



TO COUNCILLOR:

N Alam
L A Bentley
G A Boulter
F S Broadley (Vice-Chair)
M L Darr

J K Ford
D A Gamble
C S Gore
S Z Haq
G G Hunt

P Joshi
J Kaufman
K J Loydall
I K Ridley (Chair)

I summon you to attend the following meeting for the transaction of the business in the agenda below.

Meeting: Policy, Finance & Development Committee
Date & Time: Tuesday, 6 February 2024, 7.00 pm
Venue: Civic Suite 2, Brocks Hill Council Offices, Washbrook Lane, Oadby, Leicester, LE2 5JJ
Special Title: MTFS & Budget (2024/25)
Contact: Democratic Services
t: (0116) 257 2775
e: democratic.services@oadby-wigston.gov.uk

Yours faithfully

Council Offices
Oadby
29 January 2024

Anne E Court
Chief Executive



Meeting ID: 2587

ITEM NO.

AGENDA

PAGE NO'S

Meeting Live Broadcast | Information and Link

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Press & Public Access:

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<https://civico.net/oadby-wigston/18476-Policy-Finance-Development-Committee>

1. Apologies for Absence

To receive apologies for absence from Members to determine the quorum of the meeting in accordance with Rule 7 of Part 4 of the Constitution.

2. **Appointment of Substitutes**

To appoint substitute Members in accordance with Rule 26 of Part 4 of the Constitution and the Substitution Procedure Rules.

3. **Declarations of Interest**

Members are reminded that any declaration of interest should be made having regard to the Members' Code of Conduct. In particular, Members must make clear the nature of the interest and whether it is 'pecuniary' or 'non-pecuniary'.

4. **Minutes of the Previous Meeting**

3 - 8

To read, confirm and approve the minutes of the previous meeting in accordance with Rule 19 of Part 4 of the Constitution.

5. **Action List Arising from the Previous Meeting**

To read, confirm and note the Action List arising from the previous meeting.

6. **Petitions and Deputations**

To receive any Petitions and, or, Deputations in accordance with Rule(s) 11 and 12 of Part 4 of the Constitution and the Petitions Procedure Rules respectively.

7. **Budget Monitoring (Q3 2023/24)**

9 - 39

Report of the Interim Finance Manager

8. **Draft 2024/25 Revenue Budgets, Medium Term Financial Plan and 2024/25 - 2028/29 Capital Programmes**

40 - 52

Report of the Head of Finance / Acting Chief Finance Officer - S151 Officer

9. **Treasury Management Policy and Strategies and Prudential Indicators (2024/25)**

53 - 101

Report of the Senior Finance Business Partner

10. **Resident Forum Funding Requests**

102 - 104

Report of the Community Safety & Youth Officer

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Agenda Item 4

**MINUTES OF THE MEETING OF THE POLICY, FINANCE & DEVELOPMENT COMMITTEE
HELD AT CIVIC SUITE 2, BROCKS HILL COUNCIL OFFICES, WASHBROOK LANE, OADBY,
LEICESTER, LE2 5JJ ON TUESDAY, 5 DECEMBER 2023 COMMENCING AT 7.00 PM**

PRESENT

M H Charlesworth Chair
F S Broadley Vice-Chair



Meeting ID: 2571

COUNCILLORS

N Alam
L A Bentley
G A Boulter
J K Ford
D A Gamble
C S Gore
S Z Haq
G G Hunt
K J Loydall

OFFICERS IN ATTENDANCE

S J Ball	Legal & Democratic Services Manager / Deputy Monitoring Officer
B Bull	Head of Finance / Section 151 Officer
J Carr	Planning Policy and Development Manager
L Chevallereau	Planning Policy & Monitoring Officer
A E Court	Chief Executive / Head of Paid Service
D M Gill	Head of Law & Democracy / Monitoring Officer
T Hatton	Head of Customer Service & Transformation
R Helliwell	Communications and Marketing Manager
S Khan	Interim Strategic Director
T Neal	Strategic Director
A Thorpe	Head of Built Environment
J To	Graduate Officer (UK Shared Prosperity Fund)

25. **APOLOGIES FOR ABSENCE**

An apology for absence was received from Councillors M L Darr, P Joshi and I K Ridley.

26. **APPOINTMENT OF SUBSTITUTES**

None.

27. **DECLARATIONS OF INTEREST**

Councillor N Alam declared a non-pecuniary interest with regard to item 12 of the agenda, insofar as owning a rental property in South Wigston.

Councillor G A Boulter declared a non-pecuniary interest with regard to 14 of the agenda, insofar as being the director of the Wigston Framework Knitters Museum.

Councillor C S Gore declared a non-pecuniary interest with regard to item 12 of the

agenda, insofar as renting a plot in the Aylestone Lane allotments.

28. MINUTES OF THE PREVIOUS MEETING

It was moved by Councillor G A Boulter, seconded by Councillor K J Loydall, and

UNANIMOUSLY RESOLVED THAT:

The minutes of the previous meeting held on Tuesday 12 September, 2023 be taken as read, confirmed and approved.

29. ACTION LIST ARISING FROM THE PREVIOUS MEETING

None.

30. PETITIONS AND DEPUTATIONS

None.

31. ECONOMIC REGENERATION STRATEGY (2023-2028)

The Committee gave consideration to the report and appendices (as set out at pages 7 - 38 of the agenda reports pack), which asked it to approve the Economic Regeneration Strategy and Action Plan 2023-28.

It was moved by the Chair, seconded by the Vice-Chair, and

UNANIMOUSLY RESOLVED THAT:

- i) The Council's Economic Regeneration Strategy and Action Plan 2023-28 be approved.**

32. REVISED DRAFT STATEMENT OF COMMUNITY INVOLVEMENT (2023)

The Committee gave consideration to the report and appendices (as set out at pages 39 – 78 of the agenda reports pack), which asked it to approve the revised Statement of Community Involvement for an 8 week public consultation.

It was moved by the Chair, seconded by Councillor K J Loydall, and

UNANIMOUSLY RESOLVED THAT:

- i) The revised Statement of Community Involvement be approved for the purpose of an 8 week public consultation to commence on Wednesday 13 December 2023.**

33. PROCUREMENT POLICY (2023-2026)

The Committee gave consideration to the report and appendix (as set out at pages 79 - 110 of the agenda reports pack), which asked it to approve the updated Procurement Policy for the Council.

It was moved by Councillor G A Boulter, seconded by the Vice-Chair, and

UNANIMOUSLY RESOLVED THAT:

- i) **The content of the report and appendix be approved.**

34. BUDGET MONITORING (Q2 2023/24)

The Committee gave consideration to the report and appendices (as set out at pages 111 – 125 of the agenda reports pack), which provided an update on the forecast financial position for the Council for the financial year 2023/24, as at the end of the second quarter.

By general affirmation of the meeting, it was

UNANIMOUSLY RESOLVED THAT:

- i) **The contents of the report and appendices be noted.**

It was noted that recommendation B should read "(section 2.11)" and subject to this amendment, it was moved by the Chair, seconded by the Vice-Chair, and

RESOLVED THAT:

- ii) **The supplementary budget for the essential temporary resources in the Finance Team (section 2.11) be approved.**

Votes For	8
Votes Against	3
Abstentions	0

35. TREASURY MANAGEMENT MID-YEAR REPORT (2023/24)

The Committee gave consideration to the report and appendices (as set out at pages 126 - 135 of the agenda reports pack), which detailed the performance and activities of the authority's treasury management function for the financial year 2023/24 to 30th September 2023.

It was moved by Councillor G A Boulter, seconded by the Chair, and

UNANIMOUSLY RESOLVED THAT:

- i) **The content of the report and appendices be noted.**

36. 2024/25 DRAFT REVENUE BUDGET, MEDIUM TERM FINANCIAL PLAN AND 2024/25 – 2026/27 DRAFT CAPITAL PROGRAMMES

The Committee gave consideration to the report and appendices (as set out at pages 3 - 42 of the agenda update), which presented the revised General Fund Annual Budget for 2024/25 and an updated MTFP for 2024/25 to 2026/27, provided an update on the capital programme for 2024/25 and presented the HRA Annual Budget for 2024/25.

The Chair noted that due to ongoing discussions around recommendation C, the recommendation would instead read "Recommends to Council that the Service Delivery Changes – Financial Sustainability Plan be considered by Full Council on 12 December."

It was moved by the Chair, seconded by Councillor G A Boulter, and an amendment was

proposed by Councillor C S Gore and seconded by Councillor N Alam that recommendation B read "Recommends to Council that the general fund balance reserve is no longer used to balance the budget and recognise the mistake in using the balance for this purpose for as long as it has been doing."

IT WAS RESOLVED THAT:

The amendment to recommendation B be rejected.

Votes For 3
Votes Against 8
Abstentions 0

IT WAS UNANIMOUSLY RESOLVED THAT:

- i) The content of the report and appendices be noted;**
- ii) The general fund balance reserve no longer be used to balance the budget; and**
- iii) The Service Delivery Changes – Financial Sustainability Plan be considered at Full Council on Tuesday 12 December 2023.**

IT WAS RESOLVED THAT:

- iv) An increase in housing rents, service charges and garage rents by the maximum social rent level of 7.7% (subject to any changes being announced on the rent setting formula) be recommended to Full Council.**

Votes For 8
Votes Against 3
Abstentions 0

37. MINIMUM REVENUE PROVISION POLICY UPDATE (2023)

The Committee gave consideration to the report and appendices (as set out at pages 43 - 48 of the agenda update), which provided an update on the review of the Council's MRP Policy and proposed a change in the MRP methodology and presented a revised MRP Policy for approval to allow the change in methodology to be implemented.

It was moved by the Chair, seconded by the Vice-Chair, and

RESOLVED THAT:

- i) The change in MRP methodology be recommended to and approved by Full Council; and**
- ii) The revised MRP Policy be recommended to and approved by Full Council to enable the change in methodology to be implemented.**

Votes For 8
Votes Against 3
Abstentions 0

38. INCOME GENERATION UPDATE AND ADVERTISING / SPONSORSHIP POLICY

The Committee gave consideration to the report and appendices (as set out at pages 49 - 61 of the agenda update) which provided an update on income generation projects and asked it to approve the new Advertising and Sponsorship Policy.

It was moved by the Chair, seconded by the Vice-Chair, and

UNANIMOUSLY RESOLVED THAT:

- i) The content of the report be noted;**
- ii) The new Advertising and Sponsorship Policy be approved; and**
- iii) The new fees and charged for Advertising and Sponsorship for 2023/24 be approved.**

39. ORGANISATIONAL STRATEGY (2023)

The Committee gave consideration to the report and appendices (as set out at pages 154 - 165 of the agenda reports pack) which presented a draft Organisational Strategy for approval.

It was moved by Councillor L A Bentley, seconded by Councillor S Z Haq, and

UNANIMOUSLY RESOLVED THAT:

- i) The item be deferred until after the budget setting process and pending further Member involvement.**

40. STANDARDS & ETHICAL INDICATORS (Q2 2023/24)

The Committee gave consideration to the report and appendix (as set out at pages 166 - 176 of the agenda reports pack) which presented the figures for local determination of complaints and ethical indicators for Q2 2023/24.

It was moved by the Chair, seconded by the Vice-Chair, and

UNANIMOUSLY RESOLVED THAT:

- i) The contents of the report and appendix be noted.**

41. EXCLUSION OF PRESS AND PUBLIC

By general affirmation of the meeting, it was

UNANIMOUSLY RESOLVED THAT:

- i) The press and public be excluded from the remainder of the meeting in accordance with Section 100(A)(4) of the Local Government Act 1972 (Exempt Information) during consideration of the item(s) below on the grounds that it involved the likely disclosure of exempt information, as defined in the respective paragraphs 1 and 3 of Part 1 of Schedule 12A of the Act and, in all the circumstances, the public interest in maintaining the exempt item(s) outweighed the public interest in disclosing the information.**

42. INSURANCE AND LEISURE OPERATOR CONTRACT (EXEMPT)

The Committee gave consideration to the exempt report and appendix (as set out at pages 177 - 184 of the agenda reports pack) which asked the Committee to note the information provided and recommend to Full Council acceptance of recommendation B.

It was moved by the Chair, seconded by Councillor G A Boulter, and

UNANIMOUSLY RESOLVED THAT:

i) Recommendation A be noted.

It was moved by Councillor K J Loydall, seconded by Councillor D A Gamble, and

RESOLVED THAT:

ii) Recommendation B be accepted by Full Council.

Votes For	10
Votes Against	0
Abstentions	1

It was moved by the Chair, seconded by the Vice-Chair, and

UNANIMOUSLY RESOLVED THAT:

iii) Recommendation C be noted.

THE MEETING CLOSED AT 9.25 pm

Agenda Item 7



Policy, Finance and Development Committee	Tuesday, 06 February 2024	Matter for Information
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Report Title: **Budget Monitoring Report (Q3 2023/24)**

Report Author(s): **Deborah Proctor (Interim Finance Manager)**

Purpose of Report:	To provide the Committee with an update on the forecast financial position for the Council for the financial year 2023/24, at the end of Quarter 3 (Q3).
Report Summary:	<p>The Q3 forecast position for the year on the General Fund is an overspend of £563K compared to the revised budget of £7,709K for 2023/24. Actions to address and mitigate the forecast overspend position have been presented within the report.</p> <p>The Q3 forecast for the HRA is an underspend of £44K, compared to a budgeted deficit of £391K.</p> <p>Spending on the Council's HRA and General Fund Capital Programmes currently show significant slippage.</p>
Recommendation(s):	<p>That the Committee:</p> <ul style="list-style-type: none"> a) Note the contents of the Quarter 3 report and the Appendices; b) Approve the movement of capital budget from the New Housing Initiative scheme to create the new Purchasing Existing Properties scheme; c) Approve the delegated authority for the purchase of a suitable dwelling to add to the HRA housing stock; d) Approve the reduction of the 2023/24 capital programme budgets by the forecast slippage amounts and the increase of the capital programme budgets for 2024/25 to reflect the slippage; and e) Approve the creation of an NNDR Equalisation Reserve to hold income over budget created in one year so it can fund a deficit in a future year.
Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):	<p>Sal Khan (Interim Strategic Director) (0116) 257 2690 sal.khan@oadby-wigston.gov.uk</p> <p>Bev Bull (Head of Finance /Section 151 Officer) (0116) 257 2649 bev.bull@oadby-wigston.gov.uk</p> <p>Deborah Proctor (Interim Finance Manager) (0116) 257 2823 deborah.proctor@oadby-wigston.gov.uk</p>
Strategic Objectives:	Our Council (SO1)

Vision and Values:	"Our Borough - The Place to Be" (Vision) Resourceful & Resilient (V4)
Report Implications: -	
Legal:	There are no implications directly arising from this report.
Financial:	The implications are as set out in this report.
Corporate Risk Management:	Decreasing Financial Resources / Increasing Financial Pressures (CR1) Reputation Damage (CR4) Economy / Regeneration (CR9)
Equalities and Equalities Assessment (EA):	There are no implications directly arising from this report. EA not applicable
Human Rights:	There are no implications directly arising from this report.
Health and Safety:	There are no implications directly arising from this report.
Statutory Officers' Comments: -	
Head of Paid Service:	The report is satisfactory.
Chief Finance Officer:	The report is satisfactory.
Monitoring Officer:	The report is satisfactory.
Consultees:	Senior Leadership Team
Background Papers:	1. 2023/24 Revenue Budgets, Medium Term Financial Plan 2023/24 – 2027/28 Capital Programmes – Full Council 23 February 2023 2. Budget Monitoring Report (Q1 2023/24) – PFDC 12 September 2023 3. Budget Monitoring Report (Q2 2023/24) – PFDC 5 December 2023
Appendices:	1. Variance Analyses of Services 2. Reserves Movements 3. Capital Programme 2023/24 4. Treasury Management Report

1. Introduction

- 1.1 In February 2023, the Council approved its revenue and capital budgets for the general fund and the HRA.
- 1.2 This is the third monitoring report for the 2023/24 financial year and the report details the forecast financial outturn position for the year. Although economic conditions and inflationary pressures have started to ease, there is still considerable pressure on the Council's budgets and therefore the ability to deliver services within the revised budget.

2. General Fund Forecast Outturn Position 2023/24

- 2.1 At Quarter 3 (December 2023) the forecast outturn position for 2023/24 is a **£563K** overspend which represents a 7.3% variance of the revised revenue budget of £7.709m as shown in **Table 1** below.
- 2.2 The revised revenue budget has increased since Quarter 2 by £123K to £7.709m to reflect the supplementary budget approved by this committee at the meeting on 5 December 2023. This was for an increase to the Finance budget to cover agency costs for essential posts within the finance team.
- 2.3 As reported previously, the 2023/24 budget was set utilising **£430K** of general reserve to balance the budget. Therefore, in total **£1.149m** use of general reserve is forecast in managing the 2023/24 budget position, demonstrating the Council's budget is not sustainable. Its expenditure is exceeding its funding on an ongoing basis. Members and Officers are continuing to work together on the budget setting 2024/25 and Medium-Term Financial Plan to develop plans to move away from the reliance on reserves to balance the budget.

Table 1 - General Fund Budget Monitoring Position by Service

Service	Original Budget 2023/24	Revised Budget 2023/24	Forecast Outturn	Variance
	£	£	£	£
Senior Leadership Team	482,350	482,350	416,813	(65,537)
Finance & Resources (Including Corporate Budgets)	2,390,454	3,344,202	3,835,398	491,196
The Built Environment	1,258,986	1,315,247	1,106,923	(208,324)
Law & Democracy*	757,652	730,162	795,715	65,553
Community & Wellbeing, Corporate Assets, Depot**	1,088,928	1,088,928	1,818,891	729,963
Customer Service & Business Transformation	1,970,768	1,164,438	1,130,573	(33,865)
HRA Recharge	(1,433,803)	(1,433,803)	(1,433,803)	-
Capital Financing	1,017,100	1,017,100	601,372	(415,728)
Net Revenue Expenditure	7,532,435	7,708,624	8,271,883	563,259
Financed by:				
Funding	6,959,048	6,959,048	6,959,048	-
Earmarked Reserves	143,200	163,389	163,389	-
General Fund Reserve	430,187	586,187	1,149,446	563,259
Total Financing	7,532,435	7,708,624	8,271,883	563,259

NOTE TO TABLE 1

* Law and Democracy: £32K of the £66K variance relates to budget setting errors; budget pressure is £34K

** Community and Wellbeing, Corporate Assets, Depot: £118K of the £730K variance relates to budget setting errors; budget pressure is £612K.

- 2.4 The major variances at quarter 3 are summarised in Table 2 below. Further detailed analysis of the variances in each Service with explanatory notes is provided in **Appendix 1.1**.

