

## **CABINET – 8TH FEBRUARY 2024**

### **Report of the Head of Finance**

**Lead Member: Councillor Ian Ashcroft**

#### **Part A**

#### GENERAL FUND AND HRA REVENUE BUDGETS 2024/25

##### Purpose of the Report

This report sets out the proposed General Fund and Housing Revenue Account (HRA) Revenue Budgets for 2024/25. It is a legal requirement to set a balanced budget each financial year. The report also incorporates the proposed Council Tax levy which must be set by Council at its meeting on 26<sup>th</sup> February 2024. The indicated Council Tax for Charnwood Borough Council as a whole is based on the budget to be recommended to Council and it is proposed that there is equivalent to an increase of 3.00% per band D property per annum in 2024/25. This is within the allowable increase for the Council based upon the Council's current band D charge being in the lowest quartile across England.

The report also presents the 2024/25 proposals to increase rent and service charges within the ring fenced Housing Revenue Account.

##### Recommendations

That Council is recommended:

1. To approve the Original General Fund Revenue Budget for 2024/25 at £20,395,951 as set out in Appendix 1.
2. To set a base Council Tax at £144.68 at Band D, an increase of 3.00% (£4.21) on the 2023/24 rate as set out in Appendix 2.
3. To set the Loughborough Special Levy at £82.72, an increase of 1.99% (£1.61) on the 2023/24 rate, as set out in Appendix 3.
4. To approve the Original HRA Budget for 2024/25 as set out in Appendix 5.
5. To amend the HRA weekly rents in line with the Ministry of Housing, Communities and Local Government (MHCLG) guidance.
6. To amend the non-HRA dwelling properties in line with the Ministry of Housing, Communities and Local Government (MHCLG) guidance.
7. To approve the HRA service charges in accordance with the MHCLG Guidance.
8. To approve that the shop rents retain their current rents in accordance with an assessment by the Valuation Office.

9. To approve that garage rents are increased in accordance with an assessment by the Valuation Office.
10. To approve that the Leasehold Management and Administration charge increases to £180.35 per annum for Leasehold flats, and £112.98 for Leasehold shops.
11. That the Lifeline weekly charge is increased in-line with CPI + 1% and that the new digital Lifeline Service charge is set to recover costs.
12. To determine that the basic amount of Council Tax for 2024/25 is not excessive according to the principles set out by the Secretary of State.

### Reasons

1. That the necessary finance is approved to carry out services in 2024/25.
2. That the Council Tax can be set in accordance with legal and statutory requirements.
3. That a Loughborough Special Levy can be set in accordance with legal and statutory requirements.
4. To ensure sufficient funding for the Housing Revenue Account in 2024/25.
5. To comply with social housing rents guidance.
6. To be consistent with the other council house stock.
7. To ensure the correct alignment of costs and service charges for tenants in accordance with best practice.
8. That shop rents follow the assessment and guidance provided by the Valuation Office.
9. To increase the rent generated for garages in line with the guidance from the Valuation Office.
10. That there is sufficient recovery of the costs associated with operating the leasehold flat and shop services.
11. That there is sufficient recovery of the costs associated with operating the Lifeline service.
12. To comply with the requirements of the Local Government Finance Act 1992.

### Policy Justification and Previous Decisions

The budget is essential to all policies of the Council and the setting of a Council Tax levy is a legal requirement of the Council. The rents are set in accordance with DLUHC Guidelines.

## Implementation Timetable including Future Decisions and Scrutiny

This report will be available for consideration by the Scrutiny on 5<sup>th</sup> February 2024 and, if approved by Cabinet, will be tabled for agreement by Full Council on 26<sup>th</sup> February 2024. The actual budget will then come into effect on 1st April 2024.

The draft budget was also considered by the Budget Scrutiny Panel on 3<sup>rd</sup> January 2024 and their comments are due to be considered separately by Cabinet at the 8<sup>th</sup> February 2024 meeting and are also referred to later in this report.

## Report Implications

### *Financial Implications*

The effects of the adoption of these budgets are explained in Part B of the report.

