



Full Council

**Thursday, 23
February 2023**

**Matter for Information
and Decision**

**Report Title: 2023/24 Revenue Budgets, Medium Term Financial Plan and
2023/24 – 2027/28 Capital Programmes**

Report Author(s): Tracy Bingham (Strategic Director /Section 151 Officer)

Purpose of Report:	For Full Council to receive an update on the medium-term financial outlook and approve the General Fund Revenue Budget, the Housing Revenue Account (HRA) Budget, the Scale of Fees and Charges for 2023/24 and the General Fund and HRA Capital Programmes for 2023/24 – 2027/28.
Report Summary:	<p>The report outlines the final budget position for the 2023/24 year for the Council's General Fund, which is an anticipated deficit position of £430k which will need to be met through the use of reserves. The five year medium term financial plan shows deficits arising each year and reserves depleted in 2026/27. The report sets out the need for targets within the Sustainability Programme to be met, which will reduce the size of projected budget gaps and enhance the longevity of the council's reserves position.</p> <p>The report also presents the draft Housing Revenue Account which is a deficit of £391k and sets out the high level 5 year position.</p> <p>The proposed Capital Programme for 2023/24 is £2.28m and £4.91m on the General Fund and HRA respectively. The indicative position for 2024/25 and beyond is also presented.</p> <p>Finally, the report sets out the Section 151 Officer's statement on robustness of estimates and adequacy of reserves, as required by Section 25 of the Local Government Act 2003.</p>
Recommendation(s):	<p>That Full Council:</p> <ul style="list-style-type: none">A. Note the S151 Officer's statement on the robustness of the budget and the adequacy of reserves as set out in Section 11 of the report;B. Approve the General Fund Revenue Budget for 2023/24 as set out in Appendix 5;C. Approve the HRA budget for 2023/24 as detailed in Appendix 8, including rent increase of 7% in line with the national rent policy formula and 100% increase in heating charges based on option 3 as set out in Section 7;D. Approve the Scale of Fees and Charges as set out in Appendix 9;E. Approve the new Capital Schemes of the General Fund and HRA, including the provision for 2024/25 for the replacement of fleet, in order to minimise service

	<p>disruption as a result of long lead-in times, as set out in Appendix 10;</p> <p>F. Identifies capital schemes that Full Council wish to delegate to the new Capital Projects Sub-Committee for monitoring of delivery, subject to Council approval of its establishment;</p> <p>G. Ratifies the proposed repurposing of earmarked reserve to bolster the general fund reserve as detailed in Appendix 11.</p>
Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):	<p>Tracy Bingham (Strategic Director / Section 151 Officer) (0116) 257 2845 tracy.bingham@oadby-wigston.gov.uk</p> <p>Bev Bull (Head of Finance / Deputy Section 151 Officer) (0116) 257 2649 bev.bull@oadby-wigston.gov.uk</p> <p>Rashpal Sohal (Finance Manager) (0116) 257 2705 rashpal.sohal@Oadby-Wigston.gov.uk</p>
Corporate Objectives:	Providing Excellent Services (CO3)
Vision and Values:	<p>Accountability (V1)</p> <p>Respect (V2)</p> <p>Teamwork (V3)</p> <p>Innovation (V4)</p> <p>Customer Focus (V5)</p>
Report Implications:	
Legal:	There are no implications arising from this report.
Financial:	The implications are as set out throughout this report.
Corporate Risk Management:	Decreasing Financial Resources / Increasing Financial Pressures (CR1)
Equalities and Equalities Assessment (EA):	There are no implications directly arising from this report. EA not applicable
Human Rights:	There are no implications arising from this report.
Health and Safety:	There are no implications arising from this report.
Statutory Officers' Comments --	
Head of Paid Service:	The report is satisfactory.
Chief Finance Officer:	As the author, the report is satisfactory.
Monitoring Officer:	The report is satisfactory.
Consultees:	Public Consultation

Background Papers:	<ul style="list-style-type: none"> • Exempt Report and Minutes entitled 'Budget Proposals (2023/24) (Exempt)' to Policy, Finance and Development Committee on 15 November 2022 • 2023/24 Draft Revenue Budget, Medium Term Financial Plan and 2023/24 - 2025/26 Draft Capital Programmes, Policy, Finance and Development Committee on 6 December 2022 • 2023/24 Draft Revenue Budget and 2023/24 – 2027/28 Draft Capital Programmes, Council, 13 December 2022
Appendices:	<ol style="list-style-type: none"> 1. Summary of Consultation Responses Received 2. Oadby & Wigston Borough Council Response to Provisional Local Government Finance Settlement Consultation 3. Funding Outlook 4. General Fund Revenue Budget Proposals 5. Draft 2023/24 General Fund Budget 6. Community and Wellbeing Proposal and Service Structure 7. Housing Revenue Account (HRA) Budget Proposals 8. Draft 2023/24 HRA Budget 9. Proposed 2023/24 Scale of Fees and Charges 10. 2023/24 – 2027/28 Capital Programmes 11. Reserves position 22/23 including Repurposing Proposals

1. INTRODUCTION

- 1.1 This report sets out the proposed revenue budgets for 2023/24 and capital programme for the period 2023/24 – 2027/28, as recommended by the Policy Finance and Development Committee who reviewed the final estimated position on 7 February 2022.
- 1.2 The report also presents a number of existing earmarked reserves that have been reviewed by the Section 151 Officer and are proposed to be repurposed back to general reserves for the purposes of bolstering reserve available to support the Council in balancing it's budget whilst it pursues budgetary changes to close the ongoing structural budget gaps projected. More detail is set out at 5.7 below and Appendix 11.

2. CONSULTATION

- 2.1 The consultation on the budget for 2023/24 consisted of statutory and public consultation between 14 December 2022 and 27 January 2023.
- 2.2 The statutory consultation was undertaken with Trade Unions and the Federation of Small Businesses, all of whom were provided with copies of the budget reports and given the opportunity to provide feedback. No responses were received.
- 2.3 The public consultation was undertaken via an online consultation. The survey shared a number of high level features of the budget for 2023/24 and asked respondents whether they were in support and any further views. A total of 85 responses were received which are set out in Appendix 1.
- 2.4 There was one change proposed by officers as a result of consultation feedback on the HRA Capital Programme. The change is in response to comments received around the intention to spend £2.33 million from the HRA Capital Programme to build 6 – 8 new council homes on Horsewell Lane. It is proposed that the "Horsewell Lane" housing scheme is renamed to reflect that it is likely that the budget will be able to be utilised for other housing scheme(s) across the Borough. The revised Capital Programme at Appendix 10 now presents this funding as "New Housing Supply" to reflect that we do not yet have indicative costs for the Horsewell

Lane scheme and that the budget provision is likely to have some capacity to develop a pipeline of other potential housing schemes.

