CABINET – 10TH FEBRUARY 2022

Report of the Head of Finance

Lead Member: Councillor Tom Barkley

Part A

ITEM 7 GENERAL FUND AND HRA REVENUE BUDGETS 2022/23

Purpose of the Report

This report sets out the proposed General Fund and Housing Revenue Account (HRA) Revenue Budgets for 2022/23, which together, represent the financial spending plans for all services of the Council. 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 21st February 2022. 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 overall increase of £5.00 (3.52%) per band D property per annum in 2022/23 including Loughborough Special Levy. This is 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 2022/23 proposals to increase rent and service charges within the ring fenced Housing Revenue Account.

Finally, the report incorporates the latest iteration of the Medium Term Financial Strategy which uses the 2022/23 budget as a base for financial projections into 2023/24 and 2024/25

Recommendations

That Council are recommended:

1. To approve the Original General Fund Revenue Budget for 2022/23 at £17,862,933 as set out in Appendix A1.

2. To set a base Council Tax at £135.69 at Band D, an increase of £4.61 on the 2021/22 rate as set out in Appendix A2.

3. To set the Loughborough Special Levy at £79.53, a 1.99% increase on 2021/22 rate, as set out in Appendix A3 and to approve the following ongoing savings and one off pressure which are included in the General Fund and also form part of Loughborough Special Budget

    - Thorpe Ace Hub - £9.8k saving
    - Gorse Covert/Fearon Hall- £1.3k saving
    - Cemetery Fee Increase - £10k saving

- CCTV Salaries - £10k saving
- Carillon Income - £4.5k One off Service Pressure

4. To approve the Original HRA Budget for 2022/23 as set out in Appendix A5.

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 increase to £10 per week (52 weeks) in accordance with an assessment by the Valuation Office.

10. To approve that the Leasehold Management and Administration charge increases to £138.33 per annum Leasehold flats, and £138.32 for Leasehold shops.

11. That the Lifeline weekly charge is increased in line with MHCLG Guidance.

12. To determine that the basic amount of Council Tax for 2022/23 is not excessive according to the principles set out by the Secretary of State.

13. That delegation be given to the s151 Officer, in conjunction with the Lead Member for Finance, to amend this report for Council in line with the final updated NNDR figures.

14. That the Medium Term Financial Strategy 2022-2025 as set out at Appendix B be noted and recommended to Council for approval.

<u>Reasons</u>

1. That the necessary finance is approved to carry out services in 2022/23.

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 2022/23.

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.

13. To update the budget report in line with final settlement figures once these are received.

14. To inform members of the future financial outlook for the Council.

PolicyJustification 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 MHCLG Guidelines.

Implementation Timetable including Future Decisions and Scrutiny

This report will be available for consideration by the Scrutiny on 8th February 2021 and, if approved by Cabinet, will be tabled for agreement by Full Council on 21st February 2022. The actual budget will then come into effect on 1st April 2022.

The draft budget was also considered by the Budget Scrutiny Panel on 5th January 2022 and their comments are due to considered separately by Cabinet at the 10th February 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:

Risk Identified	*Likelihood*	*Impact*	*Overall Risk*	*Risk Management* *actions planned*
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 2022/23.

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 2022/23

1. 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 9th December 2021. The changes are set out below.

2. Net Service Expenditure has increased from the draft budget by £227k, being a reduction in the additional savings target of £250k being an achievable target and a small budget reduction of £23k.

3. The precept Income has reduced by £277k compared to the draft, this being the net impact of a one year settlement for 2022/23. The settlement includes the Lower Tier Services Grant of £1,112k which is lower than the draft budget by £1,616k, and a small services grant of £296k. It is envisaged that these grant will continue in some form based on core spending power.

4. At the date of drafting this report the NNDR1 Budget (National Non-Domestic Rates), income figure has not yet been finalised. Whilst this has the potential to alter the Council's projected funding position it is not anticipated that any changes would be material in the context of the General Fund budget, however If material, an update will be provided to Cabinet at the date of the meeting and for the purposes of the Council meeting updated figures will be provided.

5. It was envisaged that the national business rate retention scheme would be in place (with a headline 75% retention rate compared to the current 50% retention scheme currently in place), as the new funding regime derived from the Fair Funding review. However, no announcements have been made and it is unlikely that this scheme will happen as it does not fit the 'levelling up' agenda.

   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 (LLEP) via the business rates pool for re-distribution back to Councils.

6. 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 21st February 2022 will include the final figures, the figures for County, Fire and Police in this report are provisional.

7. The amount due to the Council from Council Tax receipts has decreased by £74k compared with the draft report, this reflects the Council Tax by charging permitted £5 per band D property, which is the sixth year in a row. (Loughborough Special Levy will increase by 1.99%, with the Borough precept calculated to ensure that the overall increase remains within the £5 limit)

8. The New Homes Bonus (NHB) Grant figure for 2022/23 shows an increase of £643k since the draft report. It is not yet known what the financial scheme will be in future years this stream of funding remains volatile for future financial planning.

9. The working balance shows a net use of General Fund reserves of £189k to balance the budget, this is after including an additional in year savings target of £250k.

10. Service Pressures, Savings and additional income generation are summarised at Appendix 6. These include unavoidable Service Pressures of £311k, of which £184k are ongoing pressures and £127k One Off. The ongoing service savings are £1,010k (£576k Reductions in Expenditure and £434k increase in Income) and a one off saving of £80.6k. In addition a figure of £250k Service savings are to be identified as part of additional service reviews in 2022/23.

Consultation on the Budget

11. A programme of consultation commenced following the consideration of the draft budget by Cabinet 10th December 2021. This has involved members of the public, partner organisations, scrutiny (especially the Budget Scrutiny Panel), unions and businesses.

Results of public consultation

12. An on-line public consultation (16 responses) was undertaken. The key themes emerging from these exercises were:

- Of the proposals within the budget, the most contentious (all comments negative) was around the increase in garden waste collection charges – this has been justified because of the general financial pressures faced by the Council and a benchmarking exercise that demonstrates that the proposed charges are in line with other local authorities
- Other comments suggested Council Tax was too high – again this has been justified because of the general financial pressures faced by the Council and Charnwood being in the lowest quartile for Council Tax.
- There were also comments on matters such as highways and the rateable value of business premises which did not relate to Council services

Budget Scrutiny Panel

13. A Budget Scrutiny Panel has undertaken scrutiny of the draft budget for 2022/23. The recommendations of the Panel are set out in a separate report to this Cabinet meeting (item 6 on the agenda).

Comments of the Industrial and Commercial Ratepayers Meeting

14. A consultation meeting with representatives of Industrial and Commercial Ratepayers was held on 12th January 2022. In summary:
- The Council's proposed budget and capital plan were discussed
- The attendees raised questions around HMOs and public realm works in Loughborough
- There were no specific comments on the budget arising

Comments of the Loughborough Area Committee

15. This Committee met on 15th December 2021 where the agenda included an opportunity to provide feedback on the draft budget. Principal matter raised was the reduction in the grant awards by approximately 5% to both Fearon Hall and Gorse Covert Community Centre as part of the strategic partner grants budget savings for 2022/23 in the General Fund and has impacted on Loughborough Special Budget. The draft saving was £2.5k however this saving has now been reduced further to £1,300 in line with the Strategic Partner Grants Cabinet report 13th January 2022.

16. We would like to take this opportunity to thank all those who responded to the consultation. Further of the consultation discussions and responses referred to above are available as background documents to this report (public consultation results) or as meeting minutes, published on the Council's website.

Loughborough Special Expenses (Appendix 3)

17. The budget position for Loughborough Special Expense and Levy for 2022/23. The increase to the Loughborough Special Levy is 1.99% to a rate of £79.53 per Band D property (2021/22: £77.98). The savings and pressures included in the General Fund that impact the Loughborough Special are as follows:

    - Thorpe Acre Hub/Community Coordinator payment - £9.8k saving
    - Gorse Covert/Fearon Hall - £1.3k saving
    - Cemetery Fee Increase - £10k saving
    - CCTV Salaries - £10k saving
    - Carillion - Loss of income £4.5k one off pressure

Council Tax Base

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

Precept Amount

19. The NNDR figures are not yet available, and the settlement figures have been used in these calculations. Appendix 2 shows an equivalent overall increase of £4.61 on the Base Band D Council Tax plus the Loughborough Special Levy. The band D rate for 2022/23 is set at £135.69 for the base precept.

Parish and Town Councils and Other Precepts

20. All Parish and Town Council precepts have been received and are detailed in Appendix 4. 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 will be updated in time for the main Council meeting on 21st February 2022.

General Fund Revenue Balances and Reserve

21. The General Fund Balances are included in Appendix A1. The budget shows a net £189k use of Working Balance is required to balance this year's budget, with a Working Balance estimated to be £4.613m as at March 2023.

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 £2m, representing six weeks net expenditure, in line with good practice. The original budget balance on this fund at the end of March 2023 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 has a balance of £500k 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 £2.233m at the end of March 2023. This revenue reserve is used to finance General Fund capital expenditure, also the reserve can be used for revenue expenditure and there is no minimum balance for this reserve.

There are thirteen specific Earmarked Reserves which may be used in line with the purpose of the reserve fund or for general purposes totaling £2.215m.

The overall total General Fund reserve balances estimated as at March 2023 is £9.561m.

The new Commercialisation Reserve was set up in 2021/22, to cover any future losses on the Commercial Property Income; by the end of 2022/23 we estimate that the balance on this reserve to be £808k.

Housing Revenue Account (Appendix A5)

19. The HRA budget position for 2022/23 is a breakeven. The overall position of the balances is an increase of £367k from the draft budget.