2.5 **Table 2 – Major Variances over £30K**

Service Area	Team	Variance (under)/over-spend	Key reasons for forecast variance
		£'000	
SLT	Corporate Costs	(34)	Savings from costs over-accrued from previous year.
	Senior Leadership Team	(42)	Savings on Strategic Director posts due to changes in post holders.
Finance & Resources	ICT	34	UNIFORM software: unbudgeted spend.
	Net Cost of Benefit	355	Mainly homeless costs for temporary accommodation plus other small movements on net cost of benefits.
	Non-Domestic Rates	(39)	£(32)K Vacancy savings: Bus Rates Officer post frozen. £(7)K underspend professional fees.
	Systems Administration	(33)	Vacancy savings (post frozen from August 2023).
	Vacancy Target	119	Corporate vacancy savings target removed.
The Built Environment	Economic Development	(87)	£(74)K due to some salary capitalisation not achieved, pressure from Pay Award mitigated by vacancy savings on Economic Regeneration Manager and 2x Officers, £5K overspend from Christmas lights costs (electricity), and £(18)K savings from costs charged elsewhere.
	Homelessness	(227)	Mainly from additional homeless grants income and housing benefit receipts.
	Planning Control	68	Mostly £45K from unachieved planning income, and £23K salary pressures and minor variances.
Law & Democracy	Alcohol and Entertainment Licences	(30)	Mostly due to recovery of historical uncollected premises licences.
	Licensing Service	(45)	Mostly due to £(40)K salary and £(5)K subscription changes being recharged elsewhere.
	Non service-specific	32	The full cost of staff in the Environmental Health Admin & Enforcement budget was not fully reflected, as reported previously.
	Selective Property Licensing Scheme	110	Mainly from underachieved income from Private Landlord Property licences.

Community & Wellbeing	Non service-specific	118	Error in the detailed budget setting when the transfer of the Community Wellbeing function to Blaby was reflected (the cost of transferring the service to Blaby remains as previously presented and agreed by members). This was reported at Q1.
	Swimming Pools & Leisure Centre	260	Income shortfall on the leisure management fee income previously reported an overspend on external contractor costs.
Corporate Assets	Brocks Hill Move	72	Moving costs, utilities and maintenance of new conferencing system.
	Bushloe House Offices and Grounds	70	Delays in sale, incurred utility costs (under investigation).
	Cemeteries	55	Mostly from reduced fees income.
Depot	Domestic Refuse Collection	51	£6K cost pressure on hired plant, £34K overspent due to contractual payments for working bank holidays, £11K unachieved income from collection of white goods.
	Fleet Management	39	Unexpected vehicle repairs.
Capital Financing	Capital Financing	(416)	Savings in capital financing charges due to £(343)K MRP savings, £(29)K savings from interest payable due to slippage, £(45)K additional interest receivable due to interest rate increases.
All	Pay Award	147	Pressure from Pay Awards being higher than budgeted.
	Other	(14)	Smaller variances
	Forecast	563	(Under) /Overspend

2.6 Although easing, inflationary pressures continue to affect all services across the Council, such as substantially increased costs for salaries, contracts, utility costs, supplies and services, building material and repair costs.

2.7 The largest major variance is within the Finance service area: "Net Cost of Benefit". This variance is mainly homeless costs for temporary accommodation plus other small movements on net cost of benefits. Since Q2, the forecast year-end variance has reduced from £397K to £355K. This £42K movement is largely due to an increase in sundry debtors raised for overpayments.

2.8 Further analysis of the major movement in the forecast outturn position between quarter 2 and quarter 3 can be found in **Appendix 1.2**.

3. Sustainability Programme 2023/24

3.1 The budget for 2023/24 included the following savings in respect of the sustainability programme approved as part of the MTFS.

Table 3 - Sustainability Programme Savings

Sustainability Programme Savings	2023/24
Service Reviews	£50,000
Income Generation	£15,000
Total savings	£65,000

3.2 The 2023/24 saving targets have been achieved as reported in previous quarterly reports. £50K was achieved through Regeneration Team Restructuring/review and £15K additional income has been achieved through licensing income process improvements.

4. Business Rates

4.1 The only element of the Council Funding that is not fully fixed for the year at budget stage is Business Rates. The table below shows the latest forecast in respect of Business Rates for 2023/24.

Table 4 – Business Rates Forecast 2023/24

	Budget 2023/24	Forecast Outturn 2023/24	Variance
NNDR Income	(4,947,649)	(4,947,649)	-
Tariff	3,745,755	3,745,755	-
Section 31 Grants - Funded Reliefs	(1,406,489)	(1,343,611)	62,878
Levy	315,693	61,088	(254,605)
Renewable energy	(8,564)	(8,564)	-
Previous year's (surplus)/deficit	113,886	113,886	-
	(2,187,368)	(2,379,095)	(191,728)

4.2 Due to the complexities of the Collection Fund, it is important to note that the largest element of this position 'NNDR income' is fixed based on the amount forecast at budget setting, any variance from the actual NNDR income impacts on the budget in 24/25 in the form of the surplus/deficit for the previous year. The forecast cumulative deficit at the end of 2023/24, that will impact on the budget in 2024/25 is £594K. An element of this deficit is the result of additional reliefs given by central government. There is Section 31 grant being held as an earmarked reserve of £306K to off-set this element of this deficit. This results in a requirement to fund the remaining £288K deficit. Therefore, it is recommended that an **NNDR equalisation reserve** is created and NNDR income over budget for 2023/24 is moved to the reserve to fund the deficit in the following year.

4.3 A forecast has now been received for the return from the business rates pool for 2022/23. The indication is that we will receive £525K back from the return for 2022/23. Previous general fund reserve projections have been based on the assumption £300K would be received from the pool and placed in the general fund reserve. Therefore, it is recommended that the additional £225K is moved the NNDR equalisation reserve to fund the NNDR deficit in 2024/25 and provide resilience against NNDR income fluctuations in the future.

5. Impact on General Fund Reserves

5.1 The table below forecasts the General Fund Balance at the year-end based on the latest Quarter 3 forecast and other known impacts on the reserve.

Table 5 - Forecast General Fund Reserve 31 March 2024.

Opening Balance	(1,412,772)
Use of reserve in setting the budget for 23/24	430,187
Supplementary Budget	156,000
Forecast overspend Q3	563,259
Sales Fees and Charges clawback as per Q1 report	198,670
Return from the Business Rates Pool 20/21 and 21/22 as per Q1 report	(732,194)
Re-purposing of earmarked reserves	(72,912)
Estimate of return from the Business Rates Pool 22/23 and 23/24	(600,000)
Estimated Closing Balance	(1,469,762)

5.2 The above table demonstrates the Council has limited general fund reserves. The use of reserves in setting the budget and using the reserve to fund the in-year overspend is not sustainable. Both these actions reduce reserves further making the Council vulnerable to any future unforeseen budget pressures. As noted in paragraph 2.3 Members and Officers are continuing to work together to move away from the reliance on reserves to balance the budget.

5.3 Further detailed analysis of Reserves movements is shown in **Appendix 3**.

6. Housing Revenue Account (HRA)

6.1 At the end of Quarter 3 the HRA is showing a favourable variance of **£44K** (£347K forecast deficit against a budgeted deficit of £391K).

6.2 The Housing Revenue Account opening balance on 1st April 2023 on its main reserve was £1.418m. The estimated balance for the HRA Reserve as at 31 March 2024 is £1.071m, taking into account the quarter 3 forecast outturn for 2023/24 of a budget deficit of £347K.

6.3 The position on the account as the end of Quarter 3 is set out in **Table 6** below.

Table 6 – HRA Position at Quarter 3

	Revised Budget	Forecast Outturn
	2023/24	2023/24
	£'000	£'000
Net Cost of Services on the HRA	(356)	(368)
Capital Charges	747	715

Revenue Contributions to Capital Appropriations to Earmarked Reserves	-	-
Total	391	347
Actual Balance b/f HRA a/c	(1,418)	(1,418)
Budget Deficit in the Year	391	347
Balance c/f HRA a/c	(1,027)	(1,071)

6.4 **Table 7** below shows the principal reasons for this reduced overspend.

Table 7 HRA Variance to Budget at Quarter 3

Service	Variance (underspend) /overspend £'000	Reason for variance
Estate Management	20	Horsewell Lane development project management costs of £37K offset against savings of £(17)K from the consultancy budget. At present, there are 3 options. The development costs will be capitalised.
Rents and Service Charges	19	£15K variance due to lower-than-expected income from garage rents. A review of our garage waiting list has now concluded with vacant garages now allocated to those who qualify. £4K variance due to a lease on a shop ending. A new lease agreement is now in place with a new tenant.
Communal Heating Charges	(57)	Heating costs were overbudgeted and following a renewal of our contract from October, we are now working on a full cost recovery basis for heating costs.
Computer Software	11	Overspend due to inflationary linked increases to the annual licences and maintenance of the Housing IT system.
Gas Service Repairs Contract	74	£11K overspend is due to an inflationary linked increase to the annual contract from October onwards. Remaining £63K overspend due to the temporary boiler plant installation and hire costs for Chartwell House. Work is currently ongoing to purchase a new boiler unit.
Repairs & Maintenance	(50)	Savings on voids is due to some of the costs being capitalised and average cost per void being lower than budgeted.
Capital Charges	(32)	Savings on interest paid on loans: £(6)K and interest received on balances: £(26)K.
Legal Fees	11	Expected to spend £11K on legal fees relating to a repair claim at a property with this work still ongoing.
Compensation	(8)	Councils managing a housing stock expect to pay compensation on occasion. However, this financial year has seen fewer instances of compensation being paid following improvements to our processes.
Housing Tenancy Management posts	(29)	Saving on salaries after a restructure, vacancies which have now been recruited to.

Housing Maintenance posts	(10)	Vacancy savings of £(48)K offset by £38K hired staff covering the post. This is due to the Property Services Manager post being vacant approx. 3 months.
Communal Areas	(4)	Savings of £(12)K from day-to-day repairs and maintenance of speech call systems being offset by a £8K increase in electricity charges for the year.
PCN site	11	Reduction in income due to the telephone mast lease ending at one of our estates.
	(44)	

7. Capital Programme

- 7.1 The 2023/24 Capital Programme was set at Full Council in February 2023. Table 8 below shows a summary of the 2023/24 capital programme; the full capital programme is shown in **Appendix 4**.
- 7.2 The forecast outturn for the **General Fund capital programme** is £2.628m with significant slippage of £696K estimated by outturn. A significant reason for that is the new sports facilities schemes now being re-programmed for 2024/25 - £495K.
- 7.3 The forecast outturn for the **HRA capital programme** is £1.765m with significant slippage of £3.520m estimated by outturn. The New Housing Initiatives scheme shown in the Table below accounts for £2.178m (62%) of the anticipated slippage with explanations provided. Another £0.761m (22%) is due to the Decarbonisation scheme.
- 7.4 Approval is requested to reduce the capital budgets for 2023/24 and increase the 2024/25 by the reported slippage amounts for the general fund and HRA. Capital spend against the revised budgets will be monitored for the remainder of the financial year.
- 7.5 Approval is requested for the creation of a new HRA Scheme "Purchasing Existing Properties". This scheme has been created by moving a portion of the £2.423m budget from "New Housing Initiatives" and does not increase the overall capital programme. The scheme will allow for the purchase of a dwelling to add to the HRA Housing stock. The authority has an agreement with Central Government to retain Right to Buy (RTB) receipts providing they are spent on new affordable or social housing within five years of receipt, if they are not spent within the timescale, they are clawed back with interest. Purchasing existing properties is allowed under the scheme. The purchase of this property will be funded by 40% RTB receipts (the maximum allowed) and 60% from Major Repairs Reserve. The creation of this scheme and the purchasing of a property will ensure RTB receipts are not returned to Central Government, and we do not incur interest costs.
- 7.6 It is requested that the Committee give delegated authority to the S151 Officer, the Monitoring Officer and the Head of Service of the Built Environment to approve the purchase of a suitable property within the "Purchasing Existing Properties" Scheme. This is due to the speed needed to complete the transactions once a suitable property is identified. Delays in the process could result in a property being sold before an offer can be made and we will need to resume a search for other suitable properties. Initial due diligence has been undertaken in terms of identifying a suitable property that is aligned with our demand for properties and a financial appraisal has been completed to ensure payback within a maximum period of 40 years, considering the rental income, the repairs and maintenance costs and the borrowing costs. Further due diligence will then be undertaken before a sale completes.

Table 8 – Capital Programme Summary

Fund	Revised Budget 2023/24 £'000	Spend and Commitments to Date £'000	Forecast Outturn £'000	Forecast Variance to Budget £'000	Explanation
General Fund Schemes					
New Council Offices	563	881	925	362	Overspend as per report to Capital Sub Committee.
Vehicle Refurbishment	952	654	904	(48)	Order placed. Long lead time on vehicles, so delivery expected near the end of the financial year.
Sports Facilities Improvement Programme	495	0	0	(495)	Scheme will slip to 24/25
Other	815	343	799	(216)	
Total	2,825	1,878	2,628	(197)	
Housing Revenue Account					
New Housing Initiatives	2,178	-	0	(2,178)	Main project unlikely to commence works this financial year. But project management costs of £49K are showing in HRA Estate Management currently until scheme commences.
Purchasing Existing Properties	245	0	245	0	Purchase of a single existing property.
Decarbonisation of Housing Stock	761	-	-	(761)	£277K of grant funding received for 23/24. £514K of Council funding already allocated. Uncertain what exact spend will be in-year.
Housing Block Improvements	450	341	450	-	Expected to spend in full
Other	1,651	692	1,070	(581)	
HRA Scheme Total	5,315	1,033	1,765	(3,520)	
Total	8,110	2,911	4,393	(3,717)	

8. Treasury Management as at Quarter 3

- 8.1 This report includes an update on Treasury Management activities to 31 December 2023. This is required to comply with both the "Code of Practice on Treasury Management in Local Government" and the Council's own Treasury Management Policy Statement.
- 8.2 The Code requires the Section 151 Officer to ensure that the treasury management function operates in accordance with treasury management practices adopted by Council. There are no issues of non-compliance with these practices that need be brought to Member's attention.
- 8.3 On the 31st of December 2023, the total debt portfolio of the Council (including HRA debt) is £31.981m offset by investments of £3.728m, resulting in an overall net debt position of £28.253m.

External Borrowing	As At 31/03/23 £m	As At 31/12/23 £m
Fixed Rate PWLB	19.069	18.981
Other Local Authorities	15.000	13.000
Total Gross External Debt	34.069	31.981
Investments	(3.763)	(3.728)
Total Net External Debt	30.306	28.253

- 8.4 The total accrued interest received to 31 December 2023 on temporary investments amounted to £123,089 (2022/23 full year interest was £92,465). A summary of the total amount invested in 2023/24 to date is given at **Appendix 4.1**.

8.5 Prudential Indicators

The Local Government Act 2003 requires Councils to comply with the Prudential Code for Capital Finance in Local Authorities when carrying out their budgeting and treasury management activities. Fundamental to this is the calculation of a number of prudential indicators which provide the basis for management and monitoring of borrowing and investments. These indicators were agreed by Council in February 2023. An update on the indicators is provided at **Appendix 4.2**.

APPENDIX 1.1: VARIANCE ANALYSIS OF SERVICES**Q3 FORECAST**

Note: In Table 2: "Principal Variances" the Pay Award pressure £147K is shown as a total. The Pay Awards have been detailed by service area in the tables below.

1. Senior Leadership Team

Service Area	Forecast Underspend OR Income over-recovery (-) £	Forecast Overspend OR Income under-recovery (+) £	Key reasons for forecast variance
Corporate Costs	(33,718)		Savings from costs over-accrued from previous year.
Senior Leadership Team	(31,820)		Savings on Strategic Director posts due to changes in post holders.
TOTAL	(65,537)		
Net Forecast Under/Overspend	(65,537)		

2. Finance & Resources (Including Corporate Budgets)

Service Area	Forecast Underspend OR Income over-recovery (-)	Forecast Overspend OR Income under-recovery (+)	Key reasons for forecast variance
	£	£	
Corporate Management		58,984	Overspend as a result of the PSAA contract.
Vacancy Target		119,299	Corporate vacancy savings target removed.
Finance		19,488	£14K overspend on supplies and services, software, sundry costs, £2K professional fees, £3K staff overspend
Photocopiers	(1,685)		Savings: fewer photocopiers
Postage	(100)		minor variance
Emergency Callout		2,050	Increase in staffing costs associated with emergency call out.
Council Tax		6,380	Hired staff to cover for vacancies.
Non-Domestic Rates	(36,460)		£(30)K Vacancy savings: Bus Rates Officer post frozen. £(7)K underspend professional fees.
Council Tax Support		5,272	Pay Award
Net Cost of Benefit		354,659	Mainly homeless costs for temporary accommodation plus other small movements on net cost of benefits.

Service Area	Forecast Underspend OR Income over-recovery (-)	Forecast Overspend OR Income under-recovery (+)	Key reasons for forecast variance
	£	£	
Head of Finance, Revenues & Benefits	(20,180)		£(13)K New Burden's grant rec'd and £(9)K salary savings and £2K overspend on software.
ICT		39,210	UNIFORM software: unbudgeted spend.
Systems Administration	(30,151)		Vacancy savings (System Support Officer post frozen from August 2023).
Corporate Projects	(25,569)		Salary savings from part-time working.
TOTAL	(114,146)	605,342	
Net Forecast Under/Overspend	491,196		

3. The Built Environment

Service Area	Forecast Underspend OR Income over-recovery (-) £	Forecast Overspend OR Income under-recovery (+) £	Key reasons for forecast variance
Building Control Section		15,493	Due to economic downturn and cost of living crisis there is a shortfall in anticipated income resulting from contributions to the delegated Leicestershire Building Control Partnership.
Planning Control		76,120	Mostly £45K from unachieved planning income, and £31K salary pressures and other minor variances.
Planning Policy	(7,626)		Unbudgeted grant income destined for the Local Plan reserve.
Planning Section	(933)		Savings on professional fee payments for planning section.
Economic Development	(82,938)		£(70)K due to some salary capitalisation not achieved, pressure from Pay Award mitigated by vacancy savings on Economic Regeneration Manager and 2x Officers, £5K overspend from Christmas lights costs (electricity), and £(18)K savings from costs charged elsewhere.
Climate Change **new		1,682	Shared service costs.
Homelessness	(226,757)		Mainly from additional homeless grants income and housing benefit receipts.