- 2.5 There were no further proposed changes from PFDC on reviewing the consultation responses at its meeting on 7 February 2023.

3. 2023/24 LOCAL GOVERNMENT FINANCE SETTLEMENT

- 3.1 The final Local Government Finance Settlement has now been announced, confirming the funding position for the Council for next year on the General Fund. A small amount of additional grant funding was announced on the 'Services Grant' which has been updated in estimates presented as part of this report.
- 3.2 Despite speculation in the sector, the cash value ceiling of £5 in the council tax referendum limit for Shire Districts (which is the "highest of 2.99% or £5") was not amended to £10.
- 3.3 The final Local Government Finance Settlement remains broadly in line with the provisional position which announced a 9% increase in national Core Spending Power (the measure of the resources available to local authorities to fund service delivery) and stability by introducing a one-off Funding Guarantee to ensure that every council sees at least a 3% increase in Core Spending Power next year before any local decisions on council tax rates. In comparison to other tiers of local government, Shire Districts achieved just little over 5% in the increase in core spending power.
- 3.4 Oadby and Wigston Borough Council have not received any additional funding under the Funding Guarantee, because it has maintained its funding position above 3% due to its New Homes Bonus position.
- 3.5 Overall, the settlement confirmed a position that was broadly anticipated as part of the draft budget. There was therefore very little movement in the anticipated funding position for 2023/24 since the draft budget was prepared on either the provisional or final settlement.
- 3.6 The Settlement is again, a one-year allocation which is not helpful for planning purposes.
- 3.7 We still await details of a revised New Homes Bonus scheme and the results of the Fair Funding Review and Business Rates reset. These are not now expected until 2023/24.
- 3.8 The council responded to the consultation on the provisional Local Government Finance Settlement – the response can be found in Appendix 2.
- 3.9 Comparatively, the Council has not fared well compared to peers. Core Spending Power has fallen behind and has diminished in recent years. In tandem, the Council has not, been able to benefit from growth incentivised funding and therefore has seen lower-than-average council tax funding, new homes bonus and accumulated business rates gains. As a result, the council continues to fare adversely from the lack of funding reform. Appendix 3 sets out more detail in respect of the council's unique funding circumstances and the current funding outlook.

4. SUSTAINABILITY PROGRAMME

- 4.1 Within the Medium Term Financial Strategy, a Sustainability Plan was approved for delivering savings. This plan also sets the approach that will be taken to explore, identify and deliver savings over the life of the plan. Savings total £976k from the current year to 2026/27.
- 4.2 Since the strategy was approved in September, the council's Senior Leadership Team have begun to mobilise the Sustainability Plan Programme and associated projects.

- 4.3 The Chief Executive will now take ownership as project sponsor, with the Strategic Directors acting as project leads.
- 4.4 Leads for each theme in the Sustainability Plan are agreed and set out in the table below. Project leads are underway with preparing project initiation documents (PIDs) which outline the scope, milestones, and review of deliverability and timing of savings for their respective areas.
- 4.5 A provision of £200k exists within the capital programme under the council's Flexible Use of Capital Receipts Strategy for the purpose of funding transformation and invest to save activities as part of the Sustainability Programme.
- 4.6 A status update is included in the table below and further updates will be presented to PFDC from Quarter 1 2023/24 as part of the quarterly budget monitoring reports.

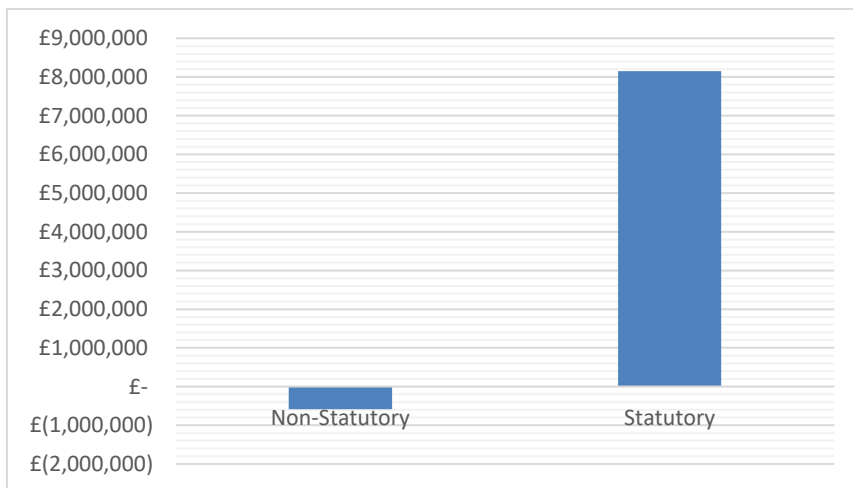
Table 1 – Sustainability Plan Programme and Update

Theme	Lead	22/23	23/24	24/25	25/26	26/27	Status Update
Financial Management	Strategic Director and S151 Officer	200,000					Review of earmarked reserves was completed in December. Further repurposing of earmarked reserves is being taken forward as part of Quarter 3 budget monitoring.
Service Review	Strategic Director		50,000	150,000	150,000	150,000	Community and Wellbeing service review underway. Timetable developed for further programme of service reviews which is now underway. £50k saving is built into the budget for 2023/24 but as yet it is not clear where this will be achieved.
Outcome Based Budgeting	Strategic Director / Head of Finance			47,000	47,000	47,000	This area of work will now be taken forward by the Head of Finance now in post
Asset Management	Head of Law and Governance and Monitoring Officer			25,000	25,000	25,000	The Council's landholdings have been identified and a surveyor is being sourced to undertake a tabletop review of potential development sites for disposal.
Income Generation	Head of Finance and Deputy S151 Officer		15,000	15,000	15,000	15,000	Two new income generating concepts were approved and incorporated into the budget for 2023/24: Community Lottery and Events. Achievement of this income target will be monitored. Further work will be taken forward by the Head of Finance now in post
Contracts	Head of Customer Services & Trans / Head of Built Environment		Tbc	Tbc	Tbc	Tbc	Work has now commenced, and a project team has been established. Review of current contact management processes underway. The team will now focus on establishing the level of savings targets that can be achieved.
		200,00	65,000	237,000	237,000	237,000	

5. GENERAL FUND

- 5.1 The draft net revenue expenditure position for the 2023/24 year is estimated to be £7.53m and funding is anticipated to be £7.1m. A deficit of in the region of £430k would be achieved on this basis. The General Fund Budget Summary can be found in Appendix 5.
- 5.2 This position represents a net increase in the net revenue expenditure of £934k and an increase in funding of £504k compared to the position in 2022/23.
- 5.3 A number of further changes were made to the budget estimates since the draft was presented to Full Council on 13 December 2022 – these were reported in full in the report to PFDC on 7 February 2023. All individual changes compared to the 2022/23 position are set out in Appendix 4.
- 5.4 The combined position of changes proposed to the 2022/23 position are therefore:
- 5.4.1 Funding – additional funding of £504k
 - 5.4.2 Savings - £1.593m
 - 5.4.3 Cost pressures - £2.529m
- 5.5 The following chart shows the level of core statutory services and discretionary services costs included in the 2023/24 budget. The chart shows that discretionary services, on aggregate, generate circa £600k in income for the Council. Further work will be undertaken so that a more in depth analysis on the total spend of individual Core Statutory and Discretionary Service areas can be shared in future.