20. The principal change to the final budget compared with the draft budget that was presented to Cabinet on 9th December 2021 is a reduction in £367k revenue contribution to capital from the Housing Financing Fund. This is due to an adjustment to planned Capital spend in 2022/23. The proposed increase in Garage Rents is anticipated to add £39k of rental income. Rents and Service charges have been recalculated since the draft budget to reflect anticipated void levels and the final level of proposed charges. The £15k increase in Supervision and Management includes an anticipated higher increase in voids for lifeline service.

HRA Balances

22. The HRA Balances have been budgeted at £110 per property at approximately £604k. At 31 March 2023, the HRA Financing Fund balance is forecast as being £10,049k.

HRA Service Pressures and Savings

22. It may be noted that no savings or pressures are associated with the HRA. A detailed exercise was performed to realign the HRA budgets in the previous year and that exercise is considered still valid.

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

23. 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.

24. The proposed budget is set against the context of continued reductions in core Government funding and significant uncertainty as to future funding levels. The budget proposed, in the light of the ongoing impact of the COVID-19 pandemic, is appropriately prudent and, if delivered, will leave the Council's Working Balance at £4.6m at 31st March 2023, above the £2m minimum set by the s151 Officer.

25. The Council's S151 Officer is required to report to Cabinet and full Council the key risks facing the Council in relation to current and future budget provision. The short term impact of COVID-19 can be regarded as the principal budget threat in 2022/23. In subsequent years the lack of certainty around Government funding combined with inflationary pressures and the medium and longer term impact of COVID-19 are the key budgetary risks.

26. The Medium-Term Financial Strategy (MTFS) provided at Appendix B of this report considers the medium term financial outlook for the Council in more detail.

Robustness of Estimates

27. 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.

28. 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.

29. 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.

30. 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

31. 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

32. 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

A1 - General Fund Budget Summary 2022/23
A2 - Council Tax Analysis 2022/23
A3 - Loughborough Special Expenses 2022/23
A4 - Council Tax Town and Parish Council Precepts 2022/23
A5 - HRA Revenue Budget Summary 2022/23
A6 - General Fund Service Pressures and Savings 2022/23

B - Medium Term Financial Strategy 2022 - 2025

General Fund Budget Summary **Appendix A1**

Actual 2020/21 £000		Original Budget 2021/22 £000	Draft Original Budget 2022/23 £000	Final Budget 2022/23 £000	Variance Final vs Draft £000
19,426	General Fund Service Expenditure	19,026	19,163	19,141	23
0	Less MRP & Interest & Commercial Reserve	(1,262)	(929)	(929)	0
0	Service (Ongoing Savings)	(2,059)	(1,010)	(1,010)	0
0	Service (One Off Saving)	0	(81)	(81)	0
0	Savings to be determined	0	(500)	(250)	(250)
0	Service Pressures Ongoing	1,859	184	184	0
0	Service Pressures One Off	106	127	127	0
19,426	**Net Service Expenditure**	**17,670**	**16,955**	**17,182**	**(227)**
182	Revenue Contributions to Capital	0	0	0	0
0	MRP/Interest /Charge	1,262	729	729	0
240	Interest Paid	240	240	240	0
(342)	Less: Interest on Balances	(300)	(300)	(300)	0
19,506	**Total Borough Expenditure**	**18,872**	**17,624**	**17,851**	**(227)**
(292)	Contribution (from)/to Reinvestment Reserve	0	0	0	0
1,175	Contribution(from)/to Working Balance	(849)	(224)	(311)	87
143	Contribution (from)/to Collection Fund	2	(15)	122	(137)
453	Contribution(from)/ to Capital Plan Reserve	0	0	0	0
0	Contribution(from)/to Commericalisation Reserve	0	200	200	0
756	Contribution (from)/to Other Reserves	(106)	0	0	0
21,741	**Precept Requirement**	**17,919**	**17,585**	**17,862**	**(277)**
4,947	NNDR	4,379	4,465	5,200	(735)
0	RSG	168	0	174	(174)
7,288	Council Tax Receipts	7,640	8,055	7,981	74
1,271	Loughborough Special Levy	1,311	1,364	1,346	18
4,122	New Homes Bonus	3,000	988	1,631	(643)
0	Lower Tier Services Grant/Tranche 5 one off	1,418	2,728	1,112	1,616
3,962	General Government Grants (Covid)/Services	0	0	296	(296)
(173)	Collection Fund Surplus/(Deficit)	2	(15)	122	(137)
21,417	**Precept Income**	**17,919**	**17,585**	**17,862**	**(277)**
£000 Actual 2020/21	**REVENUE BALANCES**	**£000 Original Budget 2021/22**	**£000 Draft Original Budget 2022/23**	**£000 Final Budget 2022/23**	**£000 Variance**
4,498	**Working Balance at 1 April**	1,820	4,969	4,969	0
1,318	Transfer from/(to) General Fund	(847)	(239)	(189)	(50)
0	Transfer from/(to) Reinvestment Reserve	0	(167)	(167)	0
1,224	Contribution to the LLEP Enterprise Zone	0	0	0	0
(1,224)	Business Rates Appeals Adjustment	1,561	0	0	0
5,816	**Balance at 31 March**	**2,534**	**4,563**	**4,613**	**(50)**
883	**Reinvestment Reserve Balance at 1 April**	357	333	333	0
(292)	Transfers from/(to) General Fund	0	167	167	0
591	**Balance at 31 March**	**357**	**500**	**500**	**0**
1,980	**Capital Plan Reserve Balance at 1 April**	1,819	1,763	2,233	(470)
453	Transfer from/(to) General Fund	0	0	0	0
2,433	**Balance at 31 March**	**1,819**	**1,763**	**2,233**	**(470)**
7,346	**NDR Deficit COVID Reserve**	**0**	**7,346**	**7,346**	0
0	Funding of NDR COVID Deficit	0	(7,346)	(7,346)	0
7,346	**Balance at 31 March**	**0**	**0**	**0**	**0**
1,158	**Other Revenue Reserve Balances at 1 April**	1,113	2,015	2,015	0
857	Transfers from/(to) General Fund	(106)	200	200	0
2,015	**Balance at 31 March**	**1,007**	**2,215**	**2,215**	**0**
18,201	**TOTAL BALANCES**	**5,717**	**9,041**	**9,561**	**(520)**

Appendix A2

COUNCIL TAX ANALYSIS 2022/23					
2021/22			**2022/23**		% Change Per Band D
58,286.9		**TAX BASE (at CBC collection rate)**	58,819.0		
16,815.4		**LOUGHBOROUGH TAX BASE**	16,923.1		0.91
£	£ p		£	£ p	%
17,919,418	307.43	TOTAL BUDGET REQUIREMENT	17,862,933	303.69	(1.22)
(1,311,265)	(22.50)	Less: Loughborough Special Levy	(1,345,894)	(22.88)	1.70
16,608,153	284.94		16,517,039	280.81	(1.45)
		Less:			
(3,000,484)	(51.48)	New Homes Bonus	(1,631,447)	(27.74)	(46.11)
(4,379,000)	(75.13)	NNDR	(5,200,000)	(88.41)	17.68
(1,417,924)	(24.33)	Government Grants/S.31 Compensation	0	0.00	0.00
0	0.00	Lower Tier Services Grant	(1,111,902)	(18.90)	0.00
0	0.00	Services Grant	(295,932)	(5.03)	0.00
(168,489)	(2.89)	Revenue Support Grant	(174,268)	(2.96)	2.40
7,642,256	131.11		8,103,490	137.77	5.08
(2,009)	(0.03)	Collection Fund (Surplus)/Deficit	(122,340)	(2.08)	5,934.68
7,640,247	**131.08**	**BASIC BOROUGH PRECEPT**	**7,981,150**	**135.69**	**3.52**
		Other Precepts			
4,051,639	69.51	Parishes	4,250,109	72.26	3.95
82,230,122	1,410.78	Leicestershire County Council	82,230,122	1,398.02	(0.90)
4,038,699	69.29	Combined Fire Authority	4,038,699	68.66	(0.91)
14,468,569	248.23	Police & Crime Commissioner for Leics	14,468,569	245.98	(0.91)
104,789,029	1,797.81		104,987,499	1,784.92	(0.72)
1,311,265	77.98	SPECIAL LEVY (LOUGHBOROUGH)	1,345,894	79.53	1.99
113,740,541	1,951.39	**TOTAL REQUIREMENT**	114,314,543	1,943.50	(0.40)
112,429,276	1,928.89	**AVERAGE PARISH PRECEPT**	112,968,649	1,920.61	(0.43)
109,688,902	1,937.36	**LOUGHBOROUGH PRECEPT**	110,064,434	1,927.88	(0.49)

Final figures still awaited – to be included in report presented to Council on 21 February

Appendix A3

LOUGHBOROUGH SPECIAL EXPENSES

2021/22 Loughborough Special Expenses Budget	Service	2022/23 Loughborough Special Expenses Budget	2021/22 to 2022/23 Difference	% Variance	Note
£		£	£		
78,900	Loughborough CCTV	74,300	(4,600)	-6%	1
66,800	Community Grants - General / Fearon Hall / Gorse Covert	65,500	(1,300)	-2%	2
45,800	Marios Tinenti Centre / Altogether Place / Community Hubs	36,300	(9,500)	-26%	3
6,300	Charnwood Water Toilets	6,300	0	0%	4
35,700	Voluntary & Community Sector Dev Officer post (75% LSX)	36,600	900	2%	5
122,400	Contribution towards Lough Open Spaces Grounds Maintenance	124,200	1,800	1%	6
(2,700)	November Fair	(5,800)	(3,100)	53%	7
	Parks:				
353,200	Loughborough - including Loughborough in Bloom	345,100	(8,100)	-2%	8
70,300	Gorse Covert and Booth Wood	70,700	400	1%	9
	Sports Grounds:				
115,600	Derby Road	117,400	1,800	2%	10
43,100	Lodge Farm	43,100	0	0%	11
75,400	Nanpantan	77,100	1,700	2%	12
19,100	Park Road	18,200	(900)	-5%	13
23,800	Shelthorpe Golf Course	23,000	(800)	-3%	14
47,700	Loughborough Cemetery	36,500	(11,200)	-31%	15
49,200	Allotments - Loughborough	47,800	(1,400)	-3%	16
16,600	Carillon Tower	11,600	(5,000)	-43%	17
55,800	Festive Decorations and Illuminations	55,100	(700)	-1%	18
112,600	Town Centre Management	99,600	(13,000)	-13%	19
1,335,600		1,282,600	(53,000)	-4%	
	Adjustments from Year 2020/21	63,294			
-24,335	Adjustments from Year 2019/20				
1,311,265	AMENDED SUB TOTAL	1,345,894			
Divided by 16,815.40	Council Tax Base	Divided by 16,923.10			
77.98	Special Council Tax	79.53			

Loughborough Special Expense Notes

1 The savings include £10k to reduce the CCTV casual salaries budget. 24% of the total costs of the CCTV service has been charged to the Loughborough Special Rate compared to 25% in 2021/22. There has been an increase of 45 additional cameras in the Borough overall, 9 of these are on the Warwick Way Estate Loughborough, as part of the safer streets project.