Service Area	Forecast Underspend OR Income over-recovery (-) £	Forecast Overspend OR Income under-recovery (+) £	Key reasons for forecast variance
Belmont House Hostel		8,990	£2K overspend on gas central heating. £1K overspend on maintenance of fire & security alarms. £6K overspend on management & supervision costs.
Rent Plus	(609)		Retained management fee.
Cleaning Contract		8,254	Pressure from salary increases and travel between sites.
Net Forecast Under/Overspend	(318,863)	110,539	
	(208,324)		

4. Law and Democracy

Service Area	Forecast Underspend OR Income over-recovery (-) £	Forecast Overspend OR Income under-recovery (+) £	Key reasons for forecast variance
Non service-specific		32,000	The full cost of staff in the Environmental Health Admin & Enforcement budget was not fully reflected. As reported previously.
Environmental Health Administration / Enforcement		17,422	£15K Unbudgeted Apprentice post and £2K Pay Awards.
Environmental Protection	(1,000)		Costs of abandoned vehicles to be recovered in full, therefore full budget not required.
Health and Safety		1,657	Pay Award pressure and additional costs for First Aiders.
Local Land Charges		400	Inflationary increase in cost of outsourcing service not budgeted for.
Democratic Representation & Management		9,939	Mostly Pay Award
Register of Electors	(15,034)		Savings achieved from postage recharges.

Service Area	Forecast Underspend OR Income over-recovery (-) £	Forecast Overspend OR Income under-recovery (+) £	Key reasons for forecast variance
Election Expenses		18,955	Increased staff costs at polling station to assist with introduction of voter ID offset by gov't grants provided elsewhere (Finance).
Legal & Admin Service	(6,637)		Professional costs offset by cost awards made.
Taxi Licences	(28,373)		Additional income from new drivers' licences.
Other Licences	(4,550)		Exceeded expectations on some of the minor licences.
Alcohol and Entertainment Licences	(30,090)		Mostly due to recovery of historical uncollected premises licences.
Gambling Act Fees		1,108	Refund of duplicated payment from 22/23
Selective Property Licensing Scheme		112,357	Mainly from underachieved income from Private Landlord Property licences.
Licensing Service	(42,601)		Due to £(35)K salary, £(2)K grant funding and £(5)K subscription changes recharged elsewhere.
Net Forecast Under/Overspend	(128,285)	193,838	
	65,553		

5. Community & Wellbeing

Service Area	Team	Variance	Key reasons for forecast variance
Community & Wellbeing	Non service-specific	118,000	Error in the detailed budget setting when the transfer of the Community Wellbeing function to Blaby was reflected (the cost of transferring the service to Blaby remains as previously presented and agreed by members). This was reported at Q1.
	Community Development	10,437	Underachievement of Community Lottery income which started in July but budgeted for full year.
	Health Promotion	(4,600)	Savings: service outsourced
	Grants	(12,944)	Fewer than expected grant payments to 3rd parties.
	Recreation & Leisure	10,755	Shortfall in funding to BDC for Physical Activity/ Health Work.
	Swimming Pools & Leisure Centre	260,206	Income shortfall on the leisure management fee income previously reported an overspend external contractor costs.
	Crime and Disorder Partnership	(10,647)	Unbudgeted cumulative CSP funding for 2021-24 and £(84)K and £73K expenditure for OPCC Youth prevention work.

Service Area	Team	Variance	Key reasons for forecast variance
	Civil Contingencies and Emergency Planning	(548)	Contribution to the local resilience forum.
	Children and Young Persons	3,936	Overspend on youth boxing sessions which will be fully funded by YEA grant in grants reserve.
Corporate Assets	Allotments	(1,351)	Savings: lower water consumption in winter months.
	Sports Grounds	19,753	Overspends mainly from higher utility costs and a reduced hire income.
	Freer Community Centre	12,358	Overspends mainly from higher utility costs and a reduced hire income.
	Sheila Mitchell Pavilion	909	Higher utility costs.
	Walter Charles Centre	985	Higher utility costs.
	Cemeteries	57,140	Mostly from reduced fees income.
	Public Conveniences	(1,023)	No longer in use.

Service Area	Team	Variance	Key reasons for forecast variance
	Car Parks	4,359	£15K salary overspend, £15K overspend on equipment maintenance. £(30)K improvement in expected parking fee income. £4K increase in expected transaction fees (phone payments).
	Borough Engineering	(4,007)	Reactive maintenance for various items of street furniture. Low demand this year.
	Street Cleansing	1,317	Numerous small variances.
	Grounds Maintenance	13,751	Mainly salary overspends: pay award and overtime costs.
	Facilities Management Holding Account	9,035	Salary costs: SLT approved recruitment of Manager mostly financed by savings from an apprentice vacancy and services/supplies savings.
	Structural Maintenance	(15,100)	Underspend on repairs now that Bushloe House vacant.
	Bushloe House Offices and Grounds	70,654	Delays in sale, incurred utility costs (under investigation).

Service Area	Team	Variance	Key reasons for forecast variance
	Brocks Hill Move	72,205	Moving costs, utilities and maintenance of new conferencing system.
	Brocks Hill	136	Small salary overspend due to pay award.
Depot	Domestic Refuse Collection	60,375	£6K cost pressure on hired plant, £43K overspent due to contractual payments for working bank holidays, £11K unachieved income from collection of white goods.
	Recycling Collection	18,882	Overspend due to contractual payments for working bank holidays.
	Recycling Disposal	(916)	Increased income.
	Waste Minimisation	1,520	Salary costs: Pay award & unbudgeted overtime.
	Garden Waste Collection	7,325	Lower revenue from garden waste.
	Mechanics Workshop	1,165	Salary costs: Pay award, unbudgeted overtime & increased attendances by the hired mechanic.
	Oadby Depot	(12,917)	Underspends in services and supplies.
	Fleet Management	38,813	Unexpected vehicle repairs.
	Forecast	729,963	(under)/Overspend

6. Customer Service & Business Transformation

Service Area	Forecast Underspend OR Income over-recovery (-) £	Forecast Overspend OR Income under-recovery (+) £	Key reasons for forecast variance
Information & Public Relations	(25,553)		Event programme delivered under anticipated budget. Less need for external communications expertise/graphic design skills than anticipated.
Customer Services	(11,462)		Savings resulting from reduction in provision for software.
Head of Customer Services & Transformation		5,924	Pay Award pressure.
Customer Service Improvement		2,738	Pay Award pressure.
Human Resources	(5,512)		Salary/corporate training savings.
Net Forecast Under/Overspend	(42,527) (33,865)	8,662	

7. HRA Recharges

Service	Variance £'000	Reason for variance
HRA Recharges	-	Not applicable – balanced position

8. Capital Financing

Service Area	Forecast Underspend OR Income over- recovery (-) £	Forecast Overspend OR Income under- recovery (+) £	Key reasons for forecast variance
Capital Financing	(415,728)		Savings in capital financing charges due to £(343)K MRP savings, £(29)K savings from interest payable due to slippage, £(45)K additional interest receivable due to interest rate increases.
Net Forecast Under/Overspend	(415,728)	-	

APPENDIX 1.2: Movements from Q2 to Q3

Service	Team	Q3	Q2	Movement over £30K	Q3 result	Explanation for movement in variance
SLT	Corporate Costs	(33,718)	(1,110)	(32,608)	reduced pressure	Additional savings included in Q3 from costs over-accrued from previous year.
Finance & Resources	Corporate Management	58,984	3,900	55,084	increased pressure	Increase in external audit fee as a result of the PSAA contract.
	Finance	19,488	147,305	(127,817)	reduced pressure	£123K budget was created following supplementary budget approval by Committee at Q2.
	Net Cost of Benefit	354,659	396,700	(42,041)	reduced pressure	Improvement in sundry debtors income in Q3.
	Planning Control	76,120	29,752	46,367	increased pressure	£45K from unachieved planning income not reported in Q2.
The Built Environment	Economic Development	(82,938)	(30,329)	(52,609)	reduced pressure	Increase in vacancy savings in Q3.
Corporate Assets	Cemeteries	57,140	(2,829)	59,968	increased pressure	Q3 reported additional pressure from reduced fees income, salary figures recalculated using actuals uti DEC'23
	Bushloe House Offices and Grounds	70,654	1,069	69,585	increased pressure	Costs incurred due to delays in property sale completion (utility costs under investigation).
Depot	Domestic Refuse Collection	60,375	11,354	49,020	increased pressure	Q3 reported further overspends due to contractual payments for working bank holidays, £6K more unachieved income from collection of white goods.
	Fleet Management	38,813	(27,260)	66,073	increased pressure	Q3 reported more unexpected vehicle repairs.
	Other	(56,317)	(40,171)	(16,145)		Sum of movement under £30K
	Overspend	563,259	488,381	74,879		

APPENDIX 2: Statement of Movement on Reserves

	Opening Balance at 1st April 2023	Approved Contributions	Approved Withdrawals	Approved Balance at 31 December 2023	Requiring Approval Contributions	Requiring Approval Withdrawals	Forecast Closing Balance as at 31 March 2024
	£	£	£	£	£	£	£
General Fund Earmarked Reserves							
Contingency Reserve	-27,658			-27,658			-27,658
Budget Carried Forward	-27,051		27,051	0			0
Council Priority Reserve Balance (Corporate Challenge)	-58,400		58,400	0			0
Disabled Facilities	-22,450		22,450	0			0
Land Valuation Reserve	-1,000			-1,000			-1,000
COVID-19 Reserve	-44,683		43,600	-1,083			-1,083
Elections Reserve	-57,500		50,000	-7,500			-7,500
GF Cost Of Living Reserve	-41,738			-41,738			-41,738
Local Plan Reserve	-203,346			-203,346			-203,346
Total GF	-483,827	0	201,501	-282,326	0	0	-282,326
General Fund Grants							
Section 31 Grant Reserve	-306,000			-306,000			-306,000
Earmarked Revenue Grants Reserve	-403,876			-403,876			-403,876
Grounds Maintenance Reserve Balance	-256,480		34,800	-221,680			-221,680
Total GF Grants	-966,357	0	34,800	-931,557	0	0	-931,557
General Fund Reserve	-1,412,772	-72,912	586,187	-899,497	-1,332,194	761,929	-1,469,762
Total General Fund Revenue Reserves	-2,862,955	-72,912	822,488	-2,113,379	-1,332,194	761,929	-2,683,644
General Fund Capital Receipts Reserve	-331,236	0	65,000	-266,236			-266,236
HRA Revenue Reserves							
Major Repairs Reserve Balance	-1,296,381	-1,500,000	1,520,000	-1,276,381		147,000	-1,129,381
Regeneration Reserve	-361,443			-361,443			-361,443
Budgets Carried Forward HRA Reserve Balance	-8,500			-8,500			-8,500
HRA Cost Of Living Reserve	-50,000			-50,000			-50,000
Total HRA	-1,716,324	-1,500,000	1,520,000	-1,696,324	0	147,000	-1,549,324
HRA Reserve	-1,418,379			-1,418,379		346,944	-1,071,435
Total HRA	-3,134,702	-1,500,000	1,520,000	-3,114,702	0	493,944	-2,620,758
HRA Capital Reserves							
1-4-1 Housing Reserve	-1,059,354	0	0	-1,059,354	0	93,000	-966,354

APPENDIX 3 TO FOLLOW

Appendix 4

Appendix 4.1

Treasury Management

Total investments placed during the period
1 April 2023 to 31 December 2023

	Cumulative No. Of Investments To 31 December	Total Value Invested To 31 December	Average Interest Rate	Average Duration	Interest Earned (Accrued)
		£ 000's	%		£ 000's
British Clearing Banks					
National Westminster Bank PLC	153	63,233	1.45	6 days	16
Local Authorities					
Derbyshire Country Council	1	3,000	4.25	6 months	84
Kent Police & Crime Commissioner	1	1,500	5.21	7 weeks	6
Government Bodies					
Debt Management Office	18	43,600	5.17	3 days	17
Total	163	124,833			123

Appendix 4.2

Prudential Indicators

- 1. The Capital Financing Requirement (CFR)** – This represents the Council’s underlying need to borrow for capital purposes, based on the cumulative value of capital expenditure not fully paid for. The CFR will change year-on-year in accordance with the value of capital spending.

The key control over treasury activities is to ensure that over the medium term, net borrowing will only be for capital purposes. The Authority must ensure that net external borrowing does not, except for short periods, exceed the total of the CFR. A comparison of the estimate against the actuals is shown in the table below.

	2023/24 Original Estimate At Year End £000’s	2023/24 Revised Estimate At Year End £000’s
Gross Borrowing	34,474	36,474
Investments	-	-
Net Borrowing 31st March	34,474	36,474
Total CFR 31st March	41,146	42,020

The Section 151 Officer reports that the Council is expected to comply with the requirement to keep borrowing below the relevant CFR in 2023/24 and no difficulties are foreseen for the current or future years.

- 2. Borrowing Levels** – The following two indicators control the overall level of borrowing;
 - The Authorised Limit** – This represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3(1) of the Local Government Act 2003;
 - The Operational Boundary** – This indicator is based on the probable external debt during the course of the year. It is not a limit and actual borrowing could vary around the boundary for short times during the year. It should act as a barometer to ensure the authorised limit is not breached;

- **The actual borrowing compared to the Authorised and Operational limits agreed by Council are as follows.**

	2023/24 Original Limit £000's	2023/24 Revised Limit £000's
Authorised Limit	45,000	45,000
Operational Boundary	40,000	40,000

- 3. Ratio of Financing Costs to Net Revenue Stream** – This indicator compares net financing costs (borrowing costs less investment income) to net revenue income from revenue support grant, business rates, housing revenue account subsidy, Council tax and rent income. The purpose of the indicator is to show how the proportion of net income used to pay for financing costs is changing over time.

	2023/24 Original Estimate %	2023/24 Revised Estimate %
General Fund	14.7	8.7
HRA	13.3	12.9

The above indicator shows that within the General Fund, financing costs were originally expected to be 14.7% of the net revenue income. We are now estimating 8.7% due to slippage in the capital programme resulting in borrowing taking place later in the year, plus the recalculation of the basis for the MRP charge.

In the case of the HRA there is net interest payable which was expected to be 13.3% of the net revenue income. This is now estimated at 12.9%.

- 4. Limits on Activity** – The following indicators constrain the activity of the treasury function to within certain limits, thereby reducing the risk of an adverse movement in interest rates impacting negatively on the Council's overall financial position.
- **Upper Limits on Variable Rate Exposure** – This indicator identifies a maximum limit for variable interest rates;
 - **Maturity Structures of Borrowing** – These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing;

- **Total Principal Funds Invested** – This limit is set to reduce the need for early sale of investments and is based on the availability of investments after each year-end.

	2022/23 Original Indicators		2022/23 Revised Indicators		2022/23 Actual Maturity Structure	
	%		%		%	
Fixed Interest Rates Limit	100		100		100	
Variable Interest Rates Limit	100		25		0	
Maturity Structure of Borrowing	Lower	Upper	Lower	Upper	Lower	Upper
Under 12 Months	0	50	0	50	0	49
12 Months to 2 Years	0	50	0	50	0	3
2 Years to 5 Years	0	50	0	50	0	9
5 Years to 10 Years	0	100	0	100	0	14
10 Years & Above	0	100	0	100	0	25
Total						100

The Prudential Code requires indicators to be set for the maturity structure of fixed borrowings only.

Agenda Item 8



Policy, Finance and Development Committee	Tuesday, 06 February 2024	Matter for Information and Decision
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Report Title: **2024/25 Draft Revenue Budget, Medium Term Financial Plan and 2024/25 – 2028/29 Draft Capital Programmes**

Report Author(s): **Bev Bull (Head of Finance / Acting Chief Finance Officer - S151 Officer)**

Purpose of Report:	For Policy, Finance and Development Committee to receive an update on and recommend to Full Council the General Fund Revenue Budget for 2024/25, the Housing Revenue Account (HRA) revenue budget for 2024/25, the Draft Capital Programmes and the MTFP 2024/25 to 2028/29.
Report Summary:	<p>The report outlines the final proposed General Fund Revenue Budget for 2024/25, which is a balanced budget with no use of the general fund reserve.</p> <p>The five-year Medium Term Financial Plan 2024/25 to 2028/29 shows a forecast cumulative surplus.</p> <p>The General Fund Revenue Budget for 2024/25 and the Medium-Term Financial Plan 2024/25 to 2028/29 include the delivery of the Service Delivery Changes – Financial Sustainability Plan.</p> <p>The report also presents the draft Housing Revenue Account which sets out the high level 5 year position.</p> <p>The report sets out an indicative ranking for potential futures schemes to be added to the capital programme as funding is secured.</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>a) Recommend to Council the General Fund Revenue Budget for 2024/25 as set out in Appendix 1, subject to any final adjustments as may be required prior to Full Council (such as the NNDR1 final estimates and the Final Local Government Finance Settlement 2024/25). This is based on no use of the general fund reserve and delivering the Service Delivery Changes – Financial Sustainability Plan both approved at the Full Council meeting on the 12 December 2023;</p> <p>b) Recommend to Council to increase Council Tax by the maximum core referendum limit of 2.99% as announced in the Provisional Local Government Settlement, subject to any update announced in the Final Local Government Settlement;</p> <p>c) Recommend that Full Council approve the HRA budget for 2024/25, as detailed in Table 6. This is based on the rent increase of 7.7% for Housing rents, garages and service charges approved at the Full Council meeting on the 12 December 2023;</p>

	<p>d) Recommends that Full Council approves the Scale of Fees and Charges as set out in Appendix 4;</p> <p>e) Recommends that Full Council notes the Capital Schemes of the General Fund and HRA, including an indicative ranking for potential futures schemes to be added to the programme as funding is secured, as detailed in Table 9;</p> <p>f) Recommends that Full Council notes the MTFP for 2024/25 and 2028/29 as set out in Appendix 8; and</p> <p>g) Recommends that Full Council notes the S151 Officer's statement on the robustness of the budget and the adequacy of reserves as set out in Section 13 of the report.</p>
Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):	<p>Sal Khan (Interim Strategic Director) (0116) 257 2690 sal.khan@oadby-wigston.gov.uk</p> <p>Bev Bull (Head of Finance /Acting Chief Finance Officer - S151) (0116) 257 2649 bev.bull@oadby-wigston.gov.uk</p>
Strategic Objectives:	Our Council (SO1)
Vision and Values:	"Our Borough - The Place To Be" (Vision) Resourceful & Resilient (V4)
Report Implications:-	
Legal:	There are no implications arising from this report.
Financial:	The implications are as set out in the report.
Corporate Risk Management:	Decreasing Financial Resources / Increasing Financial Pressures (CR1) Reputation Damage (CR4) Regulatory Governance (CR6) Organisational / Transformational Change (CR8)
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:	<ul style="list-style-type: none"> • SLT 29/01/2024
Background Papers:	<ul style="list-style-type: none"> • Draft 2024/25 Draft Revenue Budget and Medium-Term Financial Plan update – 5 December 2023 PFD
Appendices:	1. The General Fund Summary Budget 2024/25

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|--|---|
| | <ol style="list-style-type: none"> 2. Analysis of movement in 2024/25 Budget Gap December 2023 to February 2024 3. The Service Delivery Changes – Financial Sustainability Plan 4. Scale of Fees and Charges 2024/25 5. Analysis of HRA budget movements and budget assumptions 6. Capital Programme for 2024/25 to 2026/27 7. Budget Consultation responses 8. MTFP summary 2024/25 to 2028/29 9. MTFP assumptions 10. Impact of different scenarios on the MTFP 11. HRA Medium Term Financial Plan 2024/25 to 2028/29 |
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1. Introduction

1.1 The draft General Fund and Housing Revenue Account (HRA) proposals, Scale of Fees and Charges, Capital Programmes and updated MTFP (Medium Term Financial Plan) were considered by this Committee on the 5 December 2023 and by Full Council on 12 December 2023. Following those meetings two recommendations were approved by Full Council, these were:

- the general fund balance reserve is no longer used to balance the budget;
- the Service Delivery Changes – Financial Sustainability Plan.