Chart 1 – Total Spend of Core Statutory and Discretionary Service areas



Changes since Policy, Finance and Development Committee 7 February 2023

- 5.6 The following paragraphs detail the changes that have been made to the final budget estimates since PFDC reviewed the position on 7 February 2023.
- 5.6.1 **Services Grant Funding** increased by £2.5k as a result of the final local government settlement for 2023/24.
 - 5.6.2 **Business Rates Funding – NDR1** reduction of £10.5k in retained business rates income based on the completion of the NDR 1 return.
- 5.7 The table below sets out the current position in respect of reserves.

- 5.8 The Section 151 Officer and are proposed to be repurposed back to general reserves for the purposes of bolstering reserve available to support the Council in balancing it's budget whilst it pursues budgetary changes to close the ongoing structural budget gaps projected. More detail is set out at 5.7 below and Appendix 11.
- 5.9 The position forecast at February 2023 is therefore based on current reserves (which includes the amounts reallocated) adjusted for the forecast outturn on the 2022/23 General Fund which will need to be met through reserves.

Table 2 – General Fund Reserves

Type of Reserve	1 April 2022 Opening Balance	Adjustments made in year	Balance February 2023 *	Used to close budget/in-year variance	1 April 2023 Estimated Balance	Estimated Use of Reserves 23/24	31 Mar 2024 Estimated Balance
	£000s			£000s	£000s	£000s	£000s
General Fund	1,144	620	1,764	-425	1,339	-430	909
Earmarked Reserves	1,672	-881	791	-35	756	-143	613
Total Usable Revenue Reserves	2,816	-261	2,555	-460	2,095	-573	1,522
Capital Reserves	806	-800	6	0	6	1,183	1,189
Capital Grants Unapplied	25	0	25	0	25	0	25
Total Usable Capital Reserves	831	-800	31	0	31	1,183	1,214
Ringfenced - Covid 19; Disabled Facilities and S31 Monies	387	-364	23	0	23	0	23
Total General Fund Reserves	4,034	-1,448	2,586	-460	2,126	610	2,736

* *Nb – The reserve estimate at February 2023 assume Council ratify the repurposing of Earmarked Reserves as set out in Appendix 11.*

6. GENERAL FUND MEDIUM TERM FINANCIAL PLAN

- 6.1 In September 2022 the Council approved its Medium Term Financial Strategy (MTFS). The projected position over the forthcoming period at that time was a cumulative budget gap of £2m to 2027.

Table 3 – Medium Term Financial Plan – Projections as at September 2022

Item	2022/23 Forecast Outturn	2023/24	2024/25	2025/26	2026/27
Net Revenue Expenditure					
Locally generated income	-1,430,000	-1,460,000	-1,490,000	-1,520,000	-1,550,000
Recharge from HRA	-1,240,000	-1,360,000	-1,380,000	-1,410,000	-1,440,000
Pay related costs (incl pension)	7,410,000	7,460,000	7,600,000	7,740,000	7,880,000
Capital financing / MRP	730,000	840,000	890,000	940,000	940,000
Other Supplies, Services & Contracts	1,690,000	1,610,000	1,490,000	1,430,000	1,620,000
Total Net Revenue Expenditure	7,160,000	7,090,000	7,110,000	7,180,000	7,450,000
Funding					
Contribution from reserves	-130,000				
Council Tax	-4,220,000	-4,330,000	-4,440,000	-4,560,000	-4,680,000
Retained Business Rates	-2,010,000	-2,280,000	-2,220,000	-2,290,000	-2,330,000

Collection Fund (Surplus)/Deficit	150,000	100,000	150,000	100,000	
New Homes Bonus	-130,000	-170,000	-170,000		
Revenue Support Grant					
Lower Tier Services Grant	-70,000	-60,000	-60,000		
Services Grant	-110,000	-110,000	-110,000		
Total Funding	-6,520,000	-6,850,000	-6,850,000	-6,750,000	-7,010,000
In-Year Budget Gap / (Surplus)	640,000	240,000	260,000	430,000	440,000
Cumulative Budget Gap /(Surplus)	630,000	870,000	1,130,000	1,560,000	2,000,000

Review of assumptions and changes made

- 6.2 The review of the plan has focussed on rebasing the projections so that the 5 year timeframe aligns with the proposed 2023/24 budget, including the funding provisionally confirmed in the Local Government Finance Settlement.
- 6.3 The effect of this is that:
- There is an additional new financial year included in the plan – 2027/28, meaning there is another 'budget gap' added;
 - Funding now aligns with the settlement for this year and projections for future years adjusted, including the removal of the Lower Tier Services Grant, increased New Homes Bonus to reflect additional growth has increased in value; and
 - All supplies and services and pay and other areas of expenditure and income align with the budget projections – these have the effect of altering forward forecasts for future years also.
- 6.4 All assumptions that are driven by inflationary forecasts for future years have been reviewed in light of the updated Office for Budget Responsibility forecast that was published alongside the Autumn Statement in November 2022.
- 6.5 Based on the rebasing exercise and review, the projected budget gap has increased from £2m to £2.65m over the new forthcoming five year period. The movements between the plans is set out in Table 4 below:

Table 4 – Movements between Medium Term Financial Plans

MTFP cumulative Budget Gap @ September 2022		2,010,000
Removal of effect of forecast budget gap 2022/23	-640,000	
Additional deficit year as a result of rebasing model (2027/28)	457,000	
Movements on estimates between 2023/24 and 2026/27, as a result of changes in budget position for 2023/24 and assumptions for future years:		
-Increase in pay and pension related costs over the period	2,584,000	
-Net increase in costs as a result of movement in supplies & services and local income	-248,000	
-Increase in capital financing	381,000	
-Additional HRA recharge over period	-262,000	
-Additional Council Tax assumed, incl Collection Fund Surplus	-737,000	
-Additional Business Rates assumed, incl Collection Fund	-824,000	

-Additional New Homes Bonus assumed	-180,000	
-Reduction in assumed Lower Tier Services Grant	120,000	
-Reduction in assumed Services Grant	100,000	
-Reduction in contribution from reserves	-110,000	
Net movements	641,000	
MTFP cumulative Budget Gap @ February 2023		2,651,000