2 Saving to reduce the grant awards by approximately 5% to both Fearon Hall and Gorse Covert as part of the strategic partner grant process have been included in the 2022/23 budgets, the amount has been reduced to £1.3k in line with the Partnership Grants Cabinet report 13th January 2022.

3 An option for change saving £6.5k with regard to Thorpe Acre Hut/Hub, which will now not be progressed and £3.3k saving on the Community hub co-ordinator payments have been included in the 2022/23 budgets.

4 No comment required.

5 The increased costs are due to estimated pay award & additional pension/NI contributions for the Voluntary and Community Sector Development post M298, 75% of which is funded by Loughborough Special Expenses.

6 This increase is due to contract inflation. Future years funding via the Loughborough Special Rate is to be reviewed each subsequent year, as approved by Cabinet 16/02/17 (min 88).

7 The Environmental Services contract budget has increased by inflation £0.3k. Offset by reduced Support Services £3.5k, mainly due to less time being spent in this area by the Head of Leisure and Culture and the Admin team.

8 The metered water budget has increased £1.4k, this is based on previous year actuals increased by inflation. Both the Environmental Services contract and the Management of Open Spaces contract budgets including variations have increased by inflation £1.9k and £4.4k respectively. These are offset by reduced Support Services recharges £15.7k, mainly from the Policy and Green Spaces Development Team following a service review carried out summer 2021.

9 No comment required.

10 Both the Environmental Services contract and the Management of Open Spaces contract budgets have increased by inflation £0.4k and £0.9k respectively. Support Service recharges have also increased slightly overall by £0.3k

11 No comment required.

12 The metered water budget has increased £1.2k, this is based on previous year actuals increased by inflation, this is part offset by a £1k reduction to the electricity budget, which is based on previous year underspends. Both the Environmental Services contract and the Management of Open Spaces contract budgets have increased by inflation £0.2k and £0.3k respectively. Support Service recharges have also increased £0.8k, this is mainly due to slightly more time being spent in this area by the Cleansing team.

13 Support Service recharges have reduced, mainly from the Policy and Green Spaces Development team following a service review.

14 The metered water budget has increased £0.4k, this is based on previous year actuals increased by inflation. Both the Environmental Services contract and the Management of Open Spaces contract budgets have increased by inflation £0.2k and £0.5k respectively. These are part offset by increased income £0.6k from Golf Course fees, this is part of the Management of Open Spaces contract whereby CBC receive a guaranteed income amount, pre-set by Idverde and increased by inflation each year. Support Service recharges have reduced £1.3k, this is mainly from the Policy and Green Spaces Development Team following a service review

15 The NNDR and the metered water budgets have increased by £0.9k and £0.3k respectively for inflation. The Management of Open Spaces contract budget has increased by inflation £0.6k. The provision of the cemetery service budget has been increased by £5k based on previous year actuals & increased ongoing costs mainly due to additional standby payments, this was funded by increasing the expected income due from the crematorium agreement with Dignity Funerals based on previous year and current income levels. An options for change saving of £10k has been included to increase the fees and charges budget, a review of the burial charges will be carried out February 2022. Support Service recharges have reduced £8.5k, this is mainly from the Policy and Green Spaces Development team following a service review.

16 Support Service recharges have reduced £1.6k, mainly from the Policy and Green Spaces Development team following a service review

17 The Carillon will not be open to the public in 2022/23, a pressure for the loss of income £4.5k has been included and the recharge for staffing the building by the museum staff has reduced by £9.5k for this reason. Support service recharges have reduced slightly, namely the insurance charge £2.1k, the premium for the building and terrorism has reduced. 50% of the total cost of the Carillon is charged to the Loughborough Special Rate.

18 Support Service recharges have reduced, this is mainly due to slightly less time being spent in this area by the Head of Leisure and Culture

19 The employee budget has increased £1.7k due to estimated pay award & additional pension/NI contributions. The income budget has increased by £10.8k, taking it back to normal pre-covid19 levels, this was a one-off service pressure in 2021/22 to reduce the income budget to allow the number of street traders to improve following covid19 restrictions. Support Service recharges have reduced £3.9k, this is mainly due to less time being spent in this area by the Head of Leisure and Culture and the ICS team.

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2022/2023 Council Tax - Parish Precepts

Parish/ Meeting/ Town Council	Precept Requirement £	Council Tax Base	Parish/ Special Requirements at Band B £
Anstey	320,284.00	2,666.70	120.10
Barkby / Barkby Thorpe	13,794.00	158.50	87.03
Barrow-Upon-Soar	232,595.00	2,523.10	92.19
Beeby	0.00	42.00	0.00
Birstall	458,343.00	4,587.10	99.92
Burton-on-the-Wolds, Cotes, & Prestwold	32,500.00	554.40	58.62
Cossington	15,225.00	217.30	70.06
East Goscote	63,000.00	937.80	67.18
Hamilton Lee	0.00	280.50	0.00
Hathern	48,500.00	894.50	54.22
Hoton	12,127.00	146.20	82.95
Mountsorrel	524,201.09	3,022.90	173.41
Newtown Linford	56,779.00	534.90	106.15
Queniborough	63,713.00	1,222.60	52.11
Quordon	297,368.30	2,452.80	121.24
Ratcliffe-on-the-Wreake	3,000.00	89.90	33.37
Rearsby	23,010.00	486.80	47.27
Rothley	199,132.00	2,314.80	86.03
Seagrave	18,984.00	278.40	68.19
Shepshed	367,000.00	5,009.40	73.26
Sileby	239,585.00	2,835.20	84.50
South Croxton	11,751.00	133.70	87.89
Stonebow Village	0.00	5.20	0.00
Swithland	4,880.00	160.90	30.33
Syston	570,941.00	4,368.00	130.71
Thrussington	12,000.00	256.50	46.78
Thurcaston & Cropston	43,186.58	942.70	45.81
Thurmaston	480,492.00	2,865.90	167.66
Ulverscroft	0.00	60.00	0.00
Walton-on-the-Wolds	5,000.00	131.70	37.97
Wanlip	4,000.00	100.70	39.72
Woodhouse	85,620.00	988.70	86.60
Wymeswold	43,098.00	626.10	68.84
	4,250,108.97	41,895.90	
Loughborough (Special Expenses)	1,345,894.00	16,923.10	79.53
Total	**5,596,002.97**	**58,819.00**	
Average			**95.14**

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2020/21 Actual	Housing Revenue Account	2021/22 Original Budget	2022/23 Draft Original Budget	2022/23 Final Original Budget
£000		£000	£000	£000
	Expenditure			
5,421	Supervision and Management	5,393	5,423	5,438
6,427	Repairs and Maintenance	6,752	6,803	6,803
261	Rents, Rates and Other Charges	225	291	291
175	Provision for Bad Debts & Other Charges	383	318	318
3,464	Depreciation	3,409	3,641	3,641
(14,077)	Net Revaluation non-current assets increase	0	0	0
18	Debt Management Expenses	10	9	10
1,689	**Expenditure Sub-total**	16,172	16,485	16,501
	Income			
(20,597)	Dwelling Rent Income	(21,100)	(21,366)	(21,368)
(412)	Shops, Land and Garages Rent	(355)	(351)	(390)
(52)	Warden Service Charges	(53)	(54)	(51)
(286)	Central Heating, Cleaning and Communal Charges	(309)	(303)	(310)
(143)	Leasehold Flat and Shop Service Charges	(143)	(143)	(143)
(28)	Hostel Service Charges	(24)	(25)	(25)
(9)	Council Tax Recharged	(10)	(10)	(9)
(21,527)	**Income Sub-Total**	(21,994)	(22,252)	(22,296)
(19,838)	**Net (income)/Cost of service**	(5,822)	(5,767)	(5,795)
(82)	Transfer from General Fund – Grounds Maintenance	(85)	(85)	(85)
2,701	Interest Payable	2,709	2,698	2,698
(45)	Investment Income and Mortgage Interest	(27)	(15)	(15)
(17,264)	**Net Operating Expenditure/(Income)**	(3,225)	(3,169)	(3,197
0	Revenue Contribution to Capital	3,225	3,169	3,197
(96)	Pension Adjustment	0	0	0
(112)	Accumulated Absence Adjustment	0	0	0
14,077	Reversal of Gain on Revaluation	0	0	0
13,869	Appropriations	3,225	3,169	3,197
(3,395)	**(Surplus)/Deficit for the year**	**0**	**0**	**0**
HRA Balances:				
(610)	**HRA Balance at beginning of year**	(609)	(609)	(609)
(3,395)	(Surplus)/Deficit for the year	0	0	0
3,396	Transfer to/from Reserves	0	5	5
(609)	**HRA Balance at end of year**	**(609)**	**(604)**	**(604)**
(8,235)	**HRA Financing Fund beginning of year**	(11,631)	(11,631)	(11,631)
(3,396)	Transfer to/from Reserves	0	(5)	(5)
0	Revenue Contribution to Capital	0	1,954	1,587
(11,631)	**HRA Financing Fund at end of year**	**(11,631)**	**(9,682)**	**(10,049)**
(3,210)	**Major Repairs Reserve at end of year**	**(3,210)**	**(3,210)**	**(3,210)**
(15,450)	**Overall HRA balances end of the year**	**(15,450)**	**(13,496)**	**(13,863)**