1.2 This report summarises the changes from incorporating those recommendations and other changes proposed since the last Council report, including small changes to funding announced at the Provisional Local Government Settlement.

1.3 The aim of the General Fund and Housing Revenue Account (HRA) budgets and the associated MTFP is to achieve:

- Financial resilience;
- Financial self-sustainability.

The achievement of both will provide opportunities for members to invest in their priorities.

2. 2023/24 Provisional Local Government Finance Settlement

2.1 The government published its Provisional Local Government Finance Settlement on 18 December 2023. The settlement forms the annual determination of funding to local government. It announced a 6.5% increase in national Core Spending Power (the measure of the resources available to local authorities to fund service delivery) there was a significant reduction in the Services Grant and the Funding Guarantee has been maintained 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 under 5% in the increase in core spending power.

2.2 A further announcement has been made stating additional resources will be allocated to Local Government in the Final Settlement. This will see 7.5% increase in national Core Spending Power and see that Funding Guarantee is maintained to ensure that every council sees at least a 4% increase in Core Spending Power. The final local government finance settlement, including individual local authority allocations will be published in full in the coming weeks.

2.3 The impact of the Provisional Settlement and further announcement on the funding assumptions for the 2024/25 budget are shown in Table 1.

Table 1 - Impact of the Provisional Settlement

	Forecast as at December 2023	Actual as at Provisional Settlement	Change in funding
	£'000	£'000	£'000
New Homes Bonus	-258	-287	-29
Services Grant	-62	-10	52
Funding Guarantee	0	-64	-64
Additional Funding Guarantee (TBC at Final Settlement)*	0	-63	-63
Increase in Funding as result of Settlement			-104

*Estimate provided by our funding advisor - we will be notified of exact amount at Final Settlement.

3. Council Tax 2024/25

3.1 The position presented in the December meetings was based on the assumption of a 2.99% increase in Council Tax and an increase in the Council Tax base 0.60% for 2024/25. The Council Tax base has now been set for 2024/25 based on actual Council Tax Base as at 30 November plus forecasts increases in the base based on properties waiting to be banded and planning trajectory for the year, this is then adjusted by the forecast collection rate. The increase in base is 2.12%. This has increased the funding from Council Tax in 2024/25 by £69k from £4.597m to £4.666m. Due to the complexities of the Collection Fund the variance in budgeted Council Tax and actual Council Tax for 2023/24 impacts in 2024/25. The forecast surplus for the previous year is £54k.

4. Business Rates (NNDR) 2024/25

4.1 Like Council Tax, due to the complexities of the Collection Fund the variance in budgeted Business Rates and actual Business Rates for 2023/24 impacts in 2024/25. The forecast deficit at the end of 2023/24, that will impact on the budget in 2024/25 is £594k. An element of this deficit is the result of additional reliefs given and funded by central government. There is Section 31 grant being held as an earmarked reserve of £306k to off-set this element of this deficit. This results in a requirement to fund the remaining £288k deficit. As part of the quarter 3 monitoring report a NNDR equalisation reserve is being established and the reserve will be used to fund the deficit.

4.2 The deficit has occurred due to a number of factors including removal of some hereditaments from the rating list, successful appeals and increase in reliefs. The impact of these changes is forecast to be on-going, and this has reduced the forecast Business Rates income for 2024/25 by £124k from £2.593m to £2.469m. This is subject to the completion of the NNDR1 final estimates and will be updated in the report to Full Council.

5. Funding Position 2024/25

5.1 The overall funding position for 2024/25 is set out in Table 2

Table 2 – 2024/25 Draft Budget Funding Position

Funding	2024/25 (Dec 23 Report)	2024/25 (Provisional Settlement)	Change
	£'000	£'000	£'000
Contribution from reserves (Earmarked	-35	-629	-594

Reserves)			
Council Tax	-4,597	-4,666	-69
Collection Fund (Surplus)/Deficit – Ctax	0	-54	-54
Retained Business Rates	-2,593	-2,469	124
Collect Fund (Surplus)/Deficit – Business rates	0	594	594
New Homes Bonus	-258	-287	-29
Services Grant	-62	-10	52
Funding Guarantee		-127	-127
Total Funding	-7,545	-7,648	-103

6. 2024/25 Annual Budget

- 6.1 The draft budget position for 2024/25 shows a balanced budget for 2024/25 with no use of the general fund reserve. The draft budget position incorporates the Service Delivery Changes – Financial Sustainability Plan and other changes proposed since the last Council report, including the funding changes explained earlier in the report. Table 3 summarises the draft balanced budget position for 2024/25. The General Fund Summary Budget 2024/25 is included at Appendix 1.

Table 3 – Budget Gap 2024/25

	2024/25 (Dec 23 Report)	2024/25 Annual Budget	Movement in Gap
Net Expenditure 24/25	8,812,000	7,648,000	-1,164,000
Funding 24/25	-7,545,000	-7,648,000	-103,000
GAP	1,267,000	0	-1,267,000

- 6.2 The movements in the budget since the December report are summarised in Table 4 below and detailed in Appendix 2

Table 4 – Movement in 2024/25 Budget Gap December 2023 to February 2024

Identified costs increases and savings 2024/25	£
Further growth and pressures identified	299,000.00
Increased service income	-396,000
Removal of post	-45,000
Service Delivery Changes	-795,000
Updated budget assumptions	-226,000
Funding Changes	-103,000
	-1,267,000.00

- 6.3 The increase in funding received at the provisional settlement is needed in the proposed budget to fund additional pressures identified whilst finalising the proposed budget for 2024/25.
- 6.4 Is it important to note that the balanced draft budget position for 2024/25 incorporates the Service Delivery Changes – Financial Sustainability Plan as approved in the December Full Council meeting. Delivering on these savings is imperative, if the plan is not delivered budget pressures will occur and use of reserves will be required in year. The Service Delivery Changes – Financial Sustainability Plan is included at Appendix 3. Monitoring progress against the plan will be incorporated into the quarterly budget monitoring reports for 2024/25. The Senior Leadership Team are already taking actions to deliver the savings.

- 6.5 A significant change since the December report is a reduction in the Housing Benefit pressure associated with homelessness. The forecast reduction is due to alternative accommodation being identified reducing the placements to more expensive Bed and Breakfast accommodation. It is important to note this budget remains volatile and will be monitored closely in year.
- 6.6 In the main this reduction in the Housing Benefit budget has been used to create a new contingency budget of £130k. The purpose of a contingency budget is to help manage unexpected in year pressures, which may include future pressures on homelessness. Use of the Contingency budget will be approved by the Section 151 Officer and Chief Executive up to £25k, above £25k but less than £50k will be approved in consultation with the Chair of PFD and above £50k will be approved by PFD Committee.

7. General Fund Reserve 2024/25

- 7.1 The forecast position for the General Fund Reserve is shown in Table 5. This position is based on a prudent forecast for the return from the business rates pool 2023/24 and 2024/25 based on levels received in earlier years. The amount actually received will be impacted on by the Business Rates performance of all Leicestershire authorities, it is very volatile and hard to predict.
- 7.2 There will be one-off redundancy costs associated with Service Transformation, these will be met from capital receipts where appropriate under the flexible use of capital receipts policy but otherwise will be met from the General Fund Reserve. It is not possible to accurately forecast the impact of this on the reserve at this time. All Service Transformation will be evaluated to deliver an overall invest to save position.

Table 5 – General Fund Reserve 2024/25

General Fund Reserve	£
Opening Balance	-1,412,772
Use of reserve in setting the budget for 23/24	430,187
Supplementary Budget	156,000
Forecast overspend Q3	563,259
Sales Fees and Charges clawback as per Q1 report	198,670
Return from the Business Rates Pool 20/21 and 21/22 as per Q1 report	-732,194
Re-purposing of earmarked reserves	-72,912
Estimate of return from the Business Rates Pool 22/23 and 23/24.	-600,000
Estimated Closing Balance 31 March 2024	-1,469,762
Estimate of return from the Business Rates Pool 24/25.	-300,000
Estimated Closing Balance 31 March 2025	-1,769,762

8. Scale of Fees and Charges 2024/25

- 8.1 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 into 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.

8.2 A draft proposed charge position was included in the December report, this has now been updated to reflect the new charges agreed as part of the Service Delivery Changes – Financial Sustainability Plan. Included at Appendix 4 is the final proposed charge position of individual charges.

9. Housing Revenue Account 2024/25

9.1 Table 6 shows the 2023/24 revised budget and the final 2024/25 proposed budget for the HRA.

Table 6 - Housing Revenue Account Final Proposed Budget 2024/25

Description	2023/24 Revised Budget	Final 2024/25 Proposed Budget	Movement
Income			
Rents, Charges and Contributions	(5,677,146)	(6,067,320)	(390,174)
Interest and investment income	(10,000)	(50,000)	(40,000)
Misc Income	(17,300)	(11,600)	5,700
Total Income	(5,704,446)	(6,128,920)	(424,474)
Expenditure			
Repairs and Maintenance	1,025,100	1,080,100	55,000
Supervision and Management	731,718	670,750	(60,968)
Interest payable and similar charges	757,397	785,760	28,363
Depreciation and impairments of fixed assets	1,580,000	1,580,000	0
Debt Management Costs	10,000	10,000	0
Contribution to the Bad Debt Provision	75,000	35,000	(40,000)
Recharge from General Fund	1,433,803	1,468,803	35,000
Rents, Rates, Taxes and other charges	10,000	10,000	0
Computer Software	110,400	124,800	14,400
Sheltered Schemes & Communal Services	309,240	212,240	(97,000)
Estate Management costs	53,200	50,400	(2,800)
Total Expenditure	6,095,858	6,027,853	(68,004)
Net Cost of HRA Services	391,412	(101,067)	(492,478)

9.2 There had been no significant changes since the draft proposed 2024/25 budget was presented in the December report. The total net movement since the December position is £7k saving. This was the reduction in the pay award assumption to 3% and a revision to interest payable.

9.3 The assumption for the rents, garage rents and service charges increase remains at 7.7%, in line with the national rent increase formula of CPI at September + 1%. This was approved by Full Council on the 12th December 2023, subject to any national change to the rent setting policy being announced, there has been no changes announced.

9.4 There is no change in Heating Charges proposed for 2024/25, they will remain as set for 2023/24. The heating charges will be reviewed in October 2024, when new energy rates will be received.

9.5 In summary the changes from the revised budget for 2023/24 and the final proposed budget for 2024/25 are:

- Funding - (£414k)
- Cost pressures - £163k
- Savings – (241k)

9.6 Further analysis of the budget movements and the assumptions are set out in Appendix 5.

10. Capital Programme 2024/25

10.1 As reported in the December report due to the challenging financial pressures the Council is currently facing it is not recommended to approve any additional capital schemes to be added to the general fund capital programme funded by 'prudential borrowing'. It is recommended a list of priority schemes should be approved with a view to them only progressing if capital receipts are received and/or other capital funding is identified. If capital receipts are received, the Section 151 Officer in consultation with the Chief Executive, Chair of PFDC, the Leader of the Council and the Leader of the Opposition will need to consider the use of the receipts in terms of the need to repay existing debt to reduce revenue costs or to commence priority capital schemes.

10.2 The ranking of the schemes is based on our existing methodology which scores these against criteria that covers: whether there is statutory and legislative support, compliance with the Council's corporate objectives, there is an ability to reduce costs, whether there is a health and safety need or the scheme fulfils a need for refurbishment or a replacement. Table 7 shows the scoring of the submitted schemes.

Table 7 Scoring and ranking of potential capital schemes 2024/25

Scheme	Amount (£)	Initial Scheme Score	Initial Ranking
Brocks Hill Roof - replacement of tiles and solar panel installation	465,000	36	1
Play Areas refurbishment programme	150,000	36	1
Aylestone Lane Allotments New Road/cart track road plannings	200,000	29	3
Fludes Lane	150,000	27	4
Wigston Road Allotment Improvements	45,000	27	4
Cemetery Improvements	30,000	23	6
Brocks Hill barn - Create staff/volunteer refreshment/dry/refuge area	17,000	22	7
Willow Park Fencing Improvements	95,000	19	8
Uplands Pavilion Refurbishment	15,000	17	9

10.3 It is important to recognise that a number of these schemes are still subject to full business cases being developed so these be prepared for consideration when capital receipts are received, and the detailed appraisals are being considered.

10.4 The capital programme for 2024/25 to 2026/27 is included at Appendix 6. This is as reported in the December 2023 budget update report and is per the indicative capital programme approved at February 2023. The 2024/25 capital programme budgets have been updated to reflect the slippage on the 2023/24 programme.

11. Budget Consultation 2024/25

- 11.1 The public consultation on the budget for 2024/25 was undertaken between 19 December 2023 and 16 January 2024.
- 11.2 The public consultation was undertaken via an online consultation. The survey shared a number of high-level features of the budget for 2024/25 and asked respondents whether they were in support and any further views. A total of 359 responses were received which are set out in Appendix 7.

12. Medium Term Financial Plan 2024/25 to 2028/29

- 12.1 The MTFP has been updated to reflect the on-going impact of the changes made to the 2024/25 budget and to include the latest funding forecasts following the provisional settlement and further announcement. The position includes the following assumptions:
- the full year forecast saving of £250k for moving to alternative waste occurs from 2025/26
 - the removal of £39k costs from 2025/26 for the current procurement contract as notice has been given for this contract to end of 1 April 2025.
- 12.2 The updated MTFP summary 2024/25 to 2028/29 is shown in Appendix 8 and the MTFP assumptions are shown in Appendix 9. Table 8 summarises the updated MTFP position. This shows that based on the current assumptions the Council move into small cumulative surplus position over the MTFP period. It is important to note this is based on funding assumption received from our Advisors, this includes that the Funding Guarantee remain in 2025/26 and increases to maintain Core Spending Power on removal of the New Homes Bonus.

Table 8 – MTFP Forecast 2024/25 to 2028/29

	2024/25	2025/26	2026/27	2027/28	2028/29
In-Year Budget Gap / (Surplus)	-	- 102,000	52,000	18,000	- 143,000
Cumulative Budget Gap / (Surplus)	-	- 102,000	- 50,000	- 32,000	- 175,000

- 12.3 The impact of MTFP on the General Fund Reserve is shown in Table 9.

Table 9 – MTFP Forecast impact on the General Fund Reserve 2024/25 to 2028/29

	2024/25	2025/26	2026/27	2027/28	2028/29
Opening General Fund Balance	- 1,470,000	-1,770,000	-2,172,000	-2,120,000	-2,102,000
(Surplus)/Deficit contributed (to)/from reserves	-	-102,000	52,000	18,000	-143,000
Contribution from the Business Rates Pool to reserves	-300,000	-300,000			
Opening General Fund Balance	-1,770,000	-2,172,000	-2,120,000	-2,102,000	-2,245,000

- 12.4 As stated in paragraph 7.1 the contribution from the Business Rates Pool is impacted on by the Business Rates performance of all Leicestershire authorities, it is very volatile and hard to predict, the value included is based on a prudent return from the pool. There is no return from the pool forecast beyond 2025/26 as the MTFP assumption is that the Business Rates Reset will happen in 2026/27 and the pool arrangement would cease.
- 12.5 As stated in paragraph 7.2 there will be one-off redundancy costs associated with Service Transformation that will be met from the General Fund Reserve. This is not included in the forecast above as the costs are not known.
- 12.6 Appendix 10 shows the impact of different scenarios on the MTFP.

13. HRA Medium Term Financial Plan

- 13.1 Appendix 11 shows the HRA Medium Term Financial Plan 2024/25 to 2028/29. This shows it is forecasting to be in surplus for each year of the MTFP. The HRA reserve balance is forecast to increase from the forecast opening balance at the 1 April 2024 of £1.071m to £2.321m as at 31 March 2029.

13.2 Robustness of Estimates and Adequacy of Reserves (Section 25 Statement)

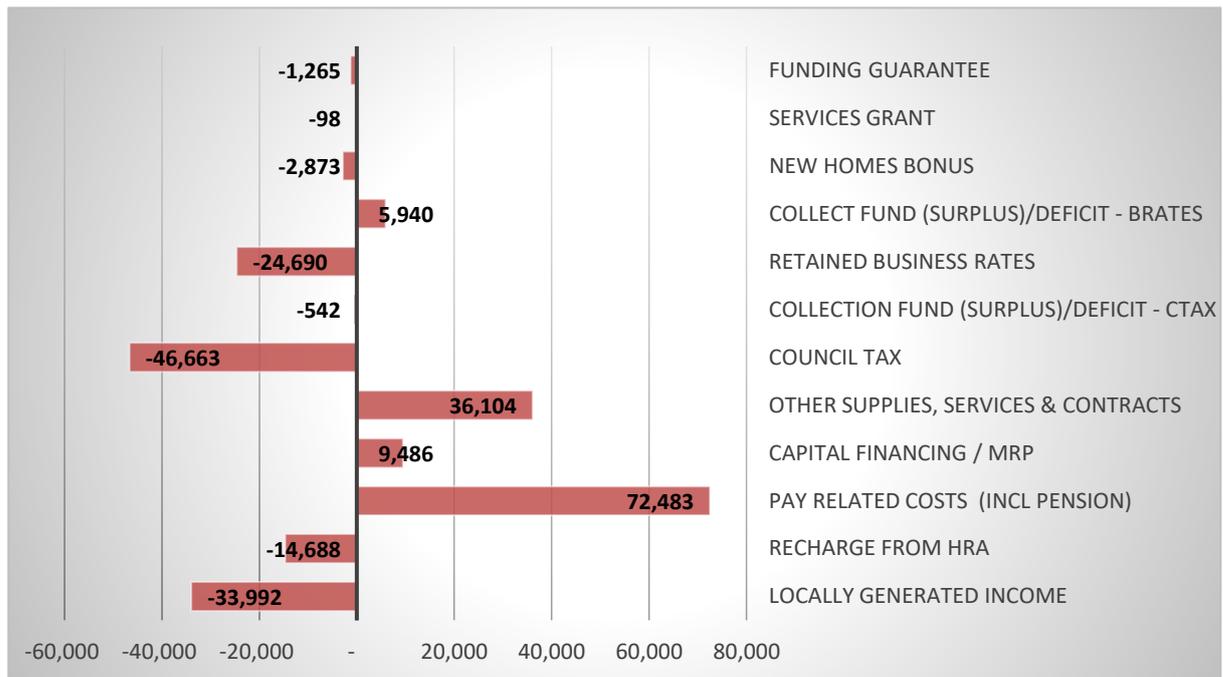
It has been well established that balancing budgets and closing budget gaps through the utilisation of reserves is not ideal and the Council needs to manage its expenditure within its funding and income means. This issue has been highlighted by the council's external auditors, Grant Thornton UK LLP.