** Subject to rounding difference of £10k*

- 6.6 As always, there are a range of possible outcomes in respect of the future position and the chart below shows how over this period the financial results of the organisation could be different. It is important to recognise however, that the base version of the plan presents the most likely set of outcomes given known information.
- 6.7 Table 5 below sets out the current projections and resultant budget gaps without the Sustainability Programme savings. Table 6 shows the impact of the savings within the Sustainability Plan having been made. The information presented evidence that even with the delivery of savings as part of the Sustainability Plan, there is a significant residual budget gap.
- 6.8 Given the reserves position of the Council, the projections mean that reserves are set to be depleted by 2026/27. Chart 3 below shows this impact to reserves. The assumptions surrounding reserves include additional reserves repurposed for the purposes of bolstering general reserves as detailed on the Quarter 3 Budget Monitoring report which is on the same agenda as this report.
- 6.9 At this stage, no adjustments have been made to account for the potential additional funding that will flow to the council as a result of the distribution of the accumulated funds within the business rates pool. Whilst the funding presents an opportunity to reduce revenue costs by utilising the funds to fund growth related activity the council already funds, the value currently remains unconfirmed pending discussions between all councils in Leicestershire. The funds are also one-off and whilst that might serve to indirectly reduce forecast budget gaps, there will be no ongoing cost reduction or income.

Table 5 – Medium Term Financial Plan – Revised Projections

Item	2023/24	2024/25	2025/26	2026/27	2027/28
Net Revenue Expenditure					
Locally generated income	- 3,046,000	- 3,138,000	- 3,201,000	- 3,265,000	- 3,330,000
Recharge from HRA	- 1,436,000	- 1,472,000	- 1,472,000	- 1,472,000	- 1,472,000
Pay related costs (incl pension)	8,022,000	8,277,000	8,413,000	8,552,000	8,683,000
Capital financing / MRP	1,016,000	982,000	992,000	1,001,000	1,001,000
Other Supplies, Services & Contracts	2,942,000	3,047,000	3,250,000	3,293,000	3,258,000
Total Net Revenue Expenditure	7,498,000	7,696,000	7,982,000	8,109,000	8,140,000
Funding					
Contribution from reserves (Earmarked Reserves)	- 108,000	-	-	-	-
Council Tax	- 4,437,000	- 4,597,000	- 4,763,000	- 4,935,000	- 5,113,000
Collection Fund (Surplus)/Deficit - Ctax	- 15,000	-	-	-	-
Retained Business Rates	- 2,301,000	- 2,510,000	-2,409,000	- 2,488,000	- 2,570,000
Collect Fund (Surplus)/Deficit - Brates	114,000	-	-	-	-

New Homes Bonus	- 258,000	- 258,000	-	-	-
Revenue Support Grant	-	-	-	-	-
Lower Tier Services Grant	-	-	-	-	-
Services Grant	- 62,000	- 62,000	-	-	-
Total Funding	- 7,067,000	- 7,427,000	- 7,172,000	- 7,423,000	- 7,683,000
In-Year Budget Gap / (Surplus)	431,000	269,000	810,000	686,000	457,000
Cumulative Budget Gap / (Surplus)	431,000	700,000	1,510,000	2,196,000	2,653,000

** Note that there have been some updates made in the revised MTFP to locally generated income and other supplies, services and contracts, to correct classification issues in the September version of the plan – the updates affect the overall net forecast only marginally (circa £40k) and can therefore be disregarded.

Table 6 – Medium Term Financial Plan Budget Gap position post-delivery of Sustainability Plan Programme targets

Item	2023/24	2024/25	2025/26	2026/27	2027/28
In-Year Budget Gap / (Surplus)	431,000	269,000	810,000	686,000	457,000
Cumulative Budget Gap / (Surplus)	431,000	700,000	1,510,000	2,196,000	2,653,000
Sustainability Plan Programme Savings		- 237,000	- 237,000	- 237,000	
In-Year Budget Gap / (Surplus) after delivery of savings	431,000	32,000	573,000	449,000	457,000
Cumulative Budget Gap / (Surplus) after delivery of savings	431,000	463,000	1,036,000	1,485,000	1,942,000

Chart 2 – Comparison of Budget Gaps under different scenarios

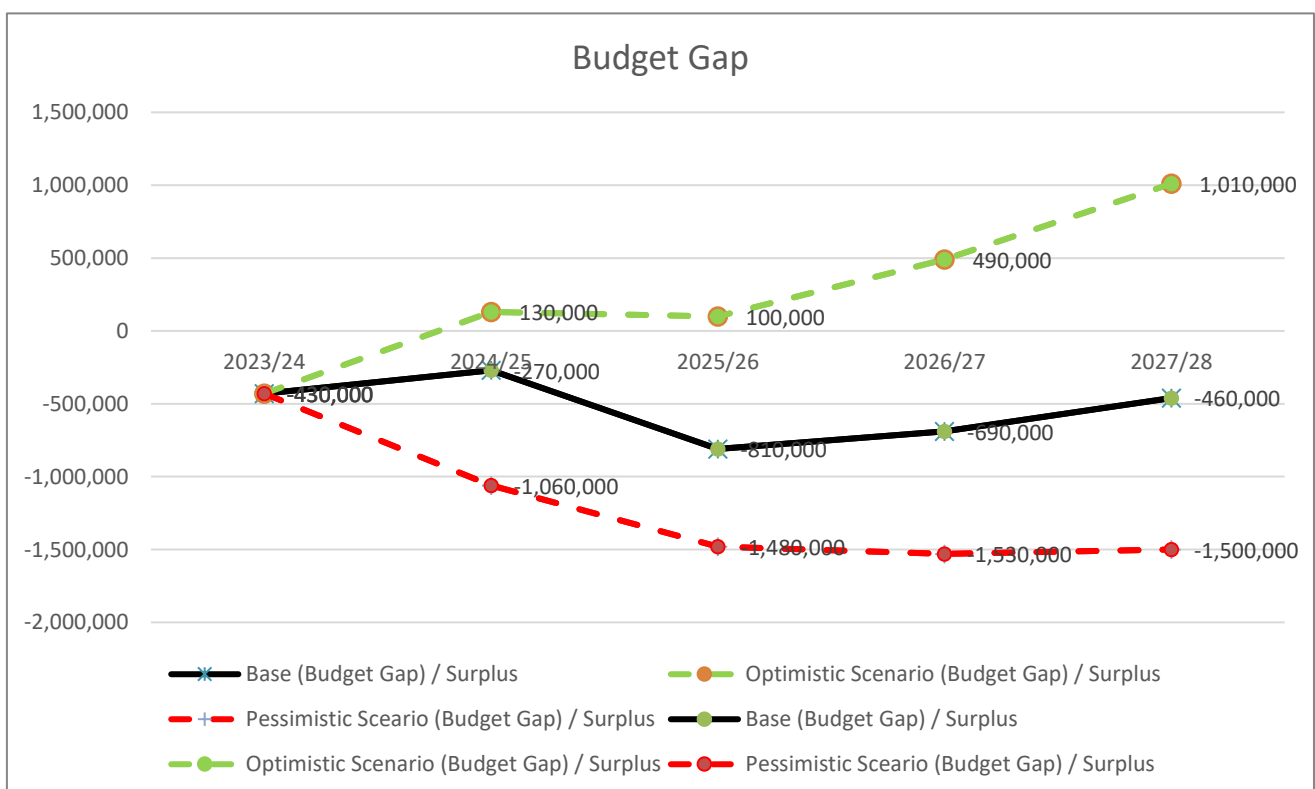


Chart 3 – Reserves position post delivery of savings.