General Fund Service Savings 2022/23

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£	Service	Details
£16,500	Neighbourhood Services	Efficiency savings - various
£11,900	Neighbourhood Services	Deletion of vacant hours – various posts, correction to establishment position and various expenditure budgets
£10,000	Neighbourhood Services	Reduction in CCTV casuals' budget – underspend for last 2 years
£22,900	Neighbourhood Services	Reduction in Neighbourhood Development Officer Vacant Hours 18.5hrs
£14,700	Neighbourhood Services	Reduction of 5% to Strategic Partner Grants budget
£2,500	Planning and Regeneration	Delete the Plans Committee Site Visit Bus Budget
£32,800	Customer Experience	Delete current vacant post within the service
£20,000	Customer Experience	Additional Lagan software budget no longer required
£4,000	Customer Experience	Efficiency saving - re postal contract
£85,200	Customer Experience	Reduce the Contact Centre opening hours
£35,700	Customer Experience	Reduce face to face Customer Service Centre opening hours in line with Contact Centre
£24,900	Strategic Support	Remove budget for internal Audit Contingency – not required since inception of shared service arrangements with NWL and Blaby DC
£32,400	Strategic Support	Deletion vacant hrs within legal services – saving arising following organisational restructure
£5,000	Strategic Support	Reduce scope of Mayor making event
£2,300	Strategic Support	Reduce budget for Mayoral visits
£10,000	Improv Org & Development	Efficiency savings - various
£18,000	Improve Org & Development	Delete Vacant hours – various posts, correction to establishment position
£41,400	Finance	Restructure of Financial Services incorporating Commitment Accounting Systems
£45,000	Cleansing & Open Spaces	Changes to Garden Waste Processes (principally stationery savings)
£5,400	Leisure and Culture	Efficiency savings - various
£17,100	Leisure and Culture	Reduce the annual SLA Grant to Charnwood Arts by 50%
£33,800	Leisure and Culture	Shopmobility and review of Market and Town Centre Service
£45,000	Property Services	Delete Vacant Facilities Manager post
40,000	Strategic & Private Sector Housing	Reduction in Contribution to The Bridge Independent Housing Advisory Service to £75.1k
£576,500	**Reductions in Expenditure**	
£1,500	Regulatory Services	Food Hygiene Rating Scheme – Re-scoring charges.
£28,000	Property Services	Increased Commercial Income -Rent review
£30,000	Property Services	Additional Income Southfields Offices
£14,000	Cleansing & Open Spaces	New income from the Outwoods Visitor Centre/Café
£300,000	Cleansing & Open Spaces	Increase the Garden Waste charges
£50,000	Cleansing & Open Spaces	Increase Bulky Waste charges
£10,000	Cleansing & Open Spaces	Increase in Burial charges
£433,500	**Increases in Income**	
£1,010,000	**Total Ongoing Savings**	
80,600	Strategic & Private Sector Hsg	One Off Saving Mandatory HMO Licence Fee for new and renewals 2022/23

General Fund Service Pressures 2022/23

£	Ongoing/One Off	Details
2,300	Ongoing	Local Resilience Forum contract cost increase.
10,000	ongoing	The Public Conveniences service saving approved for 2021/22 £20k will not be made in full reduce to £10K
4,500	ongoing	Economic Development Team leader increase in salary costs
31,100	ongoing	Planning Increase in hours Planning Assistant Post by 22hrs & Increase in Senior Planning Officer 8 hours
19,800	ongoing	Increase in Post A015 0.60 to 1 FTE Sustainable Development Officer to Deliver Carbon Neutral Strategy
41,900	ongoing	S01 37 hrs New Systems Administrator Post Northgate System
32,300	ongoing	Register of Electors New Burdens Grant no longer available
42,000	Ongoing	Harborough Contact Centre Contract £42k, 5 Mths 2022/23 and £100k ongoing

183,900	**Ongoing**	
51,600	One off	Strategic Growth Plan Partnership Contribution with City/County & cost in 2023/2024 - £60,500)
64,000	One-Off	Loughborough Markets income - reduction in line with the MTFS
7,000	One-Off	Leisure centre utility rate contract adjustment
4,500	One-Off	Carillon Tower will remain closed in 2022/23, no income expected. Re-opening April 2023/24
127,100	**One Off**	

APPENDIX B

Charnwood Borough Council

Medium Term Financial Strategy

2022 – 2025

Table of Contents

1. Foreword

Welcome to the latest edition of Charnwood Borough Council's Medium Term Financial Strategy (MTFS) covering the three-year period between 1 April 2022 and 31 March 2025.

Once again the financial outlook for the Council is characterised by uncertainty and risk. The lack of detailed information on government funding plans in the medium term remains an ongoing issue, the Environment Bill could have major financial implications, and of course, COVID-19 is still with us.

In respect of the pandemic, I think we can be generally optimistic. The 'Omicron variant' shows that we are not yet completely out of the woods here, but I hope that the major health challenges faced by our communities are now on the wane. There is clearly no room for complacency and the Council continues to direct resources into supporting our communities but looking forward into the period of the MTFS the issues now appear more likely to be around the impact on income streams created by changes in the habits of our customers, and the overhang of public borrowing that will act as a brake on future government expenditure.

In this version of the MTFS additional information is provided covering the funding of the Council in historical context. This shows that since 2010/11 – essentially the final settlement before austerity and the peak level for funding – total Council funding (government grants plus council tax) has fallen by some £2m in cash terms, equating to a real terms reduction of around 30%, and demonstrating the financial challenges that the Council has already overcome. However, the latest funding settlement for local government (Provisional Settlement, December 2021), in combination with 'Spending Review 2021' (outlined by the Chancellor in October), does not suggest that funding is likely to increase in the medium term. Further, whilst the latest funding settlement for 2022/23 was in line with the core assumptions of the previous MTFS, a major disappointment was that this was once again just a settlement for a single year, and with clear messages that the distribution of funding to individual local authorities - the total of which will not, according to the Spending Review, increase - cannot be used as a guide to funding in future. It appears that the new Secretary of State wishes to revisit the premises on which previous proposals on 'Fair Funding' were to be based and a new distribution mechanism reflecting the 'levelling up' agenda will be developed for subsequent settlements.

I obviously hope that the Council will benefit from the future redistribution of the total local government 'pot' but clearly there is a downside risk. Combined with risks arisng from the enactment of the Environment Bill, particularly the potential requirement to provide free garden waste collections which would reduce our annual income by around £1.7m, our ongoing issues in respect of irrecoverable housing benefit payments (a possible excess exceeding £1m) and increasing inflationary pressures on payroll and contract costs, it is fair to say that the future financial outlook is very challenging.

As I reflect above, the Council does have a track record in meeting financial challenges, and our previous careful management of our finances mean that our reserves remain adequate. Our past achievements allow us to be optimistic about creating future financial sustainability for the Council, but it almost goes without saying that a lot of hard work and judicious decision making lies ahead.

Councillor Tom Barkley
Cabinet Lead Member for Finance
January 2022

2. Executive summary

This Medium Term Financial Strategy (MTFS) considers the financial outlook for Charnwood Borough Council ('Charnwood', or the 'Council') for the three financial years 2022/23, 2023/24 and 2024/25. The document's focus is on the 'General Fund'; certain aspects of the Housing Revenue Account are also discussed but the outlook for this is dealt with separately within the 30 year Housing Revenue Account business plan.

At the core of this document are the financial projections for these three years which show the funding challenges during this period. The timing of this iteration of the MTFS has allowed us to take account of Spending Review 2021, outlined by the Chancellor in October 2021 and the provisional local government finance settlement of December 2021. A draft budget which forms the first year (2022/23) of the projections has been prepared and is presented in conjunction with this MTFS.

Council will be asked to approve the final versions of both the budget and MTFS at the meeting scheduled for 21 February 2022.

In summary the financial projections show:

- 2022/23 (the budget) shows a use of reserves of some £0.3m
- 2023/24 will see a £1.2m use of reserves
- 2024/25 will see a further £2.1m use of reserves

It should be noted that £0.3m use of reserves is planned in 2022/23; in latter years the use of reserves reflects the financial challenge that will need to be addressed if the Council is to achieve financial sustainability – in 2024/25, the projections show the Council would need to reduce net costs on an ongoing basis by £2.1m against the 2022/23 budget amounts.

Over the three year MTFS period this would imply a use of reserves of £3.6m, leaving the working balance at £1.3m by 31 March 2025. The projected working balance of £4.6m at 31 March 2023 represents a reasonable level of financial stability but both the MTFS projections and sensitivity analysis shows that there is no room for complacency.

Once again, the uncertainty, and associated limited confidence that can be placed on these projections should not be underestimated, the future financial settlements that local government will be offered about which little is known at present, and other factors, such as inflation and the financial impact of the implementation of the Environment Act 2021. A sensitivity analysis is included within the body of this MTFS which illustrates the very wide range of possible outcomes within individual lines for income, expenditure and government funding.

The financial settlement for 2022/23 was broadly in line with that estimated within the draft budget but once again the Settlement is for a single year and no certainty around future funding exists.