- 13.3 At the Audit Committee meeting on 24 January 2023, Grant Thornton delivered their "Interim Annual Report for 2022/23" and an "Immediate Annual Report for 2023/24 Key Recommendation.
- 13.4 The 2023/24 Key Recommendations Report stated that in line with the requirements of the NAO's Code of Audit practice and due to the increasing financial challenges that the Council is facing within 2023-24 and the deterioration in its financial position and the reported risk that it could run out of money in 2025/26 unless further significant and challenging savings are achieved the auditors have issued an immediate report highlighting a significant weakness in financial sustainability arrangements and have made a key recommendation as set out in the report.
- 13.5 It was acknowledged that the Sustainability Programme savings that were identified in the previous MTFP did not meet the projected budget gap. Given the severity of the forecasted financial position, it was stated that it "was imperative that SLT and Councillors focus urgently on steps to address the financial challenge and organise activities in a way that focuses efforts on this single biggest risk". It is reassuring to acknowledge that those initial immediate steps have been taken and in December 2023 the Council approved the Financial Sustainability Plan in the main, and also committed to no longer using reserves to balance the budget now and in the future.
- 13.6 It is of fundamental importance that Members remain focused on the pledge not to use reserves to balance the budget and for Officers and Members to work collectively to identify those sustainable cost savings.
- 13.7 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 deciding on the budget proposals for the forthcoming year.
- 13.8 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 2024/25. Noting it is imperative that the Service Delivery Changes – Financial Sustainability Plan is delivered. The Council’s Senior Leadership Team is taking the steps to make the necessary savings identified in the budget proposals as ‘Service Transformation’.

- 13.9 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.
- 13.10 Based on current estimates for 2023/24 outturn which requires the use of the general fund reserve to balance the budget, the Council has an adequate level of general fund reserve to balance the budget. The budget for 2024/25 shows no use of general fund reserve to balance the budget as per the recommendation approved by Full Council at the meeting on the 12 December 2023.
- 13.11 There is no set formula for deciding what level of reserves is appropriate and councils are free to determine the level of reserves they hold. Where councils hold very low reserves is little resilience to financial shocks and sustained financial challenges. Recent analysis carried out by advisor LG improve stated that when compared to other Borough and District Councils, Oadby and Wigston had the 6th lowest level of usable revenue reserves as a proportion of net revenue expenditure based on 2022/23 data.
- 13.12 The forecast general fund reserve position is set out at paragraph 13.3 in the report, this forecasts the closing reserves to be £1.770m at March 2025. The previous MTFP stated that 12% of the net revenue expenditure position was considered too low. A more reasonable level of reserves is considered to be around 20% of net revenue expenditure. This amounts to a figure of £1.530m for 2045/25, therefore, we are forecasting reserves to be at an acceptable level.
- 13.13 As previously highlighted in the report the balanced annual budget for 2024/25 is achieved on the assumption the Service Delivery Changes – Financial Sustainability Plan as presented in Appendix 3 is fully achieved, any reduction in these savings or delays in them being achieved will result in utilisation of the general fund reserve and reduce the forecast balance for the reserve. As also previously highlighted the reserve position assumes a contribution from the business rates pool which is subject to variation and the reserve will be utilised to fund be one-off redundancy costs associated with Service Transformation which is not included in the forecast.
- 13.14 Added to the general reserves position, there is also a need to bolster more specific and earmarked reserves which are only used for their identified purposes, from a Risk Management perspective. These include a specific reserve for NNDR/Business Rates equalisation reserve, due to the uncertainties around calculations with the Business Rates Retention Scheme and for areas such as Invest to Save schemes whereby formally approved income generating schemes can be initiated in order to create savings in the future.
- 13.15 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 2024/25 budget.

Chart 1 – Impact of 1% change in budget assumptions



- 13.16 If outturn forecasts for the current (2023/24) or the 2024/25 year are even less favourable than projected, the Council could be in a position where more reserves will be called on.
- 13.17 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.
- 13.18 The Housing Revenue Account position remains in a sustainable position. 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.

APPENDICES 1-11 TO FOLLOW

Agenda Item 9



Policy, Finance and Development Committee	Tuesday, 06 February 2024	Matter for Information and Decision
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Report Title: **Treasury Management Policy and Strategies and Prudential Indicators (2024/25)**

Report Author(s): **Simon Ball (Senior Finance Business Partner)**

Purpose of Report:	<p>This report contains the Capital Strategy and Prudential Indicators which ensure that the capital expenditure plans of local authorities are affordable, prudent, and sustainable.</p> <p>It also contains the Treasury Management Policy, Strategy and Plan including Treasury Management Indicators detailing the expected treasury management operations and impact on the prudential indicators for the forthcoming financial year.</p> <p>It fulfils the key requirements of the:</p> <ul style="list-style-type: none"> • Local Government Act 2003; • The CIPFA Prudential Code for Finance in Local Authorities; • The CIPFA Code of Practice for Treasury Management in Public Services; • DLUHC Statutory Guidance on Local Government Investments; and <p>DLUHC Statutory Guidance on the Minimum Revenue Provision.</p>
Report Summary:	<p>The report contains the Council's:</p> <ul style="list-style-type: none"> • Capital Strategy including the Prudential Indicators, • Treasury Management Policy • Treasury Management Strategy and Plan including Treasury Management Indicators • Minimum Revenue Provision (MRP) Statement • Investment Strategy for 2024/25. • Flexible Use of Capital Receipts Strategy for 2024/25
Recommendation(s):	<p>a) That the Capital Strategy 2024/25 including the Prudential Indicators (as set out in Appendix 1) be approved;</p> <p>b) That the Treasury Management Policy, Treasury Strategy and Plan 2024/25 (as set out in Appendices 2 & 3) be approved;</p> <p>c) That the Minimum Revenue Provision Statement 2024/25 (as set out in Appendix 4) be approved;</p> <p>d) That the Investment Strategy 2024/25 (as set out in Appendix 5) be approved; and</p> <p>e) That the Flexible Use of Capital Receipts Strategy (as set out in Appendix 6) be approved.</p>
Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):	<p>Sal Khan (Interim Strategic Director) (0116) 257 2690 sal.khan@oadby-wigston.gov.uk</p> <p>Bev Bull (Head of Finance /Section 151 Officer)</p>

	(0116) 257 2649 bev.bull@oadby-wigston.gov.uk Simon Ball (Senior Finance Business Partner) (0116) 257 2624 simon.ball@oadby-wigston.gov.uk
Strategic Objectives:	Our Council (SO1)
Vision and Values:	"A Stronger Borough Together" (Vision) Resourceful & Resilient (V4)
Report Implications: -	
Legal:	There are no implications directly arising from this report.
Financial:	The implications are as set out in this report.
Corporate Risk Management:	Decreasing Financial Resources / Increasing Financial Pressures (CR1) Reputation Damage (CR4) Regulatory Governance (CR6)
Equalities and Equalities Assessment (EA):	There are no implications directly arising from this report. EA not applicable
Human Rights:	There are no implications directly arising from this report.
Health and Safety:	There are no implications directly arising from this report.
Statutory Officers' Comments: -	
Head of Paid Service:	Click to select comment.
Chief Finance Officer:	The report is satisfactory.
Monitoring Officer:	The report is satisfactory.
Consultees:	None
Background Papers:	None
Appendices:	<ol style="list-style-type: none"> 1. Capital Strategy 2023/24 which includes the Prudential Indicators for 2024/25 – 2028/29 2. Treasury Management Policy 2024/25; 3. Treasury Management Strategy 2024/25 which includes the Treasury Management Indicators for 2024/25 - 2028/29; 4. Minimum Revenue Provision (MRP) Statement 2024/25; 5. Investment Strategy 2024/25. 6. Flexible Use of Capital Receipts Strategy 2024/25

1. Introduction

- 1.1 The Local Government Act 2003 and supporting regulations require the Council to 'have regard to' the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code and the CIPFA Treasury Management Code of Practice and to prepare, set and publish a Capital Strategy including prudential indicators, and a

Treasury Management Policy, Treasury Strategy and Plan including 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, meaning that cash raised during the year will meet cash expenditure. As part of this, the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus moneys 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 increases in 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. Treasury Management 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 Policy and Strategy which also requires Member approval.
- 1.6 The Annual Investment Strategy for Treasury Management investments, sets the limits for the maximum amounts to be invested and the types of investments the Council may consider.
- 1.7 The Minimum Revenue Provision statement states how the Council will charge revenue for capital expenditure, which is financed by borrowing or credit arrangements. Local Authorities are required each year to set aside some of their revenues as provision for this debt. This was revised in November 2023.
- 1.8 The Council's capital and treasury activities are strictly regulated by statutory requirements and guidance, including the CIPFA Prudential Code for Capital Finance in Local Government, CIPFA Treasury Management Code of Practice, Department for Levelling Up Housing and Communities (DLUHC) Investment Guidance and DLUHC Minimum Revenue Provision (MRP) Guidance.
- 1.9 Full Council is required to approve the Capital Strategy and Treasury Management Policy statement for the forthcoming year at or before the start of the year.
- 1.10 Annual reporting to the Policy Finance and Development Committee (PFD) is required annually to on the activities of the treasury management operation and on the exercise of the Section 151 Officer's delegated treasury management powers.

2. CAPITAL STRATEGY, TREASURY STRATEGIES AND PRUDENTIAL INDICATORS 2024/25

2.1 The following strategies are attached as appendices for PFDC to recommend to Council on the 22nd February for approval:

- Appendix 1 – Capital Strategy 2024/25 which includes the Prudential Indicators for 2024/25 – 2028/29;
- Appendix 2 – Treasury Management Policy 2024/25
- Appendix 3 - Treasury Management Strategy 2024/25 which includes the Treasury Management Indicators 2024/25 - 2028/29
- Appendix 4 – Minimum Revenue Provision (MRP) Statement 2024/25;
- Appendix 5 – Investment Strategy 2024/25.
- Appendix 6 – Flexible Use of Capital Receipts Strategy 2024/25.

The values within these strategies align with the revenue and capital budgets. Changes in capital and treasury indicators will be reported to PFD on a quarterly basis. All changes to the budgets that impact on the strategies will be agreed with the Section 151 Officer in consultation with the Chair of Policy, Finance and Development Committee.

Appendix 1 Capital Strategy Report 2024/25

Oadby and Wigston Borough Council

Introduction

This Capital Strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance Members' understanding of these sometimes-technical areas.

Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to a local policy framework, summarised in this report.

Capital Expenditure and Financing

Capital expenditure is where the Authority spends money on assets, such as property or vehicles that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Authority has some limited discretion on what counts as capital expenditure, for example assets costing below £3k are not capitalised and are charged to revenue in year.

- For details of the Authority's policy on capitalisation, see the accounting policies section of the Statement of Accounts:

In 2024/25, the Authority is planning capital expenditure of £6.679m as summarised below:

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

	2023/24 Forecast £000s	2024/25 Forecast £000s	2025/26 Forecast £000s	2026/27 Forecast £000s	2027/28 Forecast £000s	2028/29 Forecast £000s
General Fund	2.586	1.412	0.493	0.493	0.418	0.418
HRA	1.786	5.267	1.500	1.500	1.500	1.500
Capital Investments	0.000	0.000	0.000	0.000	0.000	0.000
Total	4.372	6.679	1.993	1.993	1.918	1.918

The main General Fund capital projects include Invest to Save projects (£300k), Vehicle Replacements (£450k) and Play Area Improvement (£495k); The Authority does not plan to incur capital expenditure on investments during 2024/25.

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 building of new housing schemes (£2.178m), Social Housing Decarbonisation Fund (£1.53m) and other capital works per the HRA Business Plan (£1.58m).

Capital investments include loans and shares made for service purposes and property held primarily for financial return in line with the definition in the *CIPFA Treasury Management Code*.

Governance: Service managers bid annually to include projects in the Authority’s capital programme. Bids are collated by Finance who calculate the financing cost (which can be nil if the project is fully externally financed). The Policy, Finance and Development Committee appraises all bids based on a comparison of service priorities against financing costs and makes recommendations to Full Council. The final capital programme will be presented to Full Council in February at the same meeting as this strategy.

- For full details of the Authority’s capital programme, see:

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Authority’s own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £ millions

	2023/24 Forecast £000s	2024/25 Forecast £000s	2025/26 Forecast £000s	2026/27 Forecast £000s	2027/28 Forecast £000s	2028/29 Forecast £000s
External sources	0.107	1.010	0.000	0.000	0.000	0.000
Capital resources	0.398	1.789	0.493	0.493	0.418	0.418
Revenue resources	1.688	2.608	1,500	1,500	1,500	1,500
Debt	2.179	1.272	0.000	0.000	0.000	0.000
TOTAL	4.372	6.679	1.993	1.993	1.918	1.918

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 Minimum Revenue Provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned Minimum Revenue Provision payments (MRP) are as follows:

Table 3: Replacement of prior years' debt finance in £ millions

	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast
Capital resources	0.000	0.000	0.000	0.000	0.000	0.000
Revenue resources	0.224	0.298	0.308	0.317	0.327	0.338
TOTAL	0.224	0.298	0.308	0.317	0.327	0.338

- The Authority's full minimum revenue provision is available included as Appendix 4 to of this suite of reports.

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 General Fund CFR is expected to decrease by £0.298 during 2024/25, due to the capital program being funded entirely from capital receipts accruing from the sale of Bushloe House. Based on the above figures for expenditure and financing, the Authority's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	2023/24 Forecast £000s	2024/25 Forecast £000s	2025/26 Forecast £000s	2026/27 Forecast £000s	2027/28 Forecast £000s	2028/29 Forecast £000s
General Fund services	22.543	22.241	21.931	21.610	21.278	20.936
Council housing (HRA)	19.732	21.005	21.005	21.005	21.005	21.005
Capital investments	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL CFR	42.275	43.246	42.936	42.615	42.283	41.941

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 or to repay debt. Repayments of capital grants, loans and investments also generate capital receipts. The Authority plans to receive circa £3.4 m of capital receipts in the coming financial year as follows:

Table 5: Capital receipts receivable in £ millions

	2023/24 Forecast £000s	2024/25 Forecast £000s	2025/26 Forecast £000s	2026/27 Forecast £000s	2027/28 Forecast £000s	2028/29 Forecast £000s
Asset sales	0.400	3.400	0.400	0.400	0.400	0.400
Loans etc. repaid	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	0.400	3.400	0.400	0.400	0.400	0.400

- The Authority's Flexible Use of Capital Receipts Policy is available as part of the Full Council reporting pack in February 2024.

Treasury Management

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Authority's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Authority is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

Due to decisions taken in the past, the Authority currently has £31.981m borrowing at an average interest rate of 3.47%.

Borrowing strategy: The Authority's main objective when borrowing is to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Authority therefore seeks to strike a balance between cheaper short-term loans long-term fixed rate loans where the future cost is known but higher.

Projected levels of the Authority's total outstanding debt (which comprises borrowing, PFI liabilities, leases and transferred debt) are shown below, compared with the capital financing requirement (see above).

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions

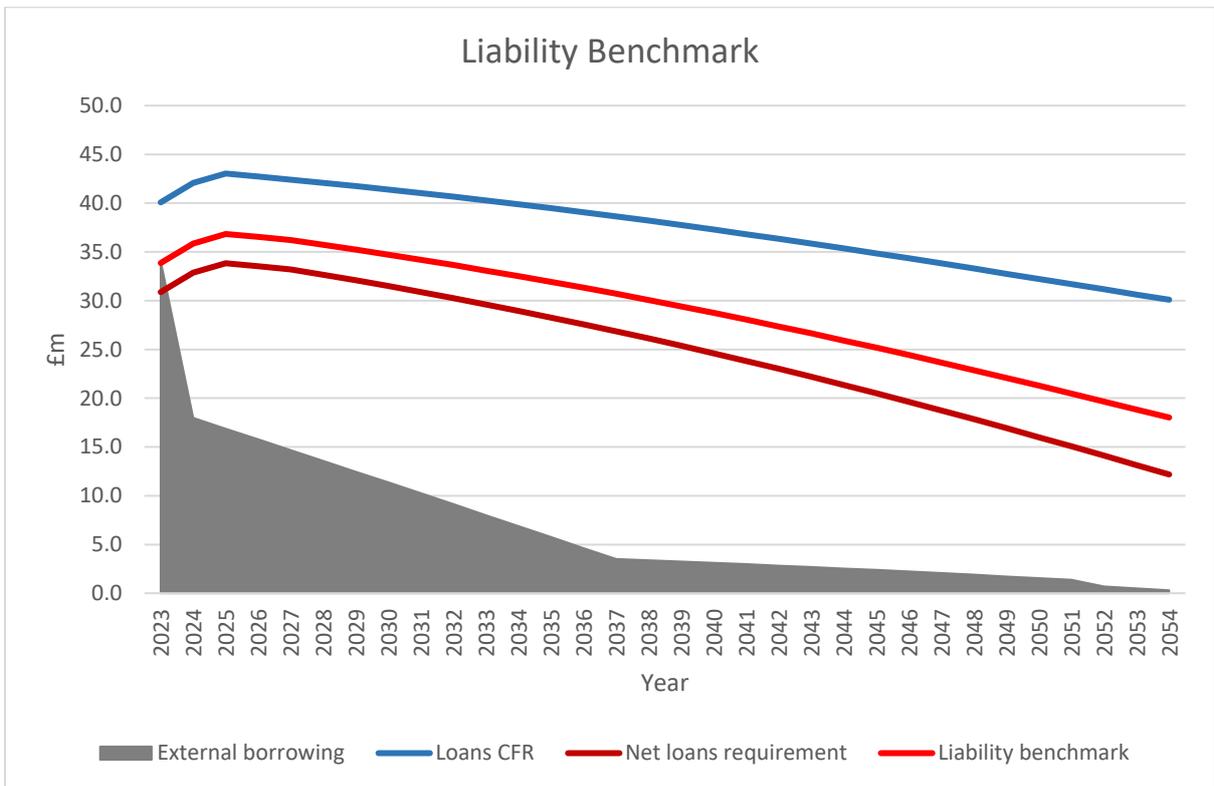
	2023/24 Forecast £000s	2024/25 Forecast £000s	2025/26 Forecast £000s	2026/27 Forecast £000s	2027/28 Forecast £000s	2028/29 Forecast £000s
GF and HRA Debt	36.474	35.877	36.278	36.676	37.072	37.465

Capital Financing Requirement	42.275	43.246	42.936	42.615	42.283	41.941
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Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Authority expects to comply with this in both the short and medium term.