Nb – The reserve estimates assume Council ratify the repurposing of Earmarked Reserves as set out in Appendix 11.

7. HOUSING REVENUE ACCOUNT

- 7.1 The draft net cost of service position for the 2023/24 year is estimated to be a balanced position, with a deficit of £391k Appendix 4 sets out the HRA budget summary. This position represents a net decline of £341k compared to the budgeted position in 2022/23.
- 7.2 This position is based on a rent increase of 7% for 2023/24 in line with the national rent policy formula. The proposed average rent for 2023/24 is £95.70 per week, an increase of £6.73.
- 7.3 A number of further changes were made to the budget estimates since the draft was presented to Full Council on 13 December 2022 – these were reported in full in the report to PFDC on 7 February 2023. All individual changes compared to the 2022/23 position are set out in Appendix 3.
- 7.4 The combined position of changes proposed to the 2022/23 position are:
- 7.4.1 Savings and Income Growth - £435k
 - 7.4.2 Cost pressures - £776k

Changes since Policy, Finance and Development Committee 7 February 2023

- 7.5 The following paragraphs detail the changes that have been made to the final budget estimates since PFDC reviewed the position on 7 February 2023.

7.5.1 **Heating expense and income** – There is one proposed change to the HRA budget as a result of the position on heating expenses recovered through heating charges to tenants. More detail is provided below.

Heating expense and income

7.6 During the Quarter 3 budget monitoring process, it was identified that the heating charges levied to tenants within the council’s three sheltered schemes in the 2022/23 year are now out of sync with the gas charges the council is incurring. The impact in-year has been somewhat mitigated by the government’s energy support.

7.7 However, since the energy support scheme, at its current level is due to end in March 2023 and be replaced with a lower level of support, the ongoing expenses incurred would require an increase to tenants for 2023/24 of in the region of 200%.

Chart 4 – Price overview

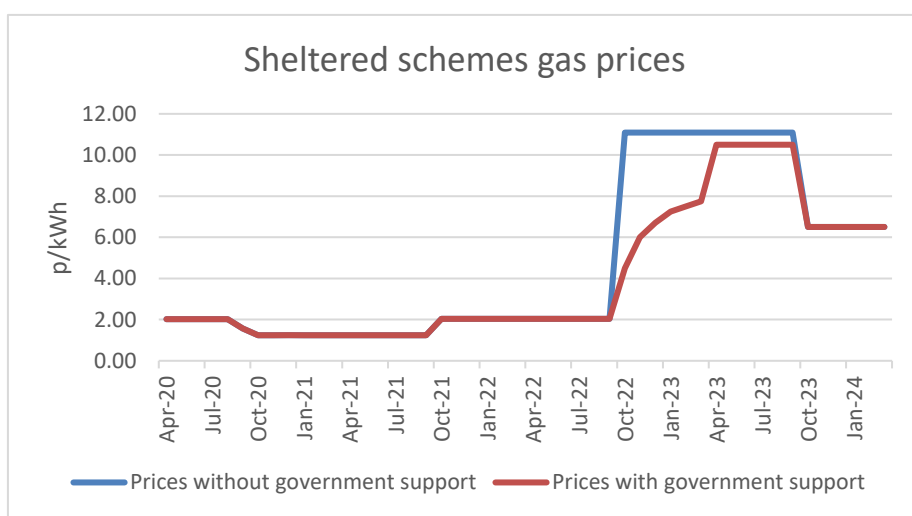
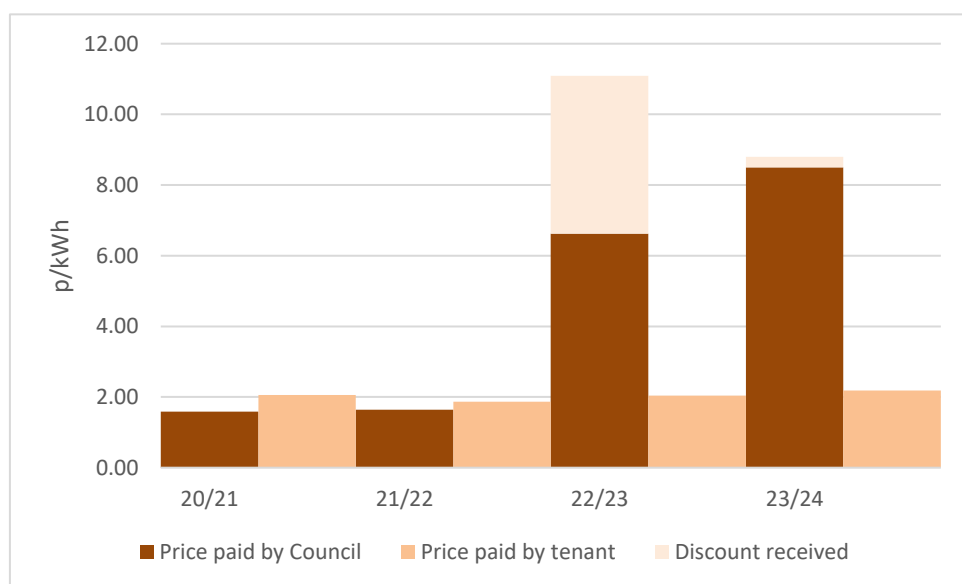


Chart 5 – Price overview at rates per kwh



7.8 This matter was referred to PFDC at its meeting on 7 February 2023.

7.9 Given the timing of this information being fully understood, an in-year increase to tenant charges was not proposed since the requirements to allow for 4 weeks’ notice would mean the

charge would not be able to be increased until at least the beginning of March. As such, it is PFDC noted that an increase is to be taken forward from the new financial year.

- 7.10 If the Council were to ensure full cost recovery, the required level of increase on tenant charges would be 225%. Given the significant impact on tenants, officers prepared and presented a number of other charge options. Only option 1 presents a solution where costs are recovered. If Options 2 – 4 are taken forward there will be a residual cost to the council that will remain unrecovered.