Given the narrative around the Provisional Financial Settlement which made it clear that 2022/23 funding could not be used as a guide for future years there is limited information available in respect of the latter years of the MTFS period. It is therefore assumed – in the absence of other information – that future financial settlements will reduce by amounts equivalent to half (2023/24) and all (2024/25) of the final New Homes Bonus amount awarded in 2022/23 of £1.6m. This represents an overall reduction reflecting Charnwood's relative affluence, with transitional funding being provided within the middle MTFS year.

This assumption is highly speculative and represents a major financial risk within the MTFS projections.

The budget for 2022/23 reflects the results of further income generation and identification of savings but projections for 2023/24 and 2024/25 do not represent a financiallly sustainable outlook. Section 11 of this Strategy sets out more detail on this.

Finally, It is important to note that in respect of the 2023/24 and 2024/25 financial years the projections do not take account of management actions – which will clearly be necessary – to address the financial challenges identified these projections. To this extent the financial projections for these years should be be regarded as an estimate of the financial challenge facing the Council, not a financial prediction.

Going forward, it will be necessary to continue with the efforts targeted at financial sustainability and this will be a major component of Council activity for the foreseeable future.

3. Introduction

The Medium Term Financial Strategy (MTFS) takes a forward look at the political, economic and regulatory environment facing the Council and uses these to create a high level financial model of future potential revenues and costs. Additionally , this version of the MTFS also looks at historical funding patterns to offer further insight into the current financial outlook.

This model attempts to identify potentially significant funding surpluses or shortfalls that may arise in the medium term, and to inform the Council's budget setting process. It takes into account existing income and expenditure patterns – although these remain disrupted due to COVID-19 - together with identified and material cost pressures. The model also incorporates projected savings and efficiencies from the implementation of existing strategies, policies and projects, where these are considered sufficiently likely to materialize, and considers significant budgetary risk identifiable from current budgetary monitoring to attempt a holistic view of the Council's future financial position.

In order to balance the desire to take a long term view of the Council's financial future, and the limits on our ability to create meaningful forecasts over such a period, the MTFS has been developed to cover three years, from 1 April 2022 to 31 March 2025. The first year of this projection uses the 2022/23 budget figures presented to Council for approval alongside this document.

The purpose of this document can be summarised as follows:

- Outline the principal factors that will influence the availability of the Council's financial resources in the medium term

- Inform and define the medium term service delivery plans, in the context of financial challenges identified in financial terms

- Provide the financial basis for the Council to decide its corporate priorities for future years.

However – it is important to state that in respect of the 2023/24 and 2024/25 financial years the projections do not take account of management actions – which will clearly be necessary – to address the financial challenges inherent in these projections. To this extent the financial projections for these years should be be regarded as an estimate of the financial challenge facing the Council, not a financial prediction.

Scope of the MTFS

This strategy document concentrates on the General Fund, which deals with non-housing revenue items and derives its income from charges, government grants, council tax and business rates. The Housing Revenue Account (HRA) has its own business plan and both General Fund and HRA capital expenditure are subject to a three year programme which is reviewed separately from revenue items. However, the impact of capital investment and the HRA on the General Fund is considered as part of this strategy. In particular, the MTFS reflects the impact of the

Council’s Capital Strategy, which itself incorporates both the Treasury Management Strategy and the Commercial Investment Strategy.

The Council’s finances are actively managed on an ongoing basis and the adoption of this strategy will require executive decisions to carry out any significant actions identified.

4. Political, economic and regulatory outlook

In assessing prospects for the Council's finances it is necessary to consider how the wider political and macro-economic factors feed through into the availability of funding for the public sector, what proportion of this will be allocated to local government, and within this allocation, what the funding settlement for each Council will be. Local economic factors will also impact Council income streams, the demand for Council services, and the Council's ability to fund these.

At the time of drafting this Strategy (January 2022) the economic impact of the trade deal secured with the EU following the United Kingdom's exit from the European Union is starting to become more apparent whilst the ongoing issues created by COVID-19 are hopefully abating but may still constrain economic activity in the short and medium term.

The summary views of the Organisation for Ecomic Cooperation and Development (OECD) are set out below. A detailed economic review, will be presented within the Capital Strategy (due to be presented to Cabinet and then Council for approval in February 2022).

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OECD Economic Forecast Summary – United Kingdom – December 2021

The economy is recovering and expected to reach pre-crisis levels at the beginning of 2022. Output is projected to rise by 6.9% in 2021, with growth moderating to 4.7% in 2022 and 2.1% in 2023. Consumption is the main driver of growth during the projection period. Business investment will improve but continues to be held back by uncertainty. Increased border costs following the exit from the EU Single Market are weighing on imports and exports. Unemployment will continue to decline. Inflation will keep increasing due to higher energy and commodity prices and continuing supply shortages. It is expected to peak at 4.9% in the first half of 2022 and then fall back towards the 2% target by the end of 2023.

Monetary policy should tighten gradually to bring inflation back to target over the medium term, as price pressures show signs of becoming persistent. Fiscal policy should continue to support the economy and become more targeted to aid economic restructuring. Boosting training and career counselling programmes can facilitate economic reallocation and ease job transitions. Government programmes should focus on providing certainty on long-term issues such as the transition to net zero in order to support investment. The effects from phasing out fiscal support measures on businesses and households should be closely monitored, in the context of planned tax increases, to avoid derailing the recovery.

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The demand for the Council's services and its income streams are affected by the general economic health of the Borough, whilst prevailing interest rates have a direct impact on the Council's interest receipts. Areas of deprivation do exist in the Borough but as a whole Charnwood is above averagely prosperous, with a ranking of 236 out of 317 English local authorities[1] (where '1' is the most deprived and '317' the least deprived local authority respectively). This relative prosperity is an important factor in the projected housing growth in the Borough and this growth will affect both costs and revenues as it arises. In the relatively short term however, and over the period

[1] English local authority Index of Multiple Deprivation 2019 (IMD average ranks – File 10; latest result available, updated October 2019)

of this MTFS, the general assumption is that the economic landscape will be one of an uncertain and patchy recovery.

Environment Act 2021

This long awaited and wide-ranging piece of legislation was finally enacted, receiving Royal Assent on 9 November 2021. Included within the legislation is the creation of the new Office for Environmental Protection which replaces previous EU governance structures together with a raft of new environmental targets and monitoring requirements covering waste collection and disposal, air pollution, and water quality. There are also new responsibilities placed on producers to mitigate the environmental impact of their activities.

Of principle interest in relation to the MTFS are the potential new financial burdens placed on local authorities, and specifically, as a Shire District, the requirements to introduce weekly food waste collections, separate household recyclables into individual collection streams (rather than being co-mingled, as present), and potentially, to provide free collections of garden waste.

The detailed implementation of the Act will be determined by Regulations yet to be determined by the Secretary of State. There government say they have recognised the financial and operational challenges associated with the Act and implementation dates are still to be finalised, with some elements (eg. food waste collections) not likely to commence until 2025.

The principal and immediate financial risk would be the cessation of the Council's ability to charge for garden waste collections. This currently generates (2021/22) around £1.4m per annum and an increase is proposed which would bring in an additional £0.3m revenue into the budget for 2022/23. If charging were to cease from 1 April 2023 (a possibility) it could be expected that renewals would decline significantly in 2022/23 as customers would anticipate the arrival of free collections from April 2023; all revenue would disappear from 2023/24 and costs would increase as residents not currently taking advantage of the service would become entitled to free collections.

Based on the provisions within the Act it seems inevitable that additional capital and revenue costs will be incurred as new arrangements for waste collection and disposal are introduced. Generally, the government has stated that local authorities will be compensated for additional financial burdens arising from the new Act but details on this are not yet available. This gives rise to a financial risk if the governments calculation of additional cost burdens (or lost revenues) does not match the actual costs incurred. Further, previous experience suggests that new funding will be 'rolled' into the general financial settlement in future years (which may then be subject to reduction) leaving local authorities to pick up an increasing proportion of the additional costs.

Future local government financial settlements

An initiative known as the 'Fair Funding' review has been awaited by the local government sector since 2019. This promised new distribution mechanisms and potentially new methods of local government funding underpinned by a 75% business rate retention scheme (which would replace the current 50% business rate retention model).

Due to a mix of Brexit, COVID-19 and the general election of December 2019, the outcome of the Fair Funding review was delayed, and now appears to have been superseded by the new levelling-up policy. In particular it appears that the prospective 75% business rate retention scheme has been abandoned and from the Spending Review 2021 (SR2021) outlined by the Chancellor in October and the Provisional Local Government Finance Settlement of December it is apparent that the new Secretary of State wishes to revisit the premises on which previous proposals on Fair Funding were to be based and a new distribution mechanism reflecting the levelling-up agenda will be developed for subsequent settlements.

The total quantum of money available to the local government sector over the medium term (financial years 2022/23, 2023/24 and 2024/25) was set out within SR2021 but the net end result of the autumn and winter government statements was yet another single year settlement for 2022/23 and significant uncertainty as to the future distribution amongst local authorities of the total local government 'pot'.

Once again, given the one-year only basis of the recent settlements, and the absence of any material indication of future settlements, there is little option but to assume future settlements will be in line with the most recent. This is discussed further in subsequent sections of the MTFS alongside more detailed assumptions around the key individual components of the Council's revenue streams and expenditure, and the risks associated with these assumptions.