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 6 above.

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.



Affordable borrowing limit: The Authority 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.

Table 8: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2023/24 Forecast £m	2024/25 Forecast £m	2025/26 Forecast £m	2026/27 Forecast £m	2027/28 Forecast £m	2028/29 Forecast £m
Authorised limit – borrowing	46.0	46.0	46.0	47.0	47.0	47.0
Operational boundary – borrowing	41.0	41.0	41.0	42.0	42.0	42.0

- Further details on borrowing are in the Council’s Treasury Management Strategy

Treasury investment strategy: Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

The Authority’s policy on treasury investments is to prioritise security and liquidity over yield that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy, and the Authority may request its money back at short notice.

Table 9: Treasury management investments in £millions

	2023/24 Forecast £000s	2024/25 Forecast £000s	2025/26 Forecast £000s	2026/27 Forecast £000s	2027/28 Forecast £000s	2028/29 Forecast £000s
Near-term investments	0.000	1.000	1.000	1.000	1.000	1.000
Longer-term investments	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	1.000	1.000	1.000	1.000	1.000	1.000

Risk management: The effective management and control of risk are prime objectives of the Authority’s treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

- The treasury management prudential indicators are detailed in the Treasury Management Strategy

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Section 151 Officer and staff, who must act in line with the treasury management strategy approved by Full Council. Half-yearly reports on treasury management activity are presented to Policy, Finance and Development Committee who scrutinise the treasury management decisions.

Commercial Activities

The Authority has very limited commercial activity which relates to three small shops which form part of an apartment block which is owned by the Council. The rental is c£17k per annum and is therefore not material and as such present little risk.

Governance: Decisions on commercial investments are made by the Section 151 Officer alongside the Senior Leadership Team. Any plans would then require approval by Full Council. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.

Liabilities

In addition to debt of circa £36m (2024/25) detailed above, the Authority is committed to making future payments to cover its pension fund deficit (valued at £5m). It has also set aside £157k to cover OWBC share of risks arising from Business Rates appeals.

Governance: Decisions on incurring new discretionary liabilities are taken in consultation with the Section 151 Officer. The risk of liabilities crystallising and requiring payment is monitored by Finance and reported to Committee.

- Further details on liabilities and guarantees are shown each year in the Statement of Accounts.

Revenue Budget Implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. 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 general government grants.

Table 10: Prudential Indicator: Proportion of financing costs to net revenue stream.

	2023/24 Forecast £000s	2024/25 Forecast £000s	2025/26 Forecast £000s	2026/27 Forecast £000s	2027/28 Forecast £000s	2028/29 Forecast £000s
Financing costs (£m) General Fund	0.598	0.949	0.791	0.818	0.846	0.874
Financing costs (£m) HRA	0.716	0.745	0.790	0.801	0.811	0.820

Proportion of net revenue stream GF	8.7	14.2	11.5	11.6	11.7	11.8
Proportion of net revenue stream HRA	12.9	13.1	13.6	13.4	13.3	13.1

Incremental Impact of Capital Investment Decisions on the Band D Council Tax

The estimates of the incremental impact of capital investment decisions on the Council Tax indicator identifies the trend in the cost of proposed changes in the three-year capital programme recommended in the budget report compared to the Council's existing commitments and current plans. The figures are based on the assumptions included in the budget.

	2023/24 Estimate £	2024/25 Estimate £	2025/26 Estimate £	2026/27 Estimate £	2027/28 Estimate £	2028/29 Estimate £
2023/24 Programme	6.60	6.60	6.60	6.60	6.60	6.60
2024/25 Programme	0.00	(4.55)	(4.55)	(4.55)	(4.55)	(4.55)
2025/26 Programme	0.00	0.00	0.88	0.88	0.88	0.88
2026/27 Programme	0.00	0.00	0.00	0.86	0.86	0.86
2027/28 Programme	0.00	0.00	0.00	0.00	0.84	0.84
2028/29 Programme	0.00	0.00	0.00	0.00	0.00	0.83
Total	6.60	2.05	2.93	3.79	4.63	5.46

Incremental Impact of Capital Investment Decisions on Housing Rent Levels

The estimates of the incremental impact of capital investment decisions on housing rent levels are similar to the Council Tax calculation. This indicator identifies the trend in the cost of proposed changes in the housing capital programme recommended in the budget report compared to the Council's existing commitments and current plans, expressed as a change in weekly rent levels.

	2023/24 Estimate £	2024/25 Estimate £	2025/26 Estimate £	2026/27 Estimate £	2027/28 Estimate £	2028/29 Estimate £
2023/24 Programme	0.00	0.00	0.00	0.00	0.00	0.00
2024/25 Programme	0.00	1.23	1.23	1.23	1.23	1.23
2025/26 Programme	0.00	0.00	0.00	0.00	0.00	0.00
2026/27 Programme	0.00	0.00	0.00	0.00	0.00	0.00
2027/28 Programme	0.00	0.00	0.00	0.00	0.00	0.00
2028/29 Programme	0.00	0.00	0.00	0.00	0.00	0.00
Total	0.00	1.23	1.23	1.23	1.23	1.23

Sustainability: Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Section 151 Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable following scrutiny of the available funding: the medium-term financial strategy and the due diligence of each project.

Knowledge and Skills

The Authority employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Section 151 Officer is a qualified accountant with substantial experience. The Authority pays for junior staff to study towards relevant professional qualifications including CIPFA, ACT (treasury) and AAT.

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

Appendix 2



Oadby & Wigston
BOROUGH COUNCIL

Treasury Management Policy

Revised	19/01/2024
Next Revision By	31/01/2025
Head Of Finance Approval	



OADBY & WIGSTON BOROUGH COUNCIL

TREASURY MANAGEMENT POLICY

Introduction

The CIPFA code of practice Treasury Management in the Public Services was produced to assist all forms of public bodies with their treasury management strategies. In the publication of this policy the Council formally adopts the CIPFA code of practice as part of its standing orders and financial regulations.

Three Key Elements to the Policy

1. The Definition of The Treasury Activities of The Council

Oadby & Wigston Borough Council defines its treasury management activities as “The management of the organisation’s borrowing, investments and cash flows, including its banking, money market and capital market transaction; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

2. The role of Risk Management in the Treasury Policy

Oadby & Wigston Borough Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.

3. Achievement of Business and Service Objectives

Oadby & Wigston Borough Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable, comprehensive performance measurement techniques, with the context of effective risk management.

Treasury Management Practices (TMP)

TMP1 Risk Management

The Section 151 Officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, and will report annually on their adequacy and suitability. They must also report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation’s objectives in relation to a failure in the policy.

In respect of each of the following risks, the arrangements, which seek to ensure compliance with the stated objectives, are set out in the schedule to this document.

1. Liquidity Risk

Oadby & Wigston Borough Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its operation.

The Council will not borrow earlier than required to meet cash flow needs unless there is a clear business case for doing so and will only do so for the current capital programme, to fund future debt maturities, or to ensure an adequate level of short-term investments to provide liquidity for the organisation.

2. Interest Rate and Inflation Risk

The Section 151 Officer, on behalf of the Council, will manage its exposure to fluctuations in interest rates and inflation with a view to containing its net interest costs or revenues in accordance with its treasury management policy and strategy. It will achieve these objectives by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of income but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. The above is subject at all times to the considerations and if required, approval of any policy or budgetary implications.

3. Credit and Counterparty Risk

Oadby & Wigston Borough Council regards a prime objective of its treasury management activities to be the security of the principal sums invested. Accordingly, we will ensure that its counterparty list and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4, and listed in the schedule to this document.

4. Refinancing Risk

Oadby & Wigston Borough Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies raised are managed, with a view to obtaining offer terms for renewal or refinancing if required. All arrangements should be competitive and as favourable to the Council as can reasonably be achieved in the light of market conditions prevailing at the time of transaction.

5. Legal and Regulatory Risk

Oadby and Wigston Borough Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. It will ensure that there is evidence of counterparties' powers, authority and compliance in respect of transactions they may affect with the Council, particularly with regard to duty of care and fees charged.

6. Operational Risk, Including Fraud, Error and Corruption

Oadby and Wigston Borough Council will ensure that it has identified the circumstances, which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to enable risk to be minimised.

7. Market Risk

Oadby and Wigston Borough Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests and will accordingly seek to protect itself from the effects of such **fluctuations**.

8. Environmental, Social and Governance (ESG)

Oadby and Wigston Borough Council has always followed a Security, Liquidity and Yield (SLY) policy for its treasury management investments with security being the most important as the Council needs to be as certain as possible when an investment is made that the amount invested is returned when due. Liquidity is important because the Council needs cash to deliver its day-to-day activities therefore treasury officers have to determine how much should be invested in call accounts where daily access is available and how much is invested in term accounts where the money is only available on maturity. Finally yield, which is the least important of the three, will only be considered after the security and liquidity requirements have been satisfied.

For example, if the Council had an opportunity to invest a sum of money and there were two investment opportunities and each of these both met the security and liquidity criteria then in this scenario the investment that pays the greatest yield will be chosen. The Council will consider an organisation's ESG credentials when it has to choose between counterparties that both have similar SLY criteria.

TMP 2 Best Value and Performance Measurement

Oadby and Wigston Borough Council is committed to the pursuit of best value in its treasury management activities. Accordingly, the treasury management activities will be the subject of ongoing analysis of the value it adds in support of the organisations stated objectives and include measures of effective treasury risk management and not only measures of financial performance (income or savings).

TMP 3 Decision-making and Analysis

Oadby and Wigston Borough Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions. Both for the purpose of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were considered at the time. The issues, processes and practices taken account of when reaching decision are detailed in the schedule.

TMP 4 Approved Instruments, Methods and Techniques

Oadby and Wigston Borough Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule, and within the limits and parameters defined in TMP1.

TMP 5 Organisation, Clarity and Segregation of Responsibilities and Dealing Arrangements

Oadby and Wigston Borough Council considers it essential, for the purpose of the effective control and monitoring of its treasury management activities, for the reduction of the risk or fraud or error, and for the pursuit of optimum performance; that these activities are structured and managed in a fully integrated manner, and that there is at all times clarity of treasury management responsibilities.

That there is a clear distinction between the Section 151 Officer charged with setting treasury management policies and those officers charged with carrying out those policies.

If and when the organisation intends, as a result of lack of resources or other circumstances, to depart from these principles, the Section 151 Officer will ensure that the reasons are properly reported in accordance with TMP6.

TMP 6 Reporting Requirements and Management Information Arrangements

Oadby and Wigston Borough Council will ensure that quarterly reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes resulting from regulatory, economic, market or other factors.

Council will receive:

- Annual Treasury and Investment Strategies and Plan Report for the coming year, including the CIPFA Liability Benchmark
- Quarterly Treasury Management Performance Report to include any non-compliance with the Council's Treasury Management Policy and TMPs, reflecting the Council's quarterly forecast revenue and capital outturns.

TMP 7 Budgeting, Accounting and Audit Arrangements

Oadby and Wigston Borough Council will account for its treasury management activities in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force.

The Council will ensure that the costs involved in running the treasury management function will pertain to best value.

The Council will ensure its auditors, and those charged with regulatory review have access to all information and papers supporting the activities of the treasury management function as are necessary to fulfil their roles.

TMP 8 Cash and Cash Flow Management

All monies in the hands of Oadby and Wigston Borough Council will be under the control of the Section 151 Officer and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, using a Liability Benchmark where appropriate, and the Section 151 Officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1 – Liquidity Risk.

TMP 9 Money Laundering

Oadby and Wigston Borough Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, we maintain procedures for verifying and recording the identity of counterparties and reporting suspicions.

TMP 10 Staff Training and Qualifications

Oadby and Wigston Borough Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. We will therefore seek to ensure that individuals are provided with training as required and/or identified by the Oadby and Wigston Borough Council Employee Appraisal and Development process.

TMP 11 Use of External Service Providers

Oadby and Wigston Borough Council recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. In doing so we will ensure that the cost and benefits are considered. We will also ensure, where feasible and necessary, that a spread of service providers is used, to avoid over-reliance on one company. Where services are subject to formal tendering standing orders will be applied.

TMP 12 Corporate Governance

Oadby and Wigston Borough Council is committed to the pursuit of proper corporate governance throughout the authority, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function will be undertaken with openness, transparency, honesty, integrity and accountability.

We have adopted and implemented the key recommendations of the Code, and this together with the other arrangements detailed in the schedule are considered vital to the achievement of proper corporate governance in treasury management. The Section 151 Officer will monitor and if and when necessary, report upon the effectiveness of these arrangements.

TREASURY MANAGEMENT PRACTICES - SCHEDULES

This section contains the schedules which set out the details of how the Treasury Management Practices (TMPs) are put into effect by this organisation.

TMP 1 Risk Management

TMP 2 Best Value and Performance Measurement

TMP 3 Decision-making and Analysis

TMP 4 Approved Instruments, Methods and Techniques

TMP 5 Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements

TMP 6 Reporting Requirements and Management Information Arrangements

TMP 7 Budgeting, Accounting and Audit Arrangements

TMP 8 Cash and Cash Flow Management

TMP 9 Money Laundering

TMP 10 Staff Training and Qualifications

TMP 12 Corporate Governance

TMP 1 RISK MANAGEMENT

1. Liquidity

It will be the function of the Section 151 Officer to calculate from cash flow forecasts the extent of any surplus cash available for investment. There will be no requirement of the Council to maintain a surplus cash balance in the bank account although such surpluses may occur from time to time. The intention should always be to maintain a nil cleared balance as far as possible.

In the event of the Council having to borrow for short-term cash flow reasons this will be carried out through the money markets, or from the Council's bank if more economic.

2. Interest Rate and Inflation

The rate of interest on new investments will be made taking into account the market conditions and obtaining rates from a number of institutions on the Council's counterparty list.

Surplus cash may be invested with those institutions shown on the Council's counterparty list for a maximum maturity of 364 days.

The level of investments placed with any one institution are approved annually within the Treasury Strategy and Plan Report by Council. This limit may be adjusted by Council during the year if it is found to be prejudicial to the interest rates the Authority can earn on its investments.

The Authority determines annually, within its Treasury Strategy and Plan, the level of total external debt, temporary external borrowing, and variable against fixed interest rate exposure.

3. Credit and Counterparty Policies

The Section 151 Officer will be responsible for preparing for the Council a list of institutions in whom the Council's funds may be invested. This list will be supported by details of the criteria employed to assess the various credit standings of counterparties. As a general principle these institutions will have at least F1, F1+ Fitch short term rating or PI Moody's short-term rating although, subject to the supporting report of the Section 151 Officer, other non-rated institutions may be included.

The Council will seek to ensure that the maximum amount of market, media and local intelligence is gathered and communicated to the responsible treasury staff to assist them in constantly reviewing sectors and individual institutions on the approved list. The Section 151 Officer may add, delete or amend institutions on the approved list during the year. In any event, the list of counterparties will be reviewed annually by Council.

The Council's current policy is not to appoint external fund managers. Under the present circumstances, the Authority does not have sufficient surplus funds to give either enough scope or sufficient diversity of portfolio to justify such consultancy fees.

4. Refinancing

The maturity pattern of all outstanding debt must be reviewed before any new long-term loan is taken and before debt is rescheduled.

Variable and fixed rate funds should be kept under review with the potential of securing discounts.

5. Legal and Regulatory Work

Treasury management activities will be carried out in accordance with rules governing the investment of local authorities' funds as set out in the Local Authorities (Capital Finance) (Approved Investments) Regulations 1990, and the Local Authorities (Capital Finance) Regulations 1997, as amended.

In addition, activities will be conducted in accordance with the Council's approved Treasury Management Strategy and Plan, and Treasury Management Policy Statement. This includes the adoption of CIPFA's Code of Practice for Treasury Management in the Public Services and CIPFA's Prudential Code for Capital Finance in Local Authorities.

Evidence of officers delegated powers, to borrow and invest, will be provided on request to counterparties as set out in the constitution.

All the banks included in the Council's lending list are authorised under the Banking Act 1987, to accept deposits in the UK.

6. Fraud, Error and Corruption, and Contingency Management

In order to minimise the possibility of fraud, error, and corruption the procedures for carrying out and monitoring treasury management activities are subject to audit, as well as various internal controls and reporting to the Council.

Evidence of fraud and corruption should be reported to the Section 151 Officer or Monitoring Officer, in accordance with the Council's Anti-Fraud & Corruption Policy, who will then determine the appropriate course of action.

The Chief Executive and Section 151 Officer must include arrangements for the proper and continuous fulfilment of the Treasury Management function in any disaster planning.

The Council's fidelity guarantee insurance provides cover of up to £2.5 million for all employees for losses caused by fraud.

7. Market Risk Management

The value and performance of the Council's investments is regularly monitored and is reported to Members on an annual basis.

In order to manage risk and protect public funds, the following are the only organisations with which investments will be placed.

- Other Local Authorities
- UK Clearing Banks and their subsidiaries.
- Government Institutions
- Building Societies
- Money Market Funds

- CCLA Property Funds

In addition, each clearing bank or subsidiary will be assessed for its credit standard and rating. The minimum rating that the authority will accept prior to placing a temporary loan are.

- Long Term Investments Fitch Rating A
- Short Term Investments Fitch Rating F1
- Money Market Funds are required to be rated AAA.

In addition, the Authority will invest with Building Societies with an asset base of at least six billion UK pounds as reviewed annually in the Councils Investment Strategy.

There should be a maximum amount which officers are permitted to invest with any one institution. This amount should be reviewed annually within the Treasury and Investment Strategies and Plan Report to the Council. Deposit accounts held with the Councils own bank are not subject to this limit.

The level of external debt, temporary external borrowing and exposure to variable and fixed rate interest should be set within the Treasury Strategy and Plan Report.

TMP 2 PERFORMANCE MANAGEMENT

Banking services are renegotiated or re-tendered normally every 3-5 years to ensure competitive pricing.

The Council uses money broking services in order to make deposits or to borrow. Charges for all services are established prior to using them to ensure that the relevant terms are satisfactory in the light of market conditions.

The following brokers may be used by the Council:

- Martins Brokers
- Tradition Brokers

The quality of service provided by these brokers shall be monitored on a regular basis and reviewed annually.

In order to provide the best possible value in treasury management the Authority may employ financial consultants for specialist advice on the markets and developments in treasury management and accounting.

The following consultants may be used by the Council.

- Arlingclose Treasury Management

The performance of the Council's borrowing activities is monitored by calculating the average interest rate on external borrowing and is compared to the rate for the previous year. This is included in the annual Treasury Management Performance Report.

TMP3 DECISION MAKING AND ANALYSIS

In carrying out treasury management responsibilities the Section 151 Officer will meet on a regular basis with the Finance Team to discuss and agree the implementation of the Treasury Strategy and Plan, monitor performance and make decisions on operational treasury management issues.