Table 7 – Charging options and impact on charges

Scheme	Property Type	22/23 Current Charge	Option 1 - 23/24 Proposed Charge to remain at full cost recovery	Option 2 - 150%	Option 3 – 100%	Option 4 – 50%
William Peardon Court	1 Bedroom Flat (rate 1)	8.38	27.24	20.95	16.76	12.57
Marriott House	Bedsit	9.92	32.24	24.80	19.84	14.88
William Peardon Court	1 Bedroom Flat (rate 2)	9.92	32.24	24.80	19.84	14.88
William Peardon Court	2 Bedroom Flat	10.84	35.23	27.10	21.68	16.26
Marriott House	1 Bedroom Flat	12.54	40.76	31.35	25.08	18.81
Chartwell House	1 Bedroom Flat	12.96	42.12	32.40	25.92	19.44
Chartwell House	2 Bedroom Flat	16.42	53.37	41.05	32.84	24.63

WPC – 2 separate rates for 1 bedroom flats due to property size.

Table 8 – Charging options and impact on cost recovery position

	Option 1 - 23/24 Proposed Charge to remain at full cost recovery	Option 2 - 150%	Option 3 – 100%	Option 4 – 50%
Net expense	Nil	44,000	74,000	103,000

- 7.11 At the meeting, PFDC resolved that option 3 should be taken forward and 100% of the anticipated expense should sought to be recovered, but that a quarterly review and adjustment of charges is implemented.
- 7.12 This means that if charges are in excess of expenses, there will be an option to reimburse tenants. Likewise, if charges are below the level by which the council would recover its costs, the council could raise charges in year.
- 7.13 PFDC were reminded that like all households, tenants have received the following financial support from government, which includes specifically £400 for energy:
- £150 Council Tax rebate paid to all households in Bands A to E
 - Energy Discount - £400 applied over 6 months from October, deducted from electricity bills
 - Winter Fuel Allowance – a payment of between £250 and £600 depending on qualifying benefits

- Cost of Living Payment – an £650 payment for individuals on certain benefits or tax credit

Impact on reserves

7.14 The below shows the impact of the proposed draft budget on the level of Housing Revenue Account unallocated reserves.

Table 9 – HRA Reserves

Type of Reserve	1 April 2022 Opening Balance	Adjustmen ts made in year	Balance Novemb er 2022	Used to close budget/in- year variance	1 April 2023 Estimat ed Balanc e	Estimat ed Use of Reserv es 23/24	31 Mar 2024 Estimat ed Balanc e
	£000s			£000s	£000s	£000s	£000s
HRA	1,155	330	1,485	-294	1,191	-391	800
Earmarked Reserves	730	-360	370	0	370	0	370
Total Usable Revenue Reserves	1,885	-30	1,855	-294	1,561	-391	1170
Capital Reserves	677	-0	677	0	677	-677	0
Total Usable Capital Reserves	677	-500	677	0	677	-677	0
Ringfenced - Major Repairs Reserve	449	542	991	0	991	-991	0
Total HRA Reserves	3,011	512	3,523	-294	3,229	-2,059	1,170

8. HRA FIVE-YEAR MEDIUM-TERM FORECASTS

8.1 In September 2022 the Council set out the projected position for the HRA over the forthcoming five year period in its approved its Medium Term Financial Strategy (MTFS). The projected position over the forthcoming period at that time was a cumulative surplus position of £639k. This forecast surplus would bolster HRA reserves over the period.

Table 10 – HRA Five Year Projections as at September 2022

	2022/23	2022/23	2023/24	2024/25	2025/26	2026/27
	Budget	Forecast	Forecast	Forecast	Forecast	Forecast
	£'000	£'000	£'000	£'000	£'000	£'001
EXPENDITURE						
Management	1,958	1,988	2,030	2,059	2,077	2,093
Repairs and maintenance	1,067	1,019	1,102	1,150	1,173	1,197
Council Tax	10	10	10	10	11	11
Debt Management	10	10	10	10	10	11
Depreciation (MRA cont.)	1,580	1,722	1,808	1,853	1,899	1,946
Provision for Bad Debts	75	75	100	100	100	100
Gross Expenditure	4,700	4,824	5,060	5,182	5,270	5,358
INCOME						
Rents - Dwelling	(4,985)	(4,965)	(5,439)	(5,741)	(5,859)	(5,980)
Rents - Non Dwellings	(93)	(93)	(113)	(114)	(117)	(120)
Charges for Services and Facilities	(197)	(197)	(201)	(205)	(210)	(215)
Gross Income	(5,275)	(5,255)	(5,753)	(6,060)	(6,186)	(6,315)
Interest payable	630	503	636	672	707	743
Interest Receivable	(5)	(5)	(5)	(5)	(5)	(5)

Revenue Contribution to Capital						
Transfers to/(from) Reserves	0	0	0	0	0	0
Total Capital Charges and Appropriations	625	498	631	667	702	738
(Surplus)/Deficit for the Year	50	67	(62)	(211)	(214)	(219)

8.2 Since September 2022, the rent increase formula was confirmed to be capped at 7% rather than follow the standard rent increase formula of CPI + 1%. The rent increase for 2023/24 is therefore sub-inflation meaning that rent is not keeping pace with the general level of inflation on Housing staffing, supplies and services.

8.3 As a consequence of this, the HRA forecasts for the forthcoming five year period now present a £227k deficit over the period, which will be balanced through the use of reserves. This forecast is made up of a projected deficit of £391k deficit in 2023/24, a further £53k deficit in 2024/25, with small and increasing surpluses projected from 2025/26.

Table 11 – HRA Five Year projections

	2023/24	2024/25	2025/26	2026/27	2027/28
	Budget	Forecast	Forecast	Forecast	Forecast
	£'000	£'000	£'000	£'000	£'000
Salaries	721,218	742,900	765,300	788,200	811,800
Supervision and Management - Other Residential Community Care and Comunal Services	343,980	294,368	298,535	302,804	307,178
Repairs and Maintance - Responsive	330,000	334,950	339,974	345,074	350,250
Repairs and Maintance - Planned	227,600	231,014	234,479	237,996	241,566
Repairs and Maintance - Voids	280,500	284,708	288,978	293,313	297,712
Repairs and Maintance - Gas Servicing	165,000	167,475	169,987	172,537	175,125
Repairs and Maintance - Adaptations	22,000	22,330	22,665	23,005	23,350
Recharge from General Fund	1,433,803	1,240,000	1,240,000	1,240,000	1,240,000
Depreciation	1,580,000	1,612,000	1,644,000	1,677,000	1,711,000
Total Expenditure	5,413,741	5,244,029	5,322,917	5,403,713	5,486,622
SUMMARY OF INCOME				-639	
Rental - Dwellings	(5,333,160)	(5,402,052)	(5,540,249)	(5,681,804)	(5,827,247)
Rental - Other	(106,383)	(108,663)	(111,011)	(113,430)	(115,922)
Service Charges	(330,183)	(337,495)	(346,822)	(356,429)	(366,324)
Total Income	(5,769,726)	(5,848,210)	(5,998,082)	(6,151,663)	(6,309,492)
CAPITAL CHARGES & APPROPRIATIONS					
Interest and Principal repaid	752,397	662,342	673,964	684,879	684,879
Interest Received	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
Total CC & A	747,397	657,342	668,964	679,879	679,879
NET (SURPLUS)/DEFICIT	391,412	53,161	(6,201)	(68,072)	(142,991)

9. SCALE OF FEES AND CHARGES

9.1 The Council charges for a number of its services that are provided to the public. All fees and charges are reviewed on an annual basis as part of the budget process. Charges set by the Council are increased in line with inflation or other factors taken in to consideration, in line with the Corporate Charging Policy:

- Statutory obligations
- Policies objectives of the Council;
- Local market research and competition (where relevant);
- The impact of price changes on activity level of demand;
- Changes in taxation
- Budget position and any associated gap;
- The cost of providing the service.

