**18,874**	**22,368**	**25,926**
HRA Reserve	1,000	1,000	1,000	1,000	1,000
Earmarked Reserves	115	0	0	0	0
Total Revenue Reserves	**1,115**	**1,000**	**1,000**	**1,000**	**1,000**

6.0 KEY RISKS TO THE BUDGET

6.1 Table 5 provides an assessment of the key risk areas to determine the robustness of the estimates and adequacy of reserves included in the HRA 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 underspend of £1m on the HRA. This is mainly due to staff vacancies and the overachievement of income due to the reductions in voids. However, there are some costs for the housing systems that have not been interfaced into the main financial systems. Hence, a further deep dive is required to verify the underspend.
The reasonableness of the underlying budget assumptions	Y	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. The latest Council Delivery Plan (CDP) was approved by Council on 14 November 2023. The CDP is aligned to the resources available and risks faced by the Council.
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 unearmarked reserves to meet unforeseen cost pressures	Y	The Council has a minimum level of reserves for HRA (£1m). This level is to be reviewed as part of the HRA business planning process.
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. The most significant area of income is from dwelling rents. The budget for this is produced with reference to current stock levels and expected stock loss, reconciling data and changes from the previous year to the current year. 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 and cost pressures been made?	Y	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. Services will need to ensure exit plans exist for one-off expenditure.

Area	Y/N	Comments
Are arrangements for monitoring and reporting performance against the budget plans robust?	Y	For 2024/25, quarterly financial reporting to Cabinet and Scrutiny Committee has been introduced. There is a new finance system, which is intended to bring enhanced financial reporting for budget holders to support robust and regular monitoring of budgets. 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	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. A review of the Financial Procedures Rules is planned.
Have the previous year's Accounts been signed off by external audit to verify balances?	N	The Council's Accounts for 2022/23 have been approved by Audit and Governance Committee. The audit completion date for the 2023/24 final account has not been set. Budget estimates and reserves balances for 2024/25 and beyond are based on the latest information incorporated into the 2022/23 and 2023/24 accounts.

Area	Y/N	Comments
Has there been a degree and quality of engagement with colleagues and councillors in the process to develop and construct the budget?	Y	There has been a continuation of the improvements introduced to the budget setting process last year. 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.

7.0 CONCLUSIONS AND NEXT STEPS

7.1 Based on the assumptions made for the HRA in the Draft Budget 2025/26 and MTFP for 2025-30 for income and expenditure, the Council can set a balanced HRA budget for 2025/26 and indicative budgets to 2029/30.

7.2 There is still further work to be carried out between the draft and final budget position to make any further changes to budget proposals, further detailed work on net financing costs, capital financing, ensuring the minimum balance for the HRA is maintained and technical finance work around recharges. There will also be equality impact assessments carried out during this period.

7.3 Shown below in Table 5 are the key deadlines and meetings Finance are working towards in the budget approval cycle:

Table 5: 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 consultation	13/01/2025
End of 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

7.4 The timelines in the table above show that public consultation runs from 13 January to 26 January 2025 and responses will be fed back to Cabinet on 28 January 2025 when a final budget will be recommended.

8.0 EXEMPTION FROM CALL IN

8.1 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 the priorities for the HRA.
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 rents and fees and charges.
Economic and Social Impact:	The HRA capital programme allocates £22.5m over five years to improve homes, and £16m on new homes to give homes to more people.
Environment and Climate Change:	The budget includes a capital programme of Zero Carbon works for dwellings worth £15m.
Consultation/Community Engagement:	Corporate Scrutiny Committee 7 January 2025 Public consultation - 13 January to 26 January 2025 Parish and town councils, trade unions and the Federation of Small Businesses - 13 January to 26 January 2025. Tenants and Leaseholders Consultation Forum – date to be confirmed. The results of the above consultations will be detailed in the final report.
Risks:	The budgets will be monitored throughout the year to ensure the Council remains within its funding envelope and planned budget savings are delivered. Key risks to the budget are discussed in further detail in section 5 of the report.
Officer Contact	Anna Crouch Head of Finance and Section 151 Officer anna.crouch@nwleicestershire.gov.uk

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Appendix 1

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL HRA SUMMARY BUDGET 2025/26 to 2029/30