### *Risk Management*

Risks identified in respect of the Original Budget are tabulated below:

<i>Risk Identified</i>	<i>Likelihood</i>	<i>Impact</i>	<i>Overall Risk</i>	<i>Risk Management actions planned</i>
Failure to take account of the spending plans of the Council.	Unlikely (2)	Minor (1)	Very Low (2)	Robust budget planning and Budget Monitoring process are in place.
Further exceptional spending being required during the financial year.	Likely (3)	Major (3)	Moderate (9)	It is considered that the Working Balance reserve (and other revenue reserves) remain sufficient to manage normal and one-off events for 2024/25.

### *Equality and Diversity*

There are no specific Equalities and Diversity issues affecting the recommendation in this report, although any such issues arising from particular service pressures and savings will be considered and subject to an equalities impact assessment prior to proposals being implemented.

Key Decision: Yes

Background Papers: None

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## Part B

### General Fund Revenue Budget 2024/25

1. The approach and context for this budget were set out in the report to Cabinet of 14 December 2023. The salient features of the draft budget were set in this report and are reiterated as applying to the final budget proposals to Council:
  - **Use of General Fund Working Balance:** no use of the Working Balance is projected within the draft budget; this would leave the Working Balance at £5.4m at 31 March 2025, well above the £2.5m minimum level currently assessed by the Section 151 officer
  - **Council tax:** the general Borough council tax increase is restricted to three percent; this increase is below the rate previously allowed under the historical 'capping rules' which are expected continue into 2024/25
  - **Loughborough Special Expenses:** the Loughborough Special Expenses council tax increase is to be set at 1.99%, in line with previous years.
  - **Community grants:** A £100,000 grants pot is to be created to enable community groups working with residents struggling with the cost of living, £25,000 of which is to be specifically allocated to the Citizens Advice Bureau
  - **Garden waste collection charges:** the charge for garden waste collections is to be frozen for 2024/25

With respect to the Housing Revenue Account (HRA):

- The budget assumes a **'break even' position.**
  - **Investment in stock:** some £7.2m within the HRA is earmarked for investment in the housing stock; £4.3m arising from the depreciation charge and a specific allocation of £2.9m
  - **Rent increases:** rentals are planned to increase by CPI+1% in accordance with national guidelines; this equates to a 7.7% increase, although around three-quarters of tenants will be insulated from this increase due to Housing Benefit and Universal Credit payments.
  - **Reserves:** the HRA reserve will be maintained at £110 per house in line with historical precedent.
2. The only alteration to the headline position versus the draft budget concerns the HRA financing fund which will potentially reduce to £12m, compared to the draft position which expected the fund to be maintained above £13m due to refinement of the calculations. This remains a comfortable position for this reserve, being well above short term refinancing commitments.
  3. Appendix 1 shows the General Fund summary position and includes a variance column comparing the Original budget being recommended to Council with the draft one reported to Cabinet on 14<sup>th</sup> December 2023. The changes are set out below.
  4. The working balance is estimated to be £5,472k as at 31<sup>st</sup> March 2025.
  5. The precept Income has Increased by £122k compared to the draft. This is summarized as:

	<b>Draft Budget 2024/25 £</b>	<b>Original Budget 2024/25 £</b>	<b>Movement Draft to Original 2024/25 £</b>
Revenue Support Grant	353,000	350,444	(2,556)
NNDR	6,800,000	7,100,000	300,000
Funding Guarantee	3,000,000	2,473,608	(526,392)
Council Tax Receipts	8,710,763	8,634,300	(76,463)
Loughborough Special Levy	1,410,409	1,397,836	(12,573)
New Homes Bonus	0	404,254	404,254
Services Grant	0	27,319	27,319
General Government Grants	0	0	0
Collection Fund Surplus/(Deficit)	0	8,190	8,190
Precept Income	<b>20,274,172</b>	<b>20,395,951</b>	<b>121,779</b>