5. Financial projections – overview

At the heart of this MTFS is the high level financial model. This is used to derive an estimate of the Council's future revenues and costs and the associated impact on the Council's reserves. Subsequent sections describe how the model has been developed and the key assumptions used, as follows:

- Local government financing regime: discusses the projected mix of council tax and government grant revenues over the period of the MTFS
- Treasury management and investment income: discusses the Council's current approach to fund investment and projected levels of interest receivable, together with comments on envisaged future activities
- Key operational assumptions: describes the derivation and key assumptions underpinning the projections of operational income and expenditure
- Transformation and Efficiency Plans: describes the activities undertaken and identified, and initiatives planned and underway that will address the budget challenges
- Budget risks: sets out material high-level risks identified
- Existing financial resources and use of prudential borrowing: describes how revenue and capital expenditure of the Council may be financed over the period of the MTFS using reserves or prudential borrowing
- General Fund financial projections: presents the projected financial outlook for the Council over the period of the MTFS in tabular form

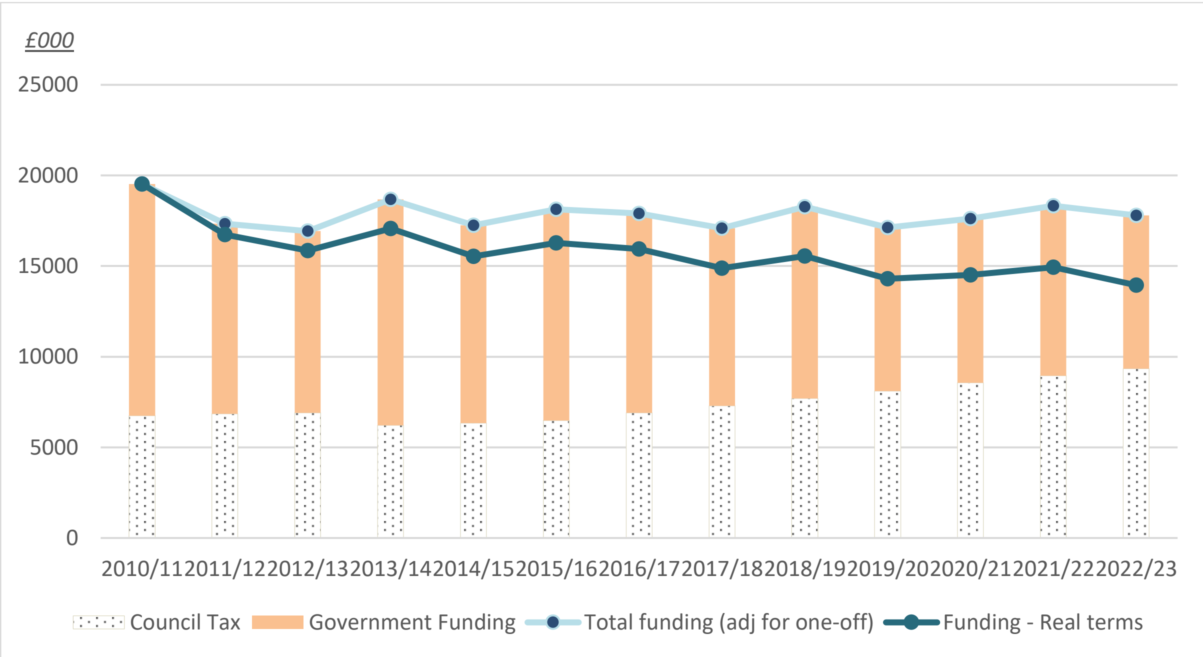
6. The local government financing regime

Historical context

The Council's funding is currently derived from a mixture of council tax receipts, new homes bonus payments, a share of locally collected business rates and direct government grant funding. A continuing theme from the government has been the drive towards financial independence for local authorities and the move towards localism. In practice this now means a reduction in levels of direct (formula) grant funding, and increasing reliance on council tax receipts.

The peak funding year for the Council was back in 2010/11 when adjusted total funding – council tax and government grants – amounted to some £19.5m. The total funding in each year from 2010/11 is set out below:

Figure 1: Charnwood Borough Council – adjusted total funding - 2010/11 to 2022/23



Notes:

- Figures are based on outturn other than 2021/22 (estimated outturn) and 2022/23 (projection based on provisional settlements)
- The funding is adjusted for one-off and specific grants relating to the concessionary travel scheme (now an upper-tier local authority responsibility) and COVID-19 grants
- The 'Real terms' calculation is based on the CPIH index – a consumer price index that includes housing costs

The settlement for 2010/11 was the third in a mult-year settlement package set out in Spending Review 2007, and can be regarded as the final settlement prior to the austerity policies of the 2010 – 2015 coalition government, and adjusted total funding peaked in this year at £19.5m, two-thirds of which was provided by government grants. Projections based on the Provisional Settlement show adjusted total funding some £2m lower (£17.8m) in cash terms with over half (52%) of this now being derived from council tax. In real terms, using CPIH as the base index, this funding would be equivalent to around £13.9m at 2010/11 prices – around 30% below the peak 2010/11 funding. Considering government grant funding alone, in real terms funding based on the Projected Settlement is less than half that received in 2010/11.

In addition to the reduction in the Council's funding, three significant changes to the structure of local government finance, all introduced in the 2013/14 financial year have added to the financial management challenge.

i. Localisation of Council Tax Support (LCTS)

Prior to financial year 2013/14, a national scheme of council tax support was in operation whereby the Council administered the scheme and were able to reclaim payments from the government. Under the localisation process, local authorities were required to introduce their own local schemes and fund the costs. In practice, this had the impact of reducing the council tax base by around £0.7m.

Initially (2013/14) the government did provide compensatory funding, theoretically covering 90% of the financial impact, by including this amount as a specific item within the Revenue Support Grant (RSG). However, in subsequent years compensation was deemed included within the RSG, even as RSG itself was phased out; from £4.9m in 2013/14, RSG had been totally eliminated by 2019/20 (although zombie like, some small grant payments under the RSG heading - £0.2m for 2022/23 – have recommenced).

ii. Council Tax capping and referendum rules

In 2013/14 'capping rules' for local authorities were introduced. Although requiring renewal each year, they have have always been renewed, and remain in place for financial year 2022/23. For District Councils, capping in recent years has restricted council tax increases to a maximum of either 2% or £5 per Band D property *unless* a referendum is held. Special Expense areas, such as Loughborough, are also captured by the capping regulations restricting tax raising capabilities compared to analogous town and parish councils.

If an increase above the capping limit is sought then a referendum on the increase will be required once billing of the higher amount has taken place. This is important as costs of rebilling (maybe £0.2m) would be incurred on top of the costs of the referendum (maybe £0.1m) should the referendum result reject the proposed increase. The political challenge of asking residents to vote for a tax increase, the financial costs of doing so, and the obvious risk that the proposals may be rejected have effectively discouraged all but very few councils pursuing this approach.

iii. Local retention of business rates

Historically, billing authorities (including shire districts) had responsibility for the billing and collection of business rates, which they then remitted directly to the government. Subsequently, although not a formal hypothecation rule, these were then redistributed to local government via the grants system.

From 2013/14 the system changed and became rather more complex. A system of baselines, top-ups, tariffs and levies was introduced, with local authorities benefitting from business rate collections above the baseline, but bearing some risk where collections fell below baseline levels.

The rationale for the new approach was to incentivise local authorities in encouraging economic growth (and hence business rate growth) in their areas. However, the risk and uncertainty inherent in the new arrangements are significant, especially in the area of business rate appeals.

Nothwithstanding the localisation approach, the actual rateable value of a property on which business rates are calculated, is set by the Valuation Office, which is part of HMRC. Rateable values are set on a periodic basis to create the 'rating lists'; this was last updated in 2017 with the next version due in 2023.

Businesses may appeal their rateable values with the Valuation Office. Appeals may be based on alterations to the property but most appeals relate to the original listing. Appeals take some time to be processed (only now are appeals against valuations on the 2017 list being determined) with the result that significant repayments or debtor write-offs may be required as adjustments for successful appeals are applied for all financial years since the original listing.

At inception of the new arrangements the government transferred the risk of appeals on a backdated basis, such that allowance – provisions – had to be created for the risk of successful appeals for all appeals that were not determined. Due to the backlog of caseload within the Valuation Office, many appeals relating to the 2005 and 2010 rating lists were not determined, an issue exacerbated by reporting limits within the software of the billing systems which were not designed to give the data sets required to assess appeals risk.

As context, it may be noted that the current level of provisions held against business rate appeals is around £5m, 40% of which is attributable to the Council (the balance relating to the government, Leicestershire County Council, the Fire Authority and the LLEP). Individual appeals may be significant, whilst decisions on specific property categories can prove very material across the local business rate list. This single issue is therefore a source of both risk and volatility within the business rates funding stream.

In summary, the changes to local government financing arrangments from 2013/14:

- Increased costs of local authorities
- Resticted the ability of local authorities to increase taxation revenues
- Increased the risk and volatility of funding

Assumptions and projections

Council tax

The core assumption for the purposes of the MTFS is that the capping regime will continue, and that the Council will increase council tax by the maximum permitted amount in each year of the MTFS period. This is assumed at £5, but adjusted for the effect of the Loughborough Special Expense area.

In comparison to other districts, Charnwood's council tax charges are still amongst the lowest in the country as the data below illustrates:

Figure 2: Comparison of District Band D Council Tax Charges 2021/22

	Council Tax Band D	***Rank (of 181)***		***Council Tax Band D***	***Rank (of 181)***
NATIONAL PICTURE			LEICESTERSHIRE AUTHORITIES		
Lowest					
Breckland	£100	1	Hinckley & Bosworth	£140	14
West Oxfordshire	£109	2	**Charnwood**	**£154**	**24**
Hambleton	£114	3	Harborough	£173	49
			Blaby	£173	51
Charnwood	**£154**	**24**	North West Leicestershire	£174	53
			Melton	£213	118
Median			Oadby & Wigston	£235	148
Arun	£192	90			
South Holland	£193	91			
North East Derbyshire	£193	92			
Highest			** Calculation includes Band D and Share of Loughborough Special Rate (or equivalent) spread across whole tax base*		
Oxford	£320	179			
Preston	£327	180	*Source: MHCLG / DLUHC*		
Ipswich	£377	181			

The impact of the capping rules are illustrated here. Were the Council allowed to increase council tax up to an average level for 2022/23 – say £193 – then this would generate an additional £2.3m in that year (with the obvious cumulative benefit in future years).