2024/25 Revised Budget	HOUSING REVENUE ACCOUNT SUMMARY	2025/26 Requested Budget	2026/27 Indicative	2027/28 Indicative	2028/29 Indicative	2029/30 Indicative
£		£	£	£	£	£
	Expenditure					
9,749,113	Repairs & Maintenance	8,492,780	8,773,042	8,957,276	9,100,593	9,282,604
4,314,095	Supervision & Management	4,385,000	4,528,610	4,622,619	4,695,483	4,789,393
100,000	Provision for Doubtful Debts	100,000	100,000	100,000	100,000	100,000
4,161,536	Depreciation	4,161,536	4,399,299	4,545,101	4,719,136	4,887,661
1,843,184	Capital Financing & Debt Manageme	1,913,336	2,168,716	2,530,747	2,796,762	3,430,165
20,167,928	**Total Expenditure**	**19,052,652**	**19,969,667**	**20,755,743**	**21,411,974**	**22,489,823**
	Income					
(21,004,680)	Rent & Service Charges	(20,433,281)	(22,390,692)	(23,208,646)	(24,091,056)	(24,969,817)
(38,900)	Non-Dwelling Rents	(40,200)	(40,200)	(40,200)	(40,200)	(40,200)
(283,252)	Other Income	(253,252)	(180,252)	(84,252)	(29,252)	(29,252)
(286,000)	Investment Income	(293,722)	(394,000)	(478,000)	(569,000)	(671,000)
(21,612,832)	**Total Income**	**(21,020,455)**	**(23,005,144)**	**(23,811,098)**	**(24,729,508)**	**(25,710,269)**
(1,444,904)	**Net Operating Expenditure/-Surplus**	**(1,967,803)**	**(3,035,477)**	**(3,055,355)**	**(3,317,534)**	**(3,220,446)**
	Appropriations					
0	Debt repayment	1,290,145	1,319,347	569,205	583,927	599,031
2,492,444	Transfer to/(from) reserves	0	1,087,872	2,420,844	1,927,262	1,927,262
1,570,668	Revenue Contribution to Capital	615,652	628,258	65,307	806,345	694,154
4,063,112	**Total Appropriations**	**1,905,797**	**3,035,477**	**3,055,355**	**3,317,534**	**3,220,446**
2,618,208	**NET (SURPLUS)/DEFICIT**	**(62,005)**	**0**	**0**	**(0)**	**0**
(3,618,209)	Balance brought Forward	(937,995)	(1,000,000)	(1,000,000)	(999,999)	(1,000,000)
2,618,208	(Surplus)/Deficit In Year	(62,005)	0	0	(0)	0
(1,000,001)	Balance Carried Forward	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)

Appendix 2

North West Leicestershire District Council

Housing Revenue Account- Proposed Amendments to Budgets 2025/26 to 2029/30

Proposal Title	Proposal Description & Service Impact	2025/26 £	2026/27 £	2027/28 £	2028/29 £	2029/30 £
Pay Changes	Salary pressures (including pay award + budget proposals)	213,727	220,780	225,417	229,023	233,604
Total Pay Related Costs		**213,727**	**220,780**	**225,417**	**229,023**	**233,604**
Heating contract	Inflation on heating maintenance contract	47,334	48,896	49,923	50,722	51,737
Recharges from the General Fund	Inflation on services provided by the General Fund to the HRA	(145,469)	(150,270)	(153,425)	(155,880)	(158,998)
General inflation	Through Capital Charges and inflationary pressures	97,087	804,217	659,690	623,233	891,453
Total Inflation Increases		**(1,048)**	**702,844**	**556,188**	**518,075**	**784,192**
Other	Management Recharge to GF	(1,020)	(1,054)	(1,088)	(1,124)	(1,161)
Other Budget Adjustments		**(1,020)**	**(1,054)**	**(1,088)**	**(1,124)**	**(1,161)**
Repairs Backlog	Savings in Repairs and Maintenance costs	(1,250,000)	0	0	0	0
Change Consultant	Change Consultant to advise and assist with service transformation in 24/25 (Expenditure in 24/25, income 25/26)	(50,000)	0	0	0	0
Cost Pressures		**(1,300,000)**	**0**	**0**	**0**	**0**
Investment Income	Investment income on HRA balances	(7,722)	(7,977)	(8,240)	(8,512)	(8,793)
Loan interest	Changes in loan interest due to capital financing requirements	76,357	398,771	676,864	456,936	320,236
Total Other Corporate Amendments		**68,635**	**390,794**	**668,624**	**448,424**	**311,443**
Dwellings Rents	Dwellings Rent (decrease)/increase	590,142	(1,790,977)	(802,557)	(869,784)	(862,738)
Service Charges	Recharge to General Fund for services delivered by HRA	(18,649)	(22,793)	(14,505)	(11,051)	(13,814)
Grant Income	Domestic Renewable Heat Incentive	30,000	73,000	96,000	55,000	0
Leaseholder Service Charge	Income from leaseholders	(94)	(115)	(73)	(56)	(70)