6. The council is currently part of the Leicestershire business rate pool which means that they do not have to pay this balance over to Central Government and payments instead are directed to the Local Enterprise Partnership (LEEP) via the business rates pool.
7. Due to timing differences between years in finalising amounts due to other parties, e.g. the County, Police and Fire in respect of Council Tax and the County, Fire and Central Government in respect of NNDR, the authority operates a Collection Fund. This acts like a trust account where amounts are paid in/out during the year and surpluses/deficits are retained at the year end and then paid out/recovered in following years once final figures are known. The final report to Council on 26<sup>th</sup> February 2024 will include the final figures, the figures for County, Fire and Police in this report are provisional.
8. The amount due to the Council from Council Tax receipts has decreased by £76k compared with the draft report. The tax base was calculated in December 2023 and was less than originally anticipated.
9. The New Homes Bonus (NHB) Grant figure is £404k for 2024/25 (£373k 2023/24).
10. Funding Guarantee has continued for a second year and is £2,474k (£2,295k 2023/24).
11. Service pressures, savings and options for change are detailed at Appendix 6. This is summarized as:

	<b>Draft Budget 2024/25 £</b>	<b>Original Budget 2024/25 £</b>	<b>Movement Draft to Original 2024/25 £</b>
Net Options for Change (Saving)/Pressure	(366,000)	(366,000)	0
Service Savings (Ongoing)	(124,200)	(91,200)	33,000
Service Savings (Oneoff)	(71,600)	(71,600)	0
Community Grants (Oneoff)	100,000	100,000	0
Service Pressures (Ongoing)	309,400	419,900	110,500
Service Pressures (Oneoff)	122,300	122,300	0
<b>Total</b>	<b>(30,100)</b>	<b>113,400</b>	<b>143,500</b>

### Consultation on the Budget

12. A programme of consultation commenced following the consideration of the draft budget by Cabinet 14<sup>th</sup> December 2023. This has involved members of the public, partner organisations, scrutiny (especially the Budget Scrutiny Panel), unions and businesses. An online consultation was held between 14<sup>th</sup> December 2023 and 14<sup>th</sup> January 2024. The consultation was highlighted in the local media and across other channels including the Council's website, social media, and email alerts. *There were no responses submitted to the online consultation.*

### *Budget Scrutiny Panel*

13. A Budget Scrutiny Panel has undertaken scrutiny of the draft budget for 2024/25. There were no specific recommendations of the Panel; their comments are set out in a separate report to this Cabinet meeting.

### *Comments of the Industrial and Commercial Ratepayers Meeting*

14. A consultation meeting with representatives of Industrial and Commercial Ratepayers was held on 9<sup>th</sup> January 2024. In summary:
- The current reliance on using reserves and how this use could be reduced was discussed; members and offices present outlined the 'Options for Change' process which had the objective of moving the Council towards financial resilience over the term of the current administration.
  - The Council's proposed investment in economic regeneration resources and the plans in respect of town centres and car parking were discussed.
  - the timing of the financial settlement from the Government was noted as being challenging for the Council's budgetary process.

## Loughborough Special Expenses Appendix 3

15. The budget position for Loughborough Special Expense and Levy for 2024/25. The increase to the Loughborough Special Levy is 1.99% to a rate of £82.72 per Band D property (2023/24: £81.11), details of this budget and year to year comparisons are included in Appendix 3.

### Council Tax Base

16. The tax base, as approved by a decision delegated to the s151 Officer, has been used in the relevant calculations.

### Precept Amount

17. The Precept amount in Appendix 2 shows an equivalent overall increase of £4.21 (3.00%) on the Base Band D Council Tax plus the Loughborough Special Levy. The band D rate for 2024/25 is set at £144.68 for the base precept.

### Parish and Town Councils and Other Precepts

18. All but two Parish and Town Council precepts have been received; and are detailed in Appendix 4 where available. Approved precept information is still to be received from the County Council, the Police and Fire Authorities and the figures therefore shown in Appendix 2 are provisional. These and outstanding parish precepts will be updated in time for the main Council meeting on 26<sup>th</sup> February 2024.

### General Fund Revenue Balances and Reserve

19. The General Fund Balances are included in Appendix 1. The budget shows a net zero use of Working Balance is required to balance this year's budget, with the Working Balance estimated to be £5,472k as at March 2025.