Detailed records will be maintained of all borrowing and investments made by the Council. These records are reconciled on a monthly basis to the financial management system.

In respect of borrowing objectives, the Council will:

- minimise the revenue costs of debt.
- manage the debt maturity profile to ensure that there is no overexposure to re-borrowing in any one year.
- effect borrowing at the cheapest cost commensurate with future risk.
- be aware of the future interest rate forecasts and to borrow accordingly.
- monitor and review the level of variable interest rate loans in order to take advantage of interest rate movements.
- ensure that borrowings accord with statutory requirements.

In respect of investment objectives, the Council will:

- maximise the level of return commensurate with maximum protection of the Council's money.
- invest in accordance with the approved list of counterparties.
- manage the maturity profile to ensure that there is no exposure to reinvestment at any point in the year.
- ensure all investments fall within the definitions of Approved Investments

TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

1. Treasury Management Procedure Notes

Detailed procedures to be followed when carrying out cash flow monitoring and any borrowing or investment activities will be maintained and updated as requested.

2. Approved Activities of the Treasury Management Operation

- borrowing
- lending
- consideration, approval and use of new financial instruments and treasury management techniques
- managing the underlying risk associated with the Council's capital financing and surplus fund activities.
- managing cash flow
- banking activities
- leasing

3. Approved Instruments for Investments

The Council will only invest surplus funds in accordance with the investments approved under the Local Government (Capital Finance) (Approved Investments) Regulations 1990 and subsequent amendments i.e.

- Institutions authorised under the Banking Act 1987 by the Bank of England
- Building Societies
- Local Authorities
- Other public sector bodies as permitted by the above regulations.

4. Approved Methods and Sources of Raising Capital Finance

The following instruments are available and may be utilised to provide capital finance: -

	Rates of interest	
	Fixed	Variable
PWLB	✓	✓
Market Long-term	✓	✓
Market Temporary	✓	✓
Bank Overdraft		✓
Internal Funds		✓
Operating Leases	✓	✓
Finance Leases	✓	✓

No instruments, other than those listed may be used.

TMP5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES AND DEALING ARRANGEMENTS

In accordance with the Council's Constitution, Council is responsible for approving the annual Treasury Strategy and Plan.

1. Responsibilities of Staff Relating to Treasury Management

Section 151 Officer

- Ensure that Treasury Management activities comply with the CIPFA Code of Practice for Treasury Management in the Public Services.
- Submit budgets for treasury management activities.
- Implement the Council's Treasury Strategy and Plan.
- Report to Council on the Treasury Strategy and Plan for the next financial year and Treasury Management Performance for the past financial year.
- Ensure the adequacy of internal audit and liaise with external audit.
- Approve the Council's lending list and any changes to it.
- Ensure staff involved in treasury management receive appropriate training.
- Ensure that the treasury management function is adequately resourced.

- Ensure all staff involved in dealing are aware of the principles contained in the Bank of England's London Code of Conduct for corporate dealing in the money market.
- Assess and appoint money brokers.
- Ensure that all proposed transactions are intra-vires.

Deputy Section 151 Officer

- Absence cover for the Section 151 Officer
- Prepare the annual Treasury Strategy and Plan Report and the annual Treasury Management Performance Report
- Prepare the annual budget for treasury management activities.
- Review TMPs
- Transmit priority payments.
- Advise the Section 151 Officer on treasury management matters.
- Manage the treasury management function.

Senior Finance Business Partner

- Check daily cash-flow and agree dealing.
- Ensure adherence to Council's lending list.
- Check monthly reconciliations.
- Maintain procedure notes for the treasury management function.
- Dealing and recording of deals
- Completion of Priority Payment forms
- Maintenance of documentation
- Prepare daily and long-term cash-flow projections.
- Check receipt of treasury management funds
- Prepare documentation to confirm deal which should be signed by an approved signatory.

Finance Business Partner

- Check daily cash-flow.
- Reconcile Treasury records to the financial ledger on a monthly basis.

Other Responsible Officers

Head of Paid Services

- That the system is laid down and properly resourced.
- That the Section 151 Officer complies with statutory guidelines as regards reporting to elected members on treasury policy, activity and performance.

The Monitoring Officer

- Should ensure that all policy and strategy put forward by the Section 151 Officer complies with the law.

Internal Audit Service

- Review compliance with approved policy and procedures.
- Review division of duties and operational practice.
- Review treasury function for probity.

2. Dealing and Decision-Making Limits

All treasury management activities should be carried out in accordance with the annual Treasury Strategy and Plan.

TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

1. Annual Treasury Strategy and Plan

The Treasury Strategy and Plan sets out the expected treasury activities for the forthcoming financial year. This strategy will be submitted to Council for approval before the start of each financial year.

The formulation of the annual Treasury Strategy and Plan involves determining the appropriate borrowing and investment decisions in the light of anticipated movement in both fixed and shorter-term variable interest rates.

The Treasury Strategy and Plan will include the following elements:

- The current treasury position.
- The expected movement in interest rates
- The Council's borrowing and debt strategy
- The Council's investment strategy
- Treasury performance indicators (see 2 below)
- Specific limits on treasury activities
- Local treasury issues

The Section 151 Officer must ensure that all proposed transactions are intra-vires, and if not must make a report under Section 114 of the Local Government Finance Act 1988.

The Section 151 Officer and Chief Executive and Monitoring Officer must ensure that the stated policy is adhered to and if not must also bring the matter to the attention of the elected members as soon as possible.

In the circumstances of a Section 114 report the external auditor must be advised immediately.

2. Borrowing Limits

As required by the Local Government Act 2003 and CIPFA's Prudential Code for Capital Finance in Local Authorities, Council must approve before the beginning of each financial year the following limits:

- the Authorised Limit for External Debt
- the Operational Boundary for External Debt
- the Upper Limit on Fixed Interest Rate Exposure
- the Upper Limit on Variable Interest Rate Exposure
- A Long-Term Projection of External Debt and the Capital Financing Requirement (the CIPFA Liability Benchmark)

for the forthcoming year and the following two years.

Furthermore, Council must approve before the beginning of the financial year:

- the Lower Limit for the Maturity Structure of Borrowing
- the Upper Limit for the Maturity Structure of Borrowing

for the following periods:

- under 12 months
- 12 months and within 24 months
- 24 months and within 5 years
- 5 years and within 10 years
- 10 years and above.

The Section 151 Officer is responsible for incorporating these limits into the annual Treasury Strategy and Plan and for ensuring compliance with the limits. Should it prove necessary during the year to amend these limits the Section 151 Officer in consultation with the Chief Executive may in exceptional circumstances do so, but only if it is necessary to avoid incurring a loss or cost to the Council.

Any such interim action must be reported to the Leader of the Council and Chairperson of the Policy, Finance and Development Committee and be endorsed at the next meeting of the Council.

3. Annual Treasury Management Performance Report

An annual report will be presented to Council by the end of September, to report on the performance of the Treasury Management Function for the previous year.

This report will include the following.

- Actual borrowing, investments and repayments for the year, detailing counterparty amounts and terms.
- The actual interest rate changes for the year against the original plan.
- A commentary on general performance
- A commentary on compliance with the Treasury Management Policy Statement and the Treasury Strategy and Plan.

TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

1. Accounting Practices and Standards

The Section 151 Officer will prepare a budget for Treasury Management in accordance with the appropriate accounting practices and standards and with the statutory and regulatory requirements in force.

2. List of Information Requirements of External Auditors

External auditors will have access to all papers supporting and explaining the operation and activities of the treasury management function.

TMP 8 CASH AND CASH FLOW MANAGEMENT

Cash flow projections will be prepared on a regular and timely basis in order to effectively manage cash balances and to calculate interest and investment income.

There is no necessity to maintain an aggregate surplus cash balance but where possible it is the intention to achieve a nil cleared balance.

The cash flow forecast is updated daily to take account of income and expenditure i.e. creditors and debtors and this information is provided by the National Westminster Bankline service. This will ensure for the purposes of monitoring compliance with TMP1 Liquidity Risk Management, that adequate funds are available on a regular basis.

Whenever the projected cash flow statement indicates a surplus cash balance funds are invested with institutions on the counterparty list.

The Council make creditor payments on the due date which ensures that funds remain in the account for as long as possible.

Debtor invoices are raised on a regular and timely basis and procedures are in place for reminder and recovery action to take place for unpaid invoices.

Bank statements are received on a daily basis and are reconciled to the Cash Book.

TMP 9 MONEY LAUNDERING

The Council does not accept loans from individuals. Loans are obtained from authorised institutions under the Banking Act 1987, building societies or from other public sector bodies, e.g. the Bank of England or other local authorities.

TMP 10 STAFF TRAINING AND QUALIFICATIONS

A number of different courses are run to accommodate the training requirements of staff involved in treasury management activities, as well as those involved at a strategic level. These courses will explain the complexities of dealing procedures, interest calculations, credit ratings, the regulatory framework, different types of investment instruments, etc.

Seminars are held for staff involved in managing the service, issues covered are for example:

- to provide updates on the implications of new regulations/ legislation
- codes of practice
- to obtain the latest economic forecasts for the economy and interest rates.

TMP 11 USE OF EXTERNAL SERVICE PROVIDER

External Service providers may be employed to give expert advice on borrowing and lending decisions. The Council will at all times make sure that these providers will only be employed where there is a clear value for money benefit to the organisation. The selection of these providers will be carried out under the Council's Contract Procedure Rules and their performance and value to the organisation will be monitored and measured.

The Council recognises that responsibility for treasury management decisions lies with the Council at all times.

TMP 12 CORPORATE GOVERNANCE

The Council is committed to proper corporate governance, openness and transparency in its treasury management activities as demonstrated by the adoption of the Treasury Management Code of Practice.

Information about the Council's treasury management activities is accessible, and the strategy and outturn reports are public documents.

The procedures set out in the TMPs for reporting and audit (both internal and external audit) are designed to ensure the integrity and accountability of the function.

TREASURY STRATEGY AND PLAN 2024/25

1.0 Introduction

In accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) latest Code of Practice on Treasury Management and the Council's Treasury Management Policy Statement, a Treasury Strategy and Plan is prepared each year.

For the purpose of this strategy, treasury management includes the management of all capital market transactions in connection with the cash and funding resources of the Council. This covers all funds and reserves including the collection fund and includes the arrangement of leases.

The strategy includes broad principles, which provide the framework within which the Council's treasury management activities are conducted together with detailed plans for the management of the Council's loans and investment portfolios. The strategy includes those indicators required by the Prudential Code that relate to treasury management.

2.0 Treasury Management Objectives

The primary objective of treasury management operations will be to maximise the revenue resources available to the Council whilst ensuring the effective management of risks associated with treasury management activities in accordance with the following principles:

- i) That the cost of borrowing is minimised commensurate with following a prudent funding policy.
- ii) That the most advantageous rates of return on investments are secured commensurate with the primary principle of maintaining the capital value of funds.
- iii) That the Council maintains flexibility in its borrowing and lending portfolios.
- iv) That the Council manages its borrowings and investments as a combined portfolio in order to achieve the optimum net debt position.

The sections below provide a summary of the principal activities anticipated during the period covered.

3.0 Balanced Budget Requirement

It is a statutory requirement under the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, it requires a local authority 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 of increase in costs to revenue from:-

- Increases in interest charges caused by increased borrowing; and
- Any increase in running costs from new capital projects to a level which is affordable within the projected income of the Council for the foreseeable future.

4.0 Current Treasury Position

The Council's detailed treasury position is highlighted in the following table.

		31st March 2023		Rate	31st March 2024		Rate
		Actual			Actual		
		GF	HRA		GF	HRA	
		£ 000s	£ 000s	%	£ 000s	£ 000s	%
Fixed Rate Debt	PWLB	500		4.10	500		4.10
	PWLB		14,089	3.17		13,082	3.17
	PWLB	4,480		2.66	4,392		2.66
	Market	2,000		1.95		7,000	5.50
	Market	7,000		4.10	6,000		5.50
	Market		1,000	4.10	4,000		5.50
	Market		5,000	4.20	1,500		5.50
Variable Rate Debt	PWLB	0	0		0	0	
	Market	0	0		0	0	
Total Debt		13,980	20,089		16,392	20,082	
Other Long-term Liabilities		0			0	0	
Total		13,980	20,089		16,392	20,082	
Fixed Investments			0		0	0	
Variable Investments		0	0		0	0	
Total Investments		0	0		0	0	
Net Borrowing		13,980	20,089		16,392	20,082	

5.0 Borrowing and Debt Strategy

General Fund

As at 31st March 2023, the Council's outstanding borrowing for General Fund purposes stood at a total of £16.392m. This was made up of two loans from the Public Works Loan Board (PWLB) totalling £4.89m, and £11.5m of short-term borrowing, as shown in the table at 4.0.

Up until the end of 2015/16, the Council was able to utilise cash balances, held in the form of short-term investments, grants and capital reserves, to help in the funding of its capital programme. Consequently, the Council was able to avoid increasing its long-term borrowing, despite carrying out ambitious schemes both in the General Fund and Housing Revenue Account.

In 2016/17 the financing of the Council's new leisure development was finalised. The Council borrowed £5m from the PWLB, taken over 39 years. The remaining £5m of the £10m project was funded by internal borrowing.

From 2016/17 to 2022/23 the Council did not borrow any further funds long term and instead continued to take advantage of the very low short term rates to keep interest payments under control. While there is scope to continue with this policy to some extent, the need to control the council's exposure to refinancing risk means that future borrowing in support of the capital programme will need to consist of a mix of short and long-term debt.

Short-term debt applicable to the General Fund is forecast to rise to £11.5m during 2023/24 due to the costs of the GF capital programme. This is forecast to drop to £9.5m, in 2024/25 due to the capital receipt from the sale of Bushloe House. In 2025/26 and subsequent years, borrowing of £0.5m a year is anticipated.

The level of short-term borrowing relating to the General Fund for future financial years is expected to be:

2024/25	£9.5 million
2025/26	£10.0 million
2026/27	£10.5 million
2027/28	£11.0 million
2028/29	£11.5 million

Dependant on interest rates and advice from the Treasury Advisors new long-term borrowing may be taken in place of the short-term borrowing where this is forecast to generate interest savings.

In 2016/17 and 2017/18 the HRA used a total of £1.6m borrowing to fund its capital programme. This initially was supported by internal balances, however £1.5m of short-term borrowing is projected in 2024/25 in support of the HRA capital programme.

The HRA self-financing settlement involved the Council taking on £18.114 million of PWLB borrowing. Repayment of this borrowing commenced at the end of 2019/20, at the rate of £1m per annum. This repayment has been refinanced with short-term borrowing to date, however as from 2025/26, it will be necessary to refinance using new long-term borrowing, in order to maintain the proportion of short-term borrowing to gross debt below 50%.

6.0 Prudential Indicators and Limits on Activity

The purpose of these Prudential Indicators is to contain the activity of the treasury function within certain limits, thereby reducing the risk of an adverse movement in interest rates impacting negatively on the Council's overall financial position. However, if these are set to be too restrictive they will impair the opportunities to reduce costs.

6.1 Authorised Limit for External Debt

This represents the limit beyond which borrowing is prohibited and needs to be set and revised by Council. It reflects the level of borrowing which, while not desired, could be afforded in the short-term, but is not sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3(1) of the Local Government Act 2003.

	2023/24 Estimate £ 000s	2024/25 Estimate £ 000s	2025/26 Estimate £ 000s	2026/27 Estimate £ 000s	2027/28 Estimate £ 000s	2028/29 Estimate £ 000s
Authorised limit – borrowing	46.0	46.0	46.0	47.0	47.0	47.0
Other Long Term Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total	46.0	46.0	46.0	47.0	47.0	47.0

The Chief Financial Officer (Section 151 Officer) reports that the authorised limits given above are consistent with the council's

current commitments, existing plans and the proposals in the capital programme report. The limits are also consistent with the Council's approved treasury management policy statement and practices. Risk analysis of the key elements of the council's cash flow forecasts has been undertaken to determine these limits.

6.2 Operational Boundary for External Debt

This indicator is based on the probable external debt during the course of the year (allowing for peaks and troughs in cash flow and the impact of treasury management decisions). It is not a maximum and actual borrowing could vary around the boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached.

	2023/24 Estimate £ 000s	2024/25 Estimate £ 000s	2025/26 Estimate £ 000s	2026/27 Estimate £ 000s	2027/28 Estimate £ 000s	2028/29 Estimate £ 000s
Borrowing	41.0	41.0	41.0	42.0	42.0	42.0
Other Long Term Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total	41.0	41.0	41.0	42.0	42.0	42.0

6.3 Limits in Interest Rate Exposure

Upper Limits on Variable Rate Exposure – This indicator identifies a maximum limit for variable interest rates based upon net interest payments.

Upper Limits on Fixed Rate Exposure – Similar to the previous indicator this covers a maximum limit on fixed interest rates.

	2023/24 Upper %	2024/25 Upper %	2025/26 Upper %	2026/27 Upper %	2027/28 Upper %	2028/29 Upper %
Limits on Fixed Interest Rates	100	100	100	100	100	100
Limits on Variable Interest Rates	25	25	25	25	25	25

6.4 Maturity Structure of Fixed Borrowing

These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing.

	Lower %	Upper %
Under 12 months	0	50
12 months to 2 years	0	50
2 years to 5 years	0	50
5 years to 10 years	0	100
10 years and above	0	100

6.5 Total Principal Sums Invested

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 limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price Risk Indicator	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Limit on principal invested beyond year end	£10m	£10m	£10m	£10m	£10m	£10m

7.0 Local Performance Indicators

The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the Prudential Indicators, which are predominantly forward looking. The Council also sets local performance indicators which are as follows.

Local Indicator	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Average rate of interest on borrowing compared to the national average	Level	Level	Level	Level	Level	Level

Average rate of interest on investments compared to the national average	Level	Level	Level	Level	Level	Level
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The results of these indicators will be reported as part of the Treasury Management quarterly monitoring incorporated in the quarterly budget monitoring reports, the Mid-Year Treasury Management Report and the Treasury Management Outturn Report.

Appendix 4

Appendix 4

Minimum Revenue Provision Statement 2024/25

Annual Minimum Revenue Provision Statement 2024/25

An underpinning principle of the local authority financial system is that all capital expenditure must be financed either from capital receipts, capital grants (or other contributions), by debt or eventually from revenue.

Where the Authority 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 capital expenditure is known as "Minimum Revenue Provision" (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the former Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MRP Guidance) most recently issued in 2018.

The broad aim of the MRP Guidance is to ensure a prudent provision is made from revenue over time to cover the total amount of capital expenditure needed to be met from revenue. A prudent provision is where the period over which MRP is charged is aligned to the period over which the capital expenditure provides benefits.

The MRP Guidance requires the Council to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. However, the Guidance gives flexibility in how MRP is calculated, providing the calculation is 'prudent'. The following Statement incorporates options recommended in the Guidance.