Appendix 2

North West Leicestershire District Council

Housing Revenue Account- Proposed Amendments to Budgets 2025/26 to 2029/30

Proposal Title	Proposal Description & Service Impact	2025/26 £	2026/27 £	2027/28 £	2028/29 £	2029/30 £
Income	Two proposals below £15k	(1,300)	(1,589)	(1,011)	(770)	(963)
Total Changes In Income		**600,099**	**(1,742,474)**	**(722,146)**	**(826,662)**	**(877,585)**
	Total Budget Amendments	**(419,607)**	**(429,110)**	**726,994**	**367,736**	**450,493**

Appendix 3

North West Leicestershire District Council
Proposed Fees & Charges 2025/26 - Housing Revenue Account

Fee/Charge	2024/25 Fees	2025/26 Proposed Fees	% Change in Fees	Basis for Change
Central Heating	0 Bed: £9.01pw 1 Bed: £10.88pw 2 Bed: £12.47pw 3 Bed: £14.36pw	0 Bed: £9.16pw 1 Bed: £11.06pw 2 Bed: £12.68pw 3 Bed: £14.60pw	1.70%	Sept CPI
Garage and Site Rent	Garage: £8.63pw Garage Site: £5.53pw	Garage: £8.78pw Garage Site: £5.62pw	1.70%	Sept CPI
Service charges:				
Cleaning & Window Cleaning	£0.69 to £10.77	£0.70 to £10.95	1.70%	Sept CPI
Grounds Maintenance	£0.37 to £7.87	£0.38 to £8.00	1.70%	Sept CPI
Repairs to common parts	£0.02 to £0.42	£0.02 to £0.43	1.70%	Sept CPI
Repairs/replacement of items in Laundry	£0.10 to £8.55	£0.10 to £8.70	1.70%	Sept CPI
Admin Fee	15% of chargeable services	15% of chargeable services	1.70%	Sept CPI
Cleaning Blocks £0.87 to £11.55 pw	£0.93 to £12.32	£0.95 to £12.53	1.70%	Sept CPI
Fire Extinguishers	£0	£0	1.70%	Sept CPI
Control Centre Link Equipment	£3.39 pw	£3.45 pw	1.70%	Sept CPI
Door Entry Systems	£0.03 to £0.13	£0.03 to £0.13	1.70%	Sept CPI
Heating (Electricity)	£9.15 to £13.99	£9.31 to £14.23	1.70%	Sept CPI
Utility Cost of Shared/Common Parts			1.70%	As per cost
Older Persons Service Management Fee (incl. 15% management Fee~)	3.58 pw	3.64 pw	1.70%	Sept CPI
Scooter Store	£0.45 to £1.11pw	£0.46 to £1.13pw	1.70%	Sept CPI

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NORTHWEST LEICESTERSHIRE DISTRICT COUNCIL HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME 2025/26-2029/30 **Appendix 4**