It is a requirement to ensure that the level of balances is appropriate for the Council's commitments and current level of expenditure. The recommended minimum working balance set by the Section 151 Officer is £2.5m (but is under review as set out in the Medium Term Financial Outlook 2024 – 2027), representing six weeks net expenditure, in line with good practice. The original budget balance on this fund at the end of March 2025 is projected is above this limit.

The Reinvestment Reserve This is used for three purposes, these being:

- For items that produce a payback to the Council;
- To fund costs that lead to appreciable service improvements;
- To fund one-off costs.

The Reinvestment reserve is estimated to be £356k at the end of March 2025. to be used for the above purpose. This may be topped up should this be operationally justified and financially feasible.

The Capital Plan Reserve is estimated to be £1,874k at the end of March 2025. This revenue reserve can be used to finance General Fund capital expenditure. The reserve can also be used for revenue expenditure and there is no minimum balance for this reserve.



There are fifteen specific earmarked reserves which may be used in line with the purpose of the reserve fund or for general fund purposes totaling £3,429k. Included within the earmarked reserves is the Commercialisation Reserve. This was set up in 2021/22 to cover any future losses on the Commercial Property Income. A contribution of £26k has been set aside in the 2024/25 budget and by 31<sup>st</sup> March 2025, the balance on this reserve will be £1.5m.

The overall total General Fund Reserve balances estimated as at 31<sup>st</sup> March 2025 is £13,090k.

## Housing Revenue Account (HRA) – Appendix 5

20. The draft original budget position for 2024/25 is breakeven. The 2024/25 budget funds the capital programme through a contribution of £2.7m Revenue Contribution to HRA Capital and the Major Repairs Reserve via a £4.3m Depreciation Charge. There are Service pressures of £0.9m which are comprised of £0.4m inflationary pressures (*Appendix 7 - Table 1*) and ongoing additional pressures totaling £0.5m (*Table 2*). Note that an additional £98.6k has been added since the draft Housing Revenue Account budget presented to Cabinet on 14 December 2023 (*Item 7 - Draft General Fund and HRA Budget 2024/25*).
21. Rents have been increased by CPI+1% in accordance with national guidelines which is a 7.7% increase. CPI is as at September 2023. The rent increase will be covered by Housing benefit and Universal Credit, subject to benefit eligibility. There are approximately 1,344 tenants (as on 21 November 2023) thought not to be in receipt of these benefits.

### Impact of proposed rent increase

Charge	Average weekly charge 2023/24	2024/25 Average weekly charge 7.7% increase	Increase
Housing rent (52 weeks)	84.33	90.82	£6.49 per week (Eligible for Universal Credit)

22. Void loss (rent lost through empty properties) has been calculated at 4.8% which is approximately £1.2m of the anticipated income stream. Recent investments in staffing and additional resources in the repairs and maintenance of void properties will assist in making this target achievable.
23. Rents on Garages have been increased by approximately 6.09% per week to £11.50 per week which is an increase of £0.66 per week (48 weeks). This is following the recommendations of a review by the Valuations Office.
24. The rent charges for shops has also been reviewed by the Valuations Office, and their recommendation was to retain them at the current levels.
25. Service charges have been set in line with the recovery of direct costs. Each sheltered court has a different charge to recover costs directly associated with that sheltered court only. This is for services such as laundry/wate and furniture in communal areas. This limits tenants not in those sheltered courts from contributing to the costs of their upkeep.

## HRA Balances (Reserves)

### *Principal HRA reserve*

26. Section 151 Officer recommends a minimum level of working balances for the HRA of £110 per property (under review for future years as described in the Medium Term Financial Outlook 2024 – 2027). There are 5,428 properties anticipated on 31st March 2025 (anticipating 22 right to buy sales); working balances have been adjusted to reflect this projection at £597k.