The actual amount of Council Tax collected will also vary in line with the tax base, essentially the number of properties against which Council Tax is levied. Historically the tax base has increased in a range between 1.5% and 2% per annum, reflecting the strong housing growth in the area. However, growth in the year to October 2021[2] was weaker than this historical norm at just 0.9%.

[2] The CTB1 return, on which the council tax base is calculated, is completed in the October preceding the relevant financial year

The tax base for the ‘central case’ on which the MTFS financial model is calculated is assumed to increase by 1.6% year on year over the period of this document. This assumes that the slower growth recently experienced was a blip and as the impact of the pandemic recedes historical growth trends are restored. The 1.6% figure is based on a moving average of increases in the years preceding the COVID-19 pandemic.

Figure 3: Projected Council Tax income tax increases

(Amounts £000)	*2022/23 budget*	*2023/24*	*2024/25*
Assumed council tax income - CENTRALCASE	**7,981**	**8,381**	**8,791**
Assumed council tax income - OPTIMISTIC	7,981	8,547	8,871
Assumed council tax income - PESSIMISTIC	7,981	8,333	8,741

The OPTIMISTIC case assumes that there will be a catch-up in housing completions leading to 2.5% year on year increases for 2023/24 and 2024/25. Conversely, the PESSIMISTIC case assumes the lower growth rate in the council tax base will continue resulting in 1% year on year increases.

In all scenarios it is assumed that the tax rate will increase by the maximum £5 allowed year on year (allowing for Loughborough Special Expenses adjustment).

Loughborough Special Rate

The town of Loughborough does not have the equivalent of a town council and the role that this organisation would fulfill is therefore undertaken by the Borough Council.

The Loughborough Special Rate is levied on the residents of Loughborough by the Borough Council and is used for activities specifically related to Loughborough town. This set of activities is comparable to those performed by towns and parishes and used by other Councils in equivalent situations. These activities have been validated by the Council and include maintenance of parks, cemeteries and memorials, management of allotments and costs associated with the Loughborough Fair and festive decorations. A full list of activities is set out in the Budget Book issued by the Council each year and available at:

https://www.charnwood.gov.uk/files/documents/2021_22_budget_book/Budget%20Book%202021-22.pdf

For the purposes of the MTFS projections the Special Rate is assumed to increase by 1.99% year on year, whilst the council tax base annual growth rate is assumed at 1.4% based on the average of recent years.

***Note: The above paragraphs assume that council tax increases for 2022/23* will be approved by the meeting of the full Council in February.**

It should also be noted that for the purposes of assessing whether Council Tax increases are excessive when the government calculates the year on year level of increase for Charnwood, it includes both the main Borough charge and the Loughborough Special Rate.

Figure 4: Projected Loughborough Special Rate income

(Amounts £000)	*2022/23 budget*	*2023/24*	*2024/25*
LSR – 1.99% increase assumed	1,346	1,392	1,439

Provisional local government finance settlement 2022/23

The latest (albeit provisional) local government finance settlement continues the recent series of 'one-off' allocations, and comprises a mix of business rate retention, and historic and new grant allocations. No COVID-19 specific funding has been allocated this year. This is tabulated below, alongside the 2021/22 budget for comparative purposes:

Figure 5: Provisional local government finance settlement

(Amounts £000)	*2021/22 budget*	*Draft budget 2022/23*	*Provnl Settlement 2022/23*
Retained business rates	*4,547*	4,465	*5,200*
Revenue Support Grant	*0*[3]	0	*174*
New Homes Bonus	*3,000*	*988*	*1,631*
Lower Tier Services Grant	*618*	*0*	*1,112*
Services Grant	*0*	*0*	*296*
Unspecified - estimated	*0*	*2,728*	*0*
Movement on collection fund	*2*	*(15)*	*122*
Sub-total	*8,167*	*8,196*	*8,535*
Tranche #5 COVID-19 funding	*801*	*0*	*0*
Total	***8,968***	***8,196***	***8,535***

Local share of national non-domestic rates ('business rates' or 'NNDR')

As noted previously, from 1 April 2013 the structure of local government finance changed, with local authorities retaining a share of business rates collected in their area. The calculations are based on baseline (target) rates of collection set by government and estimate that the Council will retain around 9% of the total collected (although this calculation has been skewed in recent years due to one-off COVID-19 reliefs applied following which the Council is compensated via grants). A baseline amount of retention is set out within the settlement for 2022/23 equating to £4.3m for 2022/23; the settlement also sets out the safety net balance (£4.0m) below which the collection deficit is compensated, and the levy rate, which has the effect of allowing 20% retention for business rate collections above the baseline.

[3] Although not included within the budget, RSG of £168k was subsequently received

The amount the Council receives is subject to a number of variables including collection rates and business rate reliefs for which the Council may (or may not) receive compensation via ‘Section 31’ grants.

One of the challenges for the Council is the material lack of growth in business rates since the inception of the localised arrangements. This is due to two main factors:

- The business rates baselines were set immediately prior to the Council’s biggest ratepayer, Astra Zeneca, vacating the site of what is now Charnwood Campus leading to a loss in business rates of over £2m; whilst the idea of a baseline reset is much mooted this has yet to be carried out (and is resisted by local authorities that have benefitted through business rates growth)

- Generally, business rates growth has been sluggish within Charnwood, with gains offset by losses arising from successful appeals, or empty properties

Discounting the impact of COVID-19, it could be expected that a small degree of business rates growth will arise over the period of the MTFS based on, in particular. medium term initiatives such as the development of Charnwood Campus and the inclusion of this in the Enterprise Zone and the expectation that the majority of successful valuation appeals are now settled. Combined with indexation gains the central case for the MTFS is that year on year growth of £0.2m in retained business rates will arise, as set out below.

Figure 6: Projected local share of business rates

(Amounts £000)	*2022/23 budget*	*2023/24*	*2024/25*
NDR retention – central case	**5,200**	**5,400**	**5,600**
NDR retention – OPTIMISTIC	5,900	6,200	6,600
NDR retention – PESSIMISTIC	4,900	4,900	4,900

In the OPTIMISTIC case a higher baseline is assumed reflecting volatility within the underlying calculations[4]; further additional business rate growth – including a lesser proportion of empty properties – is experienced creating year on year growth above the budget (2022/23) of £0.3m and £0.4m for 2023/24 and 2024/25 respectively; these relatively low projections for the Optimistic case in the MTFS period reflect the absence of major development sites with planning permission and / or developer interest

In the PESSIMISTIC case business rate retention is assumed to remain at £4.9m, being the projected outturn for the 2021/22 financial year; it is unlikely that business rate retention could fall much below this figure unless retention rules were significantly altered.

[4] The results of appeals, quantum and timing of s31 grant receipts and incidence of empty property relief may result in a better than expected position for 2022/23; the final outcome is not known until after the 2022/23 year end

Other grants

The consultation associated with the Provional Settlement is summarized in respect of other grants as follows:

- **Revenue Support Grant**: indexation applied to 2021/22 amount to arrive at 2022/23 award but no information on future years
- **New Homes Bonus**: final legacy payment honoured and single year payment in respect of 2022/23 awarded; revised incentivisation scheme for development may be implemented but no detail available
- **Lower Tier Services Grant**: awarded on a single year basis for 2021/22 but a further single year awarded; total funding for the grant of £111m for 2022/23 with distribution designed to ensure no local authority sees a reduction in Core Spending Power
- **Services Grant**: one-off distribution of £822m; it appears that this sum will be available to the sector in future years but with a different distribution; also of note is the comment that this grant will not be included in any baseline calculation for future transitional relief

In addition to the above it is known that the total pot of money relating to the above grants will be static across the MTFS period; therefore any increases or decreases in the Council's individual allocation will be due to the impact of redistribution across the local government sector.

The total funding relating to the above grants amounts to £3.213m for 2022/23. Given the absence of detail on the future of allocations, existence or replacement for the above, these other grants are considered as a single block.

For the purpose of MTFS, the central case assumes that the New Homes Bonus element is deemed to disappear, offset by transitional funding of half the lost amount (£0.8m) receivable in 2023/24 *only*. This reflects the nascent 'levelling-up' agenda and Charnwood's relative affluence in comparison to other areas.

In the OPTIMISTIC case it is assumed that total funding from other grants will remain at £3.213m for each year of the projections. This reflects the overall 'cash flat' scenario set out in Spending Review 2021 with the underlying assumption that the Council will neither gain nor lose from future redistributions.

In the PESSIMISTIC case the loss in grant is assumed at £1.2m in 2023/24 with a further £1m reduction for 2024/25.

Figure 7: Other grant projections

(Amounts £000)	*2022/23 budget*	*2022/23*	*2023/24*
Other grants – central case	**3,213**	**2,400**	**1,600**
Other grants – OPTIMISTIC (rounded amounts)	3,213	3,213	3,213
Other grants – PESSIMISTIC (rounded amounts)	3,213	2,000	1,000

COVID-19 funding

The government provided various types of COVID-19 funding within the 2020/21 and 2021/22 financial years. No funding has been mooted in respect of the 2022/23 financial year.

Figure 7. above, illustrates the risk that a very significant funding gap could arise following the outcome of future local government financial settlements given the one-off or diminishing nature of awards contained within the 2022/23 provisional settlement. The principal risk would appear to be with the New Homes Bonus element of funding, amounting to £1.6m and due to cease after 2022/23, but other reductions could arise due to the effects of redistribution.

It does not seem likely that all this funding would be lost without some significant level of mitigation or transitional arrangements hence the assumptions made within the PEESIMISTIC scenario. However, it must be stressed that even this pessimistic scenario is not the worst case that could be envisaged.

In the absence of further information, the central case and OPTIMISTIC and PESSIMISTIC scenarios are necessarily speculative and gives rise to a high level of uncertainty. This uncertainty within the MTFS projections is highly significant within the context of the overall projections.