PROJECT	2025/26 For Approval	2026/27 Indicative	2027/28 Indicative	2028/29 Indicative	2029/30 Indicative	Total
	£	£	£	£	£	£
Stock Investment						
Home Improvement Programme	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000	22,500,000
Asbestos	400,000	400,000	400,000	400,000	400,000	2,000,000
Roofs	500,000	500,000	250,000	250,000	250,000	1,750,000
Commercial Boilers	250,000	250,000	250,000	-	-	750,000
Stock Condition Surveys	65,000	65,000	65,000	65,000	65,000	325,000
Zero Carbon	4,000,000	4,000,000	4,000,000	1,500,000	1,500,000	15,000,000
Total Stock Investments	**9,715,000**	**9,715,000**	**9,465,000**	**6,715,000**	**6,715,000**	**42,325,000**
Estate Improvements						
Off-Street Parking	300,000	300,000	300,000	300,000	300,000	1,500,000
Estate Projects	100,000	100,000	100,000	100,000	100,000	500,000
Garage Demolition	50,000	50,000	50,000	50,000	50,000	250,000
Footpaths and Unadopted Roads	50,000	50,000	50,000	50,000	50,000	250,000
Total Estate Improvement	**500,000**	**500,000**	**500,000**	**500,000**	**500,000**	**2,500,000**
Fleet Replacement						
Vehicles	100,000	300,000	-	-	-	400,000
Total Fleet Replacement	**100,000**	**300,000**	**-**	**-**	**-**	**400,000**
Other Capital						
Sheltered Scheme Improvements	700,000	700,000	700,000	100,000	100,000	2,300,000
Passive Fire Safety	800,000	100,000	100,000	100,000	100,000	1,200,000
Scheme Lighting	350,000	350,000	200,000	200,000	200,000	1,300,000
Tunstall System	-	-	-	-	-	-
Major Aids and Adaptations	400,000	400,000	400,000	400,000	400,000	2,000,000
Housing Management IT System	-	-	-	-	-	-
Total Other Capital	**2,250,000**	**1,550,000**	**1,400,000**	**800,000**	**800,000**	**6,800,000**
Total Active Projects	**12,565,000**	**12,065,000**	**11,365,000**	**8,015,000**	**8,015,000**	**52,025,000**
DEVELOPMENT POOL						
New Supply	3,012,605	3,065,507	4,433,413	1,396,361	4,189,083	16,096,969
Total Development Pool	**3,012,605**	**3,065,507**	**4,433,413**	**1,396,361**	**4,189,083**	**16,096,969**
TOTAL HRA CAPITAL PROGRA	**15,577,605**	**15,130,507**	**15,798,413**	**9,411,361**	**12,204,083**	**68,121,969**

PROJECT	Major Repairs Reserve	Capital Receipts	RTB Receipts	RCCO	Grant	Prudential Borrowing	Total
	£	£	£	£	£	£	£
Stock Investment							
Home Improvement Programme	19,711,449	-	-	2,788,550	-	- 0	22,500,000
Asbestos	-	400,000	-	-	-	1,600,000	2,000,000
Roofs	-	500,000	-	-	-	1,250,000	1,750,000
Commercial Boilers	-	250,000	-	-	-	500,000	750,000
Stock Condition Surveys	-	65,000	-	-	-	260,000	325,000
Zero Carbon	-	6,000,000	-	-	4,000,000	5,000,000	15,000,000
Total Stock Investments	**19,711,449**	**7,215,000**	**-**	**2,788,550**	**4,000,000**	**8,610,000**	**42,325,000**
Estate Improvements							
Off-Street Parking	-	300,000	-	-		1,200,000	1,500,000
Estate Projects	-	100,000	-	-		400,000	500,000
Garage Demolition	-	50,000	-	-		200,000	250,000
Footpaths and Unadopted Roads	-	50,000	-	-		200,000	250,000
Total Estate Improvement	**-**	**500,000**	-	**-**	**-**	**2,000,000**	**2,500,000**
Fleet Replacement							
Vehicles	-	-	-	-		400,000	400,000
Total Fleet Replacement	**-**	**-**	-	**-**	**-**	**400,000**	**400,000**
Other Capital							
Sheltered Scheme Improvements	-	700,000	-	-		1,600,000	2,300,000
Passive Fire Safety	-	800,000	-	-		400,000	1,200,000
Scheme Lighting	-	350,000	-	-		950,000	1,300,000
Tunstall System	-	-	-	-		-	-
Major Aids and Adaptations	-	400,000	-	-		1,600,000	2,000,000
Housing Management IT System	-	-	-	-		-	-
Total Other Capital	**-**	**2,250,000**	-	**-**		**4,550,000**	**6,800,000**
			-				
Total Active Projects	**19,711,449**	**9,965,000**	**-**	**2,788,550**	**4,000,000**	**15,560,000**	**52,025,000**
DEVELOPMENT POOL							
New Supply	-		4,823,310	-	-	11,273,659	16,096,969
Total Development Pool	**-**	**-**	**4,823,310**	**-**	**-**	**11,273,659**	**16,096,969**
TOTAL HRA CAPITAL PROGRA	**19,711,449**	**9,965,000**	**4,823,310**	**2,788,550**	**4,000,000**	**26,833,658**	**68,121,969**

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