9.2 Included at Appendix 9 is the final proposed charge position of individual charges. The only updated areas since Council review in December 2022 is in relation to the charges from the council's contracted leisure provider.

10. CAPITAL PROGRAMMES

10.1 The proposed draft Capital Programme position for 2023/24 and indicative position for 2024/25 – 2027/28 is set out in Appendix 10.

General Fund Capital Programme

10.2 Proposals funded through 'unsupported borrowing' on the General Fund impact the 'Minimum Revenue Provision' (MRP) estimate for future years, which effectively is a method of calculating the estimated repayment of that internal borrowing. MRP is funded through revenue, and so an increase in capital expenditure plans funded through unsupported borrowing, increases expenditure on the General Fund in respect of MRP. The proposals below constitute new capital schemes only.

10.3 The total General Fund programme for 2023/24 is £2.283m, consisting of slippage and new schemes.

10.4 Slippage of £1.746k is assumed on the General Fund: £300k Brocks Hill construction, £300k "Invest to Save" (pending the identification of suitable projects), £495k Sports facilities, £80k replacement Finance ERP system upgrade, £36k for Oadby Pool and £51k originally set aside for capital maintenance of Bushloe House and the car park, which has now been reprofiled into future years for the purposes of maintaining Brocks Hill. In addition to this there was £484k of Fleet replacement slippage due to long lead time on vehicles.

10.5 The total of the General Fund new schemes are as presented as part of the draft budget and total £579k, and comprise of

10.5.1 **£35k for Multi use basketball / football court at Freer Park, Carlton Drive, Wigston** – to fund installation of an all-weather, fenced, level surfaced basketball and football combination play area.

10.5.2 **£15k for Tree Works – All Saints and St Wistans.**

10.5.3 **£5k for Repairs to Roll of Honour.**

10.5.4 **£7.5K for Partial Replacement of Christmas Lights.**

10.5.5 **£5.6K for an Air Quality Monitor on Blaby Road**

10.5.6 **£510k for Vehicle Refurbishment** – This forms part of a rolling capital budget to ensure the fleet programme is undertaken. The capital provision for 2024/25 – 2027/28 is also set to allow the service to order vehicles in time, allowing for lengthy lead-in times.

Housing Revenue Account Capital Programme

- 10.6 The total HRA Capital Programme for 2023/24 is proposed to be £4.906m.
- 10.7 £3.306m of this represents slippage from the 2022/23 year.
- 10.8 The new proposals which were presented as part of the draft budget total £2.11m and comprise of:
- 7.8.1. **£0.51m of the slippage to match fund the Social Housing Decarbonisation Fund** - to upgrade approximately 130 of the Council's housing stock with retrofit measures to reduce carbon emissions and tackle fuel poverty.
 - 10.8.1 **Annual Program of HRA Works £1.5m** - Annual HRA Program of Works for maintaining the decent homes standard.
 - 10.8.2 **£100k for Stock Condition Survey & Business Plan review** – A comprehensive survey of all council housing stock to inform the exact allocation of funds for the annual HRA Programs of Works.

11. CAPITAL PROJECTS SUB-COMMITTEE

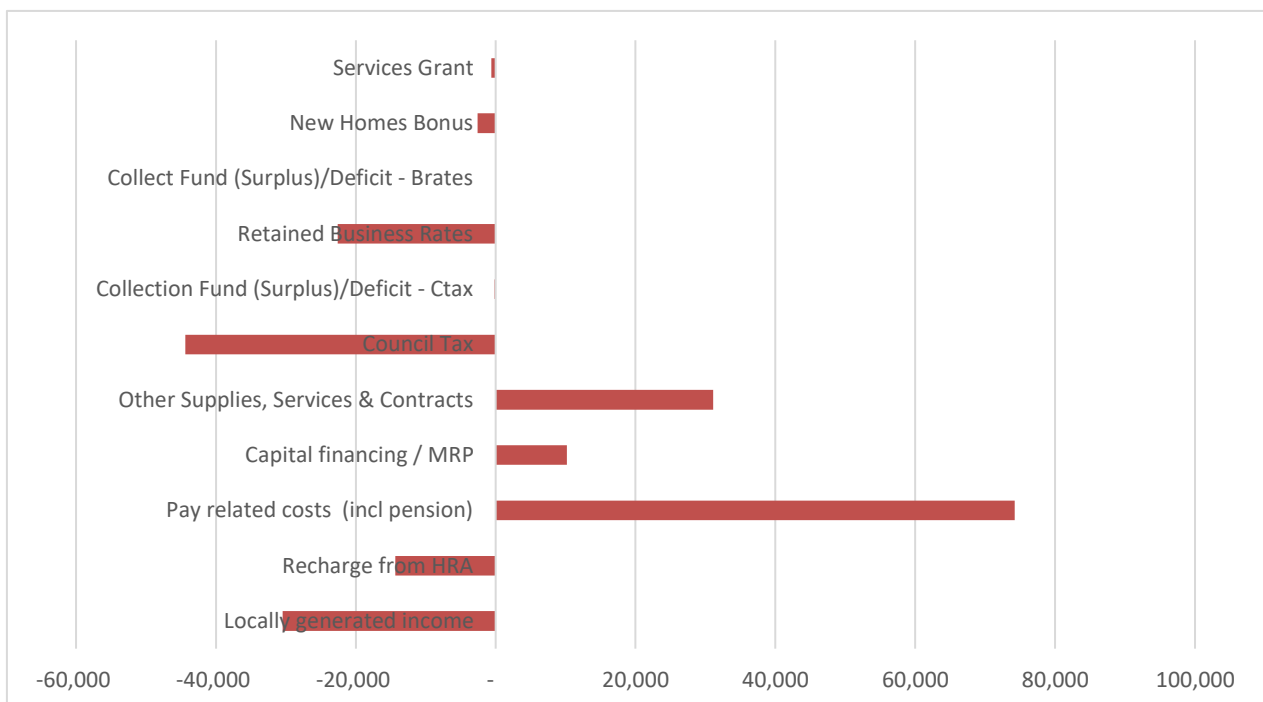
- 11.1 Following the successful operation of both the Oadby Pool and Brocks Hill sub-committees, it is proposed that a standing sub-committee should be established that will monitor Capital projects delegated to it by Full Council.
- 11.2 Draft Terms of Reference for that sub-committee were reviewed by members of the Constitutional Working Group in January and February and a separate report to establish the sub-committee is presented on a separate item on this Full Council meeting agenda.
- 11.3 At its meeting on 7 February 2023, PFDC considered schemes on the capital programme deemed to be material financially, reputationally and in terms of operational resources required to procure and deliver.
- 11.4 It is proposed that the following schemes are formally delegated to the new Sub-Committee to monitor delivery:
- 11.4.1 Housing New Supply (formerly titled "Horsewell Lane") - £2.33m, HRA
 - 11.4.2 Social Housing Decarbonisation Fund, £0.51m, HRA
 - 11.4.3 Oadby Pool Project - £36k (slippage to 2023/24), General Fund. Recognising that the Former Oadby Pool Sub-Committee has now fulfilled its original purpose.
 - 11.4.4 New Council Offices – £3.08m, General Fund. Recognising that the Brocks Hill Sub-Committee has now fulfilled its original purpose.
 - 11.4.5 Vehicle Refurbishment - £0.51m, (General Fund).

13. ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES (SECTION 25 STATEMENT)

- 13.1 The Local Government Act 2003 requires the Council's Chief Financial Officer (Section 151 Officer) to comment on the robustness of the estimates and also on the adequacy of the proposed reserves. Members must have regard to these comments when making a decision on the budget proposals for the forthcoming year.
- 13.2 The Section 151 Officer considers that the estimates which form the General Fund and Housing Revenue Account are robust and prudent, and the proposals are deliverable for 2023/24.

- 13.3 Based on current estimates for 2022/23 outturn and the 2023/24 year, the Council has an adequate level of reserves to balance the budget in 2023/24 on its General Fund.
- 13.4 The reserves position is planned to be bolstered through a repurposing of earmarked reserves, as set out at paragraph 5.7 and Appendix 11 of this report.. On this basis, estimates project the closing reserves to be £909k at March 2024. At £909k, the reserves level at March 2024 will represent just 12% of the net revenue expenditure position for 2024/25, which is considered low.
- 13.5 The Section 151 Officer has revisited the reserves risk assessment undertaken as part of the Medium Term Financial Strategy in September and concludes that in considering the Council's general fund reserves, the level is now well outside of the safe tolerance level.
- 13.6 This assessment is further evidenced by the latest CIPFA Financial Resilience Index release, which considers the position of councils at the end of the 2021/22 financial year. The index, which is accessible online at <https://www.cipfa.org/services/financial-resilience-index/resilience-index> shows that Oadby & Wigston Borough Council is "Higher Risk" in respect of its level of reserves. The index also shows the council to be higher risk in relation to fees and charges and its ratio of council tax compared to spending, meaning the council is heavily reliant on council tax versus other types of funding.
- 13.7 Additionally, the Council is susceptible to volatility in budgetary estimates and a relatively small change in the underlying assumptions can produce significant results for the Council. The below chart set out the impact of a 1% change in assumptions within the 2023/24 budget.

Chart 6 – Annual impact of a 1% change



- 13.8 If outturn forecasts for the current (2022/23) or the 2023/24 year are even less favourable than projected, the Council could be in a position where it has exhausted all its reserves by earlier than the current projected 2026/27 financial year. If this situation occurred, urgent corrective action would need to be undertaken and if such action is not successful, a section 114 notice issued and a period of spending prohibition begins (where new spend agreements are effectively halted).

13.9 The current projections show that the council’s reserves, including further repurposing remaining earmarked reserves that are available for the purposes of meeting budget gaps (as set out above), would be exhausted within the 2026/27 year. This means, in setting the 2026/27 budget, unless it had taken action to close the gap, the Council would be unable to meet the legal requirement to set a balanced budget. The chart below shows the effect of projected budget gaps on reserve levels.

Chart 7 – Budget Gap and Impact to Reserves



Nb – The reserve estimates assume Council ratify the repurposing of Earmarked Reserves as set out in Appendix 11.

13.10 It is noted that Council considered as part of the draft budget, to increase its council tax by the maximum level available, representing 2.99%. This is a prudent decision given the government funding position.

13.11 Clearly, the current outlook of closing budget gaps through the utilisation of reserves is not ideal and the Council needs to manage its expenditure within its funding and income means. This issue has been highlighted by the councils external auditors, Grant Thornton UK LLP.

13.12 At its meeting on 25 January 2022, Grant Thornton delivered their “Auditor’s Annual Report” to the Audit Committee. The report forms part of the outcome of the audit of the 2021/22 and 2022/23 financial statements and the council’s arrangements for use of resources. Two improvements recommendations around financial sustainability were made which are relevant to this section 25 statement:

- *Improvement recommendation 1 – Ensure that financial plans are developed and implemented to close the funding gap that are not dependent on the use of reserves.*
- *Improvement recommendation 2 - Progress with delivering the recently agreed Sustainability plan which needs to be monitored and reported to the Policy, Finance and Development Committee.*

- 13.13 Clearly, the delivery of savings will be instrumental to the Council's ongoing financial stability. As such, the council has developed a Sustainability Programme and related savings. The savings for 2023/24 are built into the General Fund for 2023/24, but not beyond.
- 13.14 Members should note that savings will pose a challenge for both officers and members in 2023/24 and further in the future when savings required increase. This is particularly so for service reviews where the targeted saving is included for 2023/24 but it is currently unknown where this will be delivered from.
- 13.15 The Sustainability Programme savings are currently set out to 2027 and do not meet the projected budget gap, which has now increased further over the term, in full. Taking the auditor's recommendations into account it is paramount that the Senior Leadership Team, with elected members, enact both the review and enhancement of planned savings and their timely delivery. Given the severity of the forecasted financial position, it is imperative that SLT and members focus urgently on steps to address the financial challenge and organise its activities in a way that focuses efforts on this single biggest risk.
- 13.16 Changes in grant funding continue to present a further significant risk to the Council and the Section 151 Officer continues to work with key sector representatives to raise the profile of the unique issues faced by the Council and lobby for more financial freedoms around council tax precept levels and currently heavily regulated income streams. As detailed above, the restraints of the current funding system are set out in the Funding Outlook document in Appendix 3.
- 13.17 In contrast, the Housing Revenue Account position remains in a more sustainable position, particularly now that the rent cap is confirmed at 7% and this is proposed to be taken forward. However, financial risks exist around: rising interest rates and the fact that the service needs to refinance debt on a regular basis and is therefore exposed to further increases in this regard; the need to decarbonise the stock and the associated financial burden this presents; ongoing volatility in respect of energy costs; which are highly susceptible to economic conditions; and the level of properties sold through right to buy.