### *HRA Financing Fund*

27. The HRA Financing Fund was set up to set aside monies to cover future expenditure. Cabinet have approved a facility whereby a further £0.5m can be drawn down from the Financing Fund each year. (*Recommendation 2 – Landlord Services Capacity – Cabinet 1 June 2023*). The budget as presented excludes this additional £0.5m which is held in reserve until required. It also excludes a recent addition of £50k earmarked from the £0.5m to assist in the aftermath of the recent flooding in Loughborough. It is assumed that a proportion of this expenditure may be recoverable through insurance. The anticipated balance of the HRA Financing Fund on 31 March 2025 is £12m although this will reduce to £11.5m if it is drawn down in full during 2024/25.
28. An anticipated net overspend of £1.8m relating to the forecast closing budget for 2023/24 has been adjusted to the opening balance of the HRA Financing Fund. This is based on the forecast for revenue monitoring as estimated in January 2024. Whilst this does not impact directly on the 2024/25 Original Budget for the HRA, it has reduced the level of Housing Financing Fund projected to be available on 1 April 2024.

### *Major Repairs Reserve*

29. The Major Repairs Reserve is a statutory fund and can only be used to finance capital expenditure and debt repayment. The anticipated balance on 31 March 2025 is zero. This is because the projected brought forward balance of £4.5m will be used to fund the 2024/25 capital programme £3.5m and £1m loan payment to the Public Works Loan Board. This is the first of the loans maturing from the £79m self-financing settlement in 2012.
30. The HRA draft Capital Programme for 2024/25 is £13.9m. This is funded from Depreciation £4.3m, HRA Revenue contribution to Capital (RCCO) £2.7m, and the HRA financing fund £3m, the Major Repairs Reserve £3.5m and £0.4m from 1- for-1 capital receipts (HRA Right to buy sales).
31. Note that this is £0.6m higher than the draft Housing Revenue Account budget presented to Cabinet on 14 December 2023 (*Item 7 - Draft General Fund and HRA Budget 2024/25*). The changes to the capital programme financing, additional service pressures and 2023/24 shortfall in budget have reduced the anticipated investment income by £87k.
32. Total HRA balances on 31 March 2025 are anticipated to be £12.6m compared with £20m at 1 April 2024. This represents a substantial investment in the housing stock via the £13.9m capital programme.

## Report of the Chief Finance (Section 151) Officer under Section 25 of the Local Government Finance Act, 2003

33. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer (Section 151 Officer) of a local authority to report on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides. This report must be considered by Cabinet and full Council as part of the budget approval and council tax setting process. This can be found at Appendix 8.

### Robustness of Estimates

34. The Local Government Finance Act 1992 also requires an authority to take due consideration before setting the budget as there is no recourse to setting a further levy during the year, and any unexpected financial event would have to be met from reserves, or by cutting expenditure on services.
35. This budget has been drawn up using the best estimates of the cost of service delivery by those officers delivering the services, under the overall management of the Chief Financial Officer and with professional advice and guidance from the Financial Services team. The basis of estimation has been to take account of all known costs in delivering a set level of service together with any new or amended services that have been approved by Members.
36. It is recognised that during the eighteen months period, from the start of the budget process until the end of that financial year, there are likely to be budgets that have pressures on spending; equally there are budgets that will under spend. The key is to ensure that the position is under control at all times and that timely, effective action is taken where budget issues are identified in year. Financial procedures are in place to ensure that all decisions that affect spending are fully considered before committing the authority, and that effective monitoring is in place.
37. All spending plans are based on the service planning process and the proposed use of reserves and balances conforms to the approach set out in the Financial Strategy.

### Adequacy of Reserves

38. The Chief Financial Officer can confirm that the levels of reserves for both the General Fund and HRA are considered to be adequate to fund the planned expenditure identified by the Council as presented in this report. However, they will need to be monitored and reviewed in the future to ensure that they can be maintained at an adequate level.

### Assurance Statement of the Council's Section 151 Officer

39. The Chief Financial Officer confirms that this budget, as set out above and in the attached appendices, is robust and meets the requirements of the Council for its current spending plans and conforms with the procedures agreed for the use of balances.

## Appendices

- 1 - General Fund Budget Summary 2024/25
- 2 - Council Tax Analysis 2024/25
- 3 - Loughborough Special Expenses 2024/25
- 4 - Council Tax Town and Parish Council Precepts 2024/25
- 5 - HRA Revenue Budget Summary 2024/25
- 6 - General Fund Service Pressures and Savings 2024/25
- 7 - HRA Revenue Service Pressures 2024/25
- 8 - Report of the Chief Financial Officer ('Section 25' report)