Minimum Revenue Provision Policy

- For capital expenditure incurred before 1st April 2008, and for supported capital expenditure incurred on or after that date, MRP is calculated using the Capital Financing Requirement (CFR) method.
- The CFR method calculates MRP as 2% of the non-housing CFR at the end of the preceding financial year (2% of the capital expenditure funded by supported borrowing).
- For unsupported capital expenditure incurred after 31st March 2008, MRP is calculated using the Weighted Average Asset Life method.

The Weighted Average Asset Life method requires that the MRP for non-supported debt be calculated by dividing the non-supported CFR by a weighted average of the expected lifetime of the Council's assets on an annuity instalment basis. The annuity rate applied will be the PWLB rate for the weighted average assets life at the date the policy is approved. In the case of Oadby and Wigston, the weighted average asset life is currently 31 years.

This approach gives a robust basis and has been recognised as appropriate by the external auditors in a number of authorities in the past. It also allows for borrowing which is not directly linked to a particular asset. Treasury management procedures mean that the cheapest course of action to fund expenditure is to use the Council's uncommitted cash balances before borrowing externally, due to the returns on cash deposits being lower than borrowing rates. This means that we may be able to delay borrowing whilst we use our own cash, hence when we do decide to borrow this is not always directly attributable to a specific asset, it may in fact fund a number of assets or capital enhancements to existing assets.

Capital expenditure funded by prudential borrowing in year will not be subject to a MRP charge until the following year or the year after the asset becomes operational if that is beyond the following year.

HRA

No MRP will be charged in respect of assets held within the Housing Revenue Account.

This is due to:

- There is no statutory requirement to make a MRP in the HRA,
- Repayment of HRA debt began in March 2020 and
- Resources were required in the early years of the HRA business plan to fund the demands of the asset management strategy

It is planned in the short term that HRA external debt will be replaced with short term borrowing, in order to minimise the costs of servicing the debt. However, from 2025/26 onwards, it will be necessary to take on new long-term borrowing, in order maintain the proportion of short-term borrowing to gross debt below 50%.

Appendix 5

APPENDIX 4

INVESTMENTS STRATEGY 2024/25 – 2026/27

1.0 Introduction

This strategy is written in accordance with guidance issued under section 15 (1) (a) of the Local Government Act 2003, the Department of Levelling Up and Housing and Communities (DLUHC) Guidance on Local Authority Investments (3rd Edition) effective from 1 April 2018, the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (2021) and the revised CIPFA Prudential Code (2021).

The objectives of this strategy are to:

- Security - facilitate investment decisions which ensure that the Council's investment sums remain secure
- Liquidity - ensure the liquidity of investments so that the Council has sufficient cash resources available to carry out its functions at all times
- Optimum Yield - achieve the maximum return on investments after taking into account security and liquidity

2.0 Current Investments

Surplus funds arising from day to day operations are invested based on the most up to date forecasts of interest rates and in accordance with the Council's cash flow requirements in order to gain maximum benefit from the Council's cash position throughout the year. In the current financial climate only specified investments will be considered as set out below.

3.0 Investments: Loans

In accordance with relevant guidance, all investments will be placed with counterparties included on the Council's approved list. Institutions with which specified investments will be made include:

- UK government institutions and other local authorities
- institutions which have been awarded a high quality credit rating by a credit rating agency

The length of time an investment can be placed for is specified below under each category of counterparty, normally this will be no longer than 364 days.

Non-Specified Investments are any investment not meeting the definition of a specified investment above. The Authority does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and

investments with bodies and schemes not meeting the definition on high credit quality.

The Council's Treasury Management Practice note 1 (3) states that 'The Section 151 Officer will be responsible for preparing for the Council a list of institutions in which the Council's funds may be invested. This list will be supported by details of the criteria employed to assess the various credit standings of counterparties'. The following credit ratings will be considered:

- Long-term ratings – these range from the highest rating of AAA to the lowest rating of D. As the title suggests, this indicator reflects the long-term stability of the institution.
- Short-term ratings - These have a time horizon of less than 12 months and therefore place greater emphasis on the liquidity necessary to meet financial commitments in a timely manner. As most of the Council's investments are expected to be for less than 364 days, this is of particular importance. The ratings are F1 (highest credit quality), F2 (good credit quality), F3 (fair credit quality) and B to D (representing various levels of potential default).
- Individual ratings – These range from the highest of A to the lowest of F. This rating is only assigned to banks and attempts to assess how it would be viewed if it were entirely independent and could not rely upon external support.
- Support ratings – These range from 1 to 5 with 1 being the highest. It is a judgement on whether a bank would receive support should this become necessary. It is assumed that any such support would come from the sovereign state or institutional owners.

The Council's counterparty list needs to provide security for the amounts invested whilst containing a sufficient number of institutions with which to place funds. For the purpose of this strategy in respect of Categories 1 and 2 below, only counterparties that meet all of the following criteria will be considered for investment.

- UK banks
- Building societies with asset bases in excess of £6 billion.
- By reference to all three major credit rating agencies (Fitch, Standard and Poor's, Moody's) only those that reach the minimum standard for the lowest agency rating set out.

Category 1

The minimum ratings that will be considered for all agencies are set out below:

Term	Credit Agency		
	Fitch	Moody's	S & P
Short	F1	P1	A1
Long	AA-	AA3	AA-
Individual	C	D	
Support	3		

For any organisation that meets the above criteria, up to £1.5m may be invested at any one time for a maximum duration of 364 days.

Any building society that meets the above criteria must also have an asset base in excess of £6 billion.

Category 2

The minimum ratings that will be considered for all agencies are set out below:

Term	Credit Agency		
	Fitch	Moody's	S & P
Short	F1	P1	A1
Long	A	A2	A1
Individual	C	D	
Support	3		

For any organisation that meets the above criteria, up to £1m may be invested at any one time for a maximum duration of maximum duration of 364 days.

Any building society that meets the above criteria must also have an asset base in excess of £6 billion.

Other counterparties that can be used and any restrictions applicable are set out below.

Debt Management Office

Investments of a maximum duration of 6 months can be made with this Government department and are unrestricted in value.

Public Authorities in England, Scotland and Wales

Investments totalling up to £5m at any one time with a maximum duration of three years can be made with these bodies. These include local government, fire and police authorities.

The Council exercises due diligence by assessing the organisation's financial stability. This is achieved by reviewing their credit status, most recent audited financial statements, auditor's report, budget report and current news which is financial in nature. All decisions are signed off the by the Section 151 Officer or the Deputy Section 151 Officer.

Money Market Funds

Investments of up to £1.5m per fund at one time can be made provided they are AAA rated.

Credit ratings are monitored on a daily basis using Arlingclose credit rating service by the Section 151 Officer who will determine the amendments to be made to the counterparty list when credit ratings change.

The proposed counterparty list for investments is given at Annex 1.

The period for which investments are placed will be based on the Council's cash flow forecasts and estimates of movements in interest rates. The Council generally does not expect to place investments for longer than 364 days. This situation will be kept under review by the Section 151 Officer should a longer-term investment opportunity occur. Long-term investments will only be made where it is clear that surplus cash resources are not required for the day-to-day financing of the Council's activities. The maximum period for any long-term investments will be the three-year planning cycle covered by this strategy.

4.0 Policy on the Use of External Service Providers

External advisors will be used when appropriate e.g. to undertake independent valuations prior to acquisition, asset valuation or when there is a lack of expertise in-house regarding an industry.

The Authority uses Arlingclose as an external treasury advisor but still recognise that responsibility for treasury management decisions remains with the Council at all times. Whilst it is recognised that undue reliance should not be placed on external advisors, it is valuable to be able to access specialist skills and resources.

5.0 Scheme of Delegation

Full Council

- Approval of annual strategy
- Review of treasury management policy and procedures, including making recommendations to responsible body

Policy, Finance and Development Committee

- Approval of annual treasury outturn report
- Approval of mid-year treasury management updates
- Mid-year treasury management updates

Section 151 Officer

- Day to day management of treasury management, within agreed policy
- Appointment of external advisors, within existing Council procurement procedures and standing orders.

6.0 Role of Section 151 Officer

The Section 151 Officer has day to day responsibility for running the treasury management function.

7.0 Ethical Investment Strategy

The Council aims to be aware of ethical issues within its investment strategy. Where any member of the Council becomes concerned about such issues, these matters should be reported to the Section 151 Officer. Where necessary, the Section 151 Officer will then present a response to the concerns raised to the next meeting of the Policy, Finance and Development Committee.

EXTERNAL INVESTMENT OF FUNDS - APPROVED INSTITUTIONS**Category 1**

Restrictions	
Max Amount £m	1.5
Duration	364 days
Asset Base (Building Societies Only)	£6 bn

Category 2

Restrictions	
Max Amount £m	1
Duration	364 days
Asset Base (Building Societies Only)	£6 bn

The following institutions will also be classed as Category 2 although they currently may not meet the exact criteria.

Barclays Bank Plc

Lloyds Bank Plc

HSBC Plc

Santander UK Plc

National Westminster Bank Plc

Royal Bank of Scotland Plc

Bank of Scotland Plc

Nationwide Building Society

Debt Management Office

Restrictions	
Max Amount £m	N/A
Duration	6 months

Operated by a National Government Department

Public Authorities in England, Scotland and Wales

Restrictions	
Max Amount £m	5
Duration	3 Years

All public authorities (including local government, fire and police authorities) in England, Wales and Scotland

Money Market Funds

Restrictions	
Max Amount £m	1.5
Duration	N/A

Funds must be AAA-rated and operated by a company regulated by the Financial Services Authority. The Section 151 Officer, under delegated powers, will choose the appropriate fund(s).

Appendix 6: Flexible use of Capital Receipts Strategy 2024/25

1 Introduction

- 1.1 In the 2022/23 Provisional Local Government Finance Settlement the following was announced:

Extension of the flexibility to use capital receipts to fund transformation projects.

We are also announcing a 3-year extension from 2022-23 onwards of the existing flexibility for councils to use capital receipts to fund transformation projects that produce long-term savings or reduce the costs of service delivery. We will provide further details on the extension in due course.

- 1.2 On 4 April 2022, the Department of Levelling Up, Housing, and Communities confirmed this extension and published Guidance and a Direction.
- 1.3 The Council has previously produced strategies to 2022/23 in respect of the previous flexibility. This Strategy has been updated and produced for the financial year 2024/25, in the light of the extension and revised Guidance received in 2022.

2 Objectives and Purpose

- 2.1 This Strategy is intended to enable the Council to potentially take advantage of this flexibility if appropriate. The Strategy forms part of the delivery of the Corporate Strategy and particularly supports the theme of Financial Sustainability.
- 2.2 The objectives of this Strategy are to:
- Outline the methodology for funding projects using this flexibility;
 - Identify actual and potential capital receipts that could be utilised to fund transformation projects;
 - Identify projects that are considered to be eligible and which could be funded by this method;
 - In subsequent years, report on the progress of projects approved in previous years.
- 2.3 The Guidance sets out examples of qualifying expenditure which includes “funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation” and it is for this purpose that the Council is proposing to use Capital Receipts in 2024/25.

3 2024/25 Revenue Budget

- 3.1 To support the significant and continued reconfiguration of the Council's Services to deliver the improvement and efficiencies set out in the Council's budget for 2024/25, it is proposed that the associated one-off costs are funded from capital receipts. The legitimacy of this use will be determined by the S151 Officer in order to ensure that it meets the requirements set out by the Secretary of State.

4 The Prudential Code

- 4.1 The Council has due regard to the requirements of the Prudential Code and the impact on its prudential indicators from the application of this Flexible Use of Capital Receipts Strategy.
- 4.2 Any capital receipts which are received and not allocated will be used to fund revenue costs incurred to support the Council's service development and delivery of savings and efficiencies. These receipts have not been earmarked as funding for any other proposed capital expenditure and therefore there is no anticipated additional impact on the Council's prudential indicators as set out in the Council's Treasury Management Strategy.
- 4.3 The Council will also have due regard to the Local Authority Accounting Code of Practice when determining and including the entries required from undertaking and funding this scheme within the 2023/24 Statement of Accounts.

5 Monitoring the Strategy

- 5.1 Implementation of this Strategy will be monitored as part of regular financial reporting arrangements.

6 Projects and Activities to be Funded by the Flexible Use of Capital Receipts

- 6.1 The following sets out the projects and activities that the Council is currently undertaking.
- 6.2 Further planned use of capital receipts will occur in 2024/25 as part of the council's Sustainability Programme for closing the council's project budget gaps and ensuring financial sustainability.

Project	Description and Progress	Lead	Planned value and timing of use of receipts
Customer Improvement Officer	Revenue costs associated with the funding of this post.	Head of Customer Services and Transformation	£50,000 per annum 2022/23 – 2024/25
Upgrade of Uniform Database	Costs of upgrading Uniform mapping software to remain	Head of Built Environment	£23,000 in 2023/24

	within support contract		
Service Transformation	Cost of voluntary redundancy programme and other transformation projects aimed at generating efficiencies	Section 151 Officer	£527,000 2023/24 – 2024/25

Agenda Item 10



Policy, Finance and Development Committee	Tuesday, 06 February 2024	Matter for Information and Decision
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Report Title:

Residents Forum Funding Requests

Report Author(s):

Mark Smith (Community Safety & Youth Officer)

Purpose of Report:	To inform Members of the funding requests that have received approval via the Borough's three Residents' Forums to enable a final decision regarding payment to the requesting parties.
Report Summary:	Residents, via the Oadby, Wigston, and South Wigston Residents' Forums, have agreed five funding requests at meetings in July and October 2023 to be paid via their respective forum budgets totalling £1,860.00 . A breakdown of these is provided in the main body of this report. Members consent is required before the requests are finalised and payment made to the requesting parties.
Recommendation(s):	That the content of the report is noted by Members and approval given for the funds to be released to the requesting parties.
Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):	<p>Dave Gill (Head of Law and Democracy) (0116) 257 2626 David.Gill@oadby-wigston.gov.uk</p> <p>Tom Maccabe (Community Safety & Wellbeing Manager) (0116) 257 2611 Thomas.Maccabe@oadby-wigston.gov.uk</p> <p>Mark Smith (Community Safety & Youth Officer) (0116) 257 2675 Mark.Smith@oadby-wigston.gov.uk</p>
Strategic Objectives:	<p>Our Communities (SO2)</p> <p>Our Environment (SO4)</p> <p>Our Partners (SO5)</p>
Vision and Values:	<p>Customer & Community Focused (V1)</p> <p>Proud of Everything We Do (V2)</p> <p>Collaborative & Creative (V3)</p>
Report Implications:-	
Legal:	There are no implications directly arising from this report.
Financial:	There are no implications directly arising from this report.
Corporate Risk Management:	Reputation Damage (CR4)
Equalities and Equalities Assessment (EA):	There are no implications arising from this report. EA not applicable

Human Rights:	There are no implications directly arising from this report.
Health and Safety:	There are no implications directly arising from this report.
Statutory Officers' Comments:-	
Head of Paid Service:	The report is satisfactory.
Chief Finance Officer:	The report is satisfactory.
Monitoring Officer:	The report is satisfactory.
Consultees:	Residents present at the Oadby, Wigston, and South Wigston Resident Forum meetings in July and October 2023.
Background Papers:	None.
Appendices:	None.

1. Forum Budgets and Delays

- 1.1 The funding requests highlighted below from July 2023 have been delayed due to an internal review of the budget available to each Residents' Forum in September 2023, with guidance provided to Officers in October 2023. These, and requests from October 2023, were unable to be presented to December's PFD Committee due to Officer commitments at this time. Residents, and those applying for funding via the Forums, have been kept apprised of this where appropriate including being notified that their requests will be reviewed by the Council's PFD Committee on 6 February 2024.
- 1.2 Each Forum has now been allocated a budget through to the end of March 2024 from which these requests will be funded in full. A review of the Forum's budgets, and the process through which funding requests receive final approval from Members, is to be conducted in the new financial year.
- 1.3 Given the delays experienced, and the funding requests all receiving majority support via their associated Residents' Forums, it is recommended that Members approve the funding requests detailed below so that the funds can be released to the relevant parties.
- 1.4 All funding requests received through the Residents' Forums align with the Council's Community, Environment, and Partner Engagement Strategic Objectives due to the open, public route the requests are made through, and by merit of residents themselves providing the first approval of requests during the Forum meetings.
- 1.5 The requests contained within this report align with the Council's Visions and Values concerning works being Customer and Community Focussed, by being requested by and approved by residents, being Collaborative and Creative in how the requests provide further community value in their application by engaging with varied groups with social investment in the Borough, and fulfil the criteria of being 'Proud of Everything We Do' through the open and public route, and further promotion, funding requests received via the Forums experience.

2. Oadby Residents' Forum

- 2.1 During the meeting of the Oadby Residents' Forum on 12 July 2023 a request was made for funding of **£310.00** to replace the battery on the existing defibrillator at St Peters' Church and renew the defibrillator pads that are nearing the end of their operable life. This request

received majority approval from residents present at the Forum meeting and was seconded by the Chair.

3. Wigston Residents' Forum

- 3.1 During the meeting of the Wigston Residents' Forum on 19 July 2023 a request was made for funding of **£400.00** to purchase a new storage shed for the Guide Rooms on Welford Road, Wigston. Oadby & Wigston Girl Guiding are providing match-funding toward groundworks required to site the shed accordingly. The shed would enable gardening equipment to be stored separately to the toys and other equipment utilised by groups that use the Guide Rooms. This request received majority approval from residents present at the Forum meeting and was seconded by the Chair.
- 3.2 During the meeting of the Wigston Residents' Forum on 25 October 2023 a request was made for funding of **£350.00** to enact rectification works to the rear entrance, via Horsewell Lane / Exmoor Close, to Wigston Cemetery. The current entrance obstructs wheelchair and mobility scooter access. Works have been costed by the Council who will be carrying out the works but has no allocated budget to do so. Residents stated they are happy for the Forum budget to be utilised by the Council to carry out these works. The request received majority approval from residents present at the Forum meeting and was seconded by the Chair.

4. South Wigston Residents' Forum

- 4.1 During the meeting of the South Wigston Residents' Forum on 25 July 2023 a request was made for funding of **£400.00** to purchase new planters and flowers to be placed on pedestrian railings along Blaby Road from the Tesco roundabout. These monies are to be utilised by the Council to fulfil the Forum's wishes. The request received majority approval from residents present at the Forum meeting and was seconded by the Chair.
- 4.2 During the meeting of the South Wigston Residents' Forum on 25 July 2023 a request was made for funding of **£400.00** to support the Oadby & Wigston Swimming Club. Representatives of the Swimming Club informed residents present that the Club is facing increased costs following Covid-19 and the increased cost of energy for heating the swimming pool. The request received majority approval from residents present at the Forum meeting and was seconded by the Chair.