7. Treasury management and commercial investment income

Treasury management

The majority of the Council's investments are short-term, mainly made up of cash deposited for short periods on money markets. The remainder is made up of loans to other local authorities for periods of up to two years and longer term holdings in property funds. In recent years these have had a value in the range of £40m to £70m at any point in time. Broadly, these amounts represent a combination of Council Reserves (including the Housing Revenue Account), business rates and council tax collected on behalf of the County Council, local police and fire authorities, and parishes. The investment income generated from these balances remains an important source of funding for the Council despite the ongoing low level of interest rates.

In selecting its investments, the Council must balance the rates of return available whilst ensuring the security and liquidity of its investments. As a body that must take its stewardship of public money seriously, the Council adopts a prudent treasury management strategy. This strategy is subject to Council approval each year and aims to allow the Council's finance team appropriate levels of latitude in the day to day management of treasury operations within closely defined operational parameters.

The investment strategy is weighted towards security and liquidity of capital and, in general, it is envisaged that this approach will continue. The strategy assumes a continuation of the trend of recent years to seek increased returns through loans to other public sector bodies and investments in a wider range of financial instruments, such as property funds but security and liquidity remain paramount.

This matter is discussed in more detail in the Council's Capital Strategy, which is also scheduled for Cabinet and Council approval in February 2022.

For the purposes of projections, it is assumed that:

- Interest rates are likely to rise over the period of the MTFS; Bank of England projections[5] suggest base rates will increase from 0.2% in graded steps to 1.1% by the end of 2022, and remain at that level for an extended period

- Average cash balances available for investment will reduce (reflecting use of internal borrowing to finance the delivery of the capital plan)

- The net effect of the above will deliver returns in line with the 2021/22 budget

[5] BoE - MPC report November 2021

Figure 8: Investment income (interest receivable) projections

(Amounts £000)	*2022/23 budget*	*2023/24*	*2024/25*
Interest receivable - central case	**300**	**300**	**300**
Interest receivable - OPTIMISTIC	350	400	500
Interest receivable - PESSIMISTIC	300	280	250

In the OPTIMISTIC case it is assumed that increases in interest rate will offset reducing balances, whilst the PESSIMISTIC case assumes the reverse. In respect of this revenue, the current low levels of interest rates, and the recent history of the Council's cash holdings, suggest that there is more upside than downside.

Interest payable – general fund

The Council has one external loan of £2m. This was taken out in 1984 at a fixed interest rate of 11.625% and is due for repayment in June 2024. **Repayment of the loan will see a reduction in interest payable of around £180k in the final year of the MTFS period** (and all £233k in subsequent years) unless new loans are taken out in the intervening period. Given the Council's cash balances, around £10m of capital expenditure could be financed via 'internal borrowing'[6] so there are no plans to undertake additional external boorowing in the short term. More detail on this may be found within the Capital Strategy 2022/23.

Commercial investment income

The Council has built up a portfolio of commercial properties for investment purposes at a cost of £22m, generating gross annual rental returns in excess of £1m.

The property portfolio is performing well but the Council's ability to make additional commercial property acquisitions is now very restricted due to reduced access to Public Works Loan Board borrowing, and planned changes to the 'Prudential Code' which will effectively prevent the Council acquiring commercial property using debt. These restrictions may not completely prevent additional acquistions but workarounds such as the creation of special purpose corporate bodies may be required and for the purpose of this MTFS it is assumed that no further commercial property investment will occur.

Whilst over £1m in gross annual rentals will be generated from the existing investment properties the Council will adopt a prudent approach to recognizing this income with the 2022/23 budget and MTFS projections assuming net rentals of £0.65m per annum. This allows proper allowance of Minimum Revenue Provision (a charge reflecting the need to repay capital purchases unfunded by earmarked reserves), notional interest payments (reflecting the current internal borrowing arrangements) and creation of a reserve to allow for potential void rent periods, additional interest costs should debt need to be externalised, and similar.

[6] Use of cash holdings held to satisfy future liabilities – which may not crystallise for some years

Further details of the investment property portfolio are set out within the Capital Strategy 2022/23.

Figure 9: Commercial (investment) property income projections

(Amounts £000)	*2022/23 budget*	*2023/24*	*2024/25*
Net rentals (after MRP, interest and provision)	**650**	**650**	**650**

8. Key operational assumptions

The Council's 'Net Service Expenditure' (or 'Baseline net service costs' per the summary financial model at Figure 14) is the total amount spent on services, offset by income associated with the provision of those services such as planning fees receivable, income generated by the Council's car parks, or service specific grant income. The basis of the Council's projected Net Service Expenditure for the purposes of the MTFS is the 2022/23 budget.

For this iteration of the MTFS there are key assumptions are around payroll costs (wages, salaries and on-costs, particularly employer pension contributions), indexation increases in major contracts, and services pressures identified as part of the 2022/23 budget setting process. In contrast to previous versions of the MTFS the underlying inflation outlook is both less benign and less certain, creating greater challenge in developing the MTFS projections, whilst he implementation of the Environment Act could also have a very negative financial impact on the Council.

Environment Act - assumptions

As discussed previously in this paper (Section 4), the Environment Act 2021 has the potential to create additional costs for the Council as well as remove income currently derived from garden waste collections. For the purposes of the central case MTFS projections it is assumed that **no adverse financial impact** will be experienced across the period of the MTFS due to allowance for the necessary lead times being made within the Regulations to the Act.

Figure 10: Environment Act 2021 – adverse financial impact assumptions

(Amounts £000)	*2022/23 budget*	*2023/24*	*2024/25*
Environment Act 2021 - central case	**0**	**0**	**0**
Environment Act 2021 - OPTIMISTIC	0	0	0
Environment Act 2021 - PESSIMISTIC	800	1,700	1,700

In the PESSIMISTIC scenario the implementation of the Act would require the Council to offer free garden waste collections from 1 April 2023; given the profile of subsubscription renewals this would be assumed to reduce income by around half in 2022/23[7], on the basis that customers would not renew subscriptions in the autumn and winter, with a full year loss of income from 2024/25.

Inflation outlook

The inflation outlook is much less benign at this this point in time then has been experienced in recent history. The latest available data (November 2021) shows CPI[8] running at 4.6%, significantly above the Bankof England target of 2%. The Monetary Policy Committee report of November 2021 estimates that CPI will peak at around 5% in April 2022 (although other forecasts suggest maybe 7% here) with

[7] Including the proposed increase in charges, garden waste income is budgeted at £1.7m in 2022/23
[8] Consumer Price Index – strictly CPI(H) which includes housing costs

a reduction to 3.4% in Q4 2022 and then 2.1% by Q4 2023; by this stage the forecast suggests that inflation will be back around the 2% target range for 2024 and subsequently.

Payroll costs

The Council's bill is budgeted at £13.8m for 2022/23 which represents around 45% of general fund operating expenses; each additional percentage point on pay therefore represents therefore around £0.14m.

In the autumn statement of 2020, the Chancellor announced a public sector pay freeze for all but the lowest paid staff. Whilst local government pay is not included within this definition of 'public sector pay', historically local government pay has tracked the public sector pay settlement and that was the base assumption for the 2021/22 budget and last year's version of the MTFS. However, The national local government pay award for the financial year 2021/22 has yet to be settled with rising inflation increasing the strength of the employee claim. Whilst the Trade Union claim for a 10% payrise does not appear realistic, it may be noted that a 1.75% offer has been rejected, and this amount can now be regarded as a 'floor' for the settlement.

It is now likely that a multi-year deal on pay will eventually arise and the budget for 2022/23 assumes an increase on the 2020/21 salary scales of around [3%]. This represents the central case for the MTFS projections, which further assume year on year payrises of 1.5% for subsequent years, an assumption that pay increases will be somewhat below prevailing inlation.

In the OPTIMISTIC scenario salaries grow from the 2022/23 budget at 1% year on year, reflecting increases below likely inflation rates. In the PESSIMISTIC scenario, the budget for 2023/24 proves insufficient (by 2%) and then increases for 2023/24 of 3% and 2024/25 of 2%, representing forecast inflation rates at the end of calendar years 2022 and 2023 respectively.

Figure 11: Payroll cost assumptions

(Amounts £000) *(percentage increases are versus the 2022/23 budget)*	*2022/23* *Budget*	*2023/24*	*2024/25*
Wages and salaries – central case	**+0%** **13,779**	**+1.5%** **13,983**	**+1.5%** **14,190**
Wages and salaries – OPTIMISTIC	+0% 13,779	+1% 13,915	+1% 14,059
Wages and salaries – PESSIMISTIC	+2% 14,187	+3% 14,329	+2% 14,472

Indexation cost increases in major contracts

The Council is party to many contracts for goods and services at any particular point in time, including – for example - those for IT licences, stray dog kennelling and putting up the Christmas lights. However, the largest contracts (excluding HRA contractors) are:

- Environmental Services
    - Approximate annual cost (per 2022/23 budget) - £5.9m
    - Indexation – RPI
    - Also, standard variation applied for additional properties

- Open Spaces
    - Approximate annual cost (per 2022/23 budget) - £1.3m
    - Indexation – RPI; but capped at 2%

- Revenues & Benefits
    - Approximate annual cost (per 2022/23 budget) - £2.6m
    - Indexation - CPI

Current inflation rates and the associated indexation is essentially reflected in the 202/23 budget, but the central case, and OPTIMISTIC and PESSIMISTIC indexation scenarios are tabulated below:

Figure 12: Major contracts – cost indexation scenarios

(Amounts £000 – increases versus 2022/23 budget) *(percentage increases are versus the 2022/23 budget)*	*2022/23 Budget*	*2023/24*	*2024/25*
Major contracts – central case Environmental Services	+0% 5,945	+5% 6,242	+4% 6,492
Open Spaces	+0% 1,346	+2% 1,373	+2% 1,400
Revenues & Benefits	+0% 2,583	+3.5% 2,673	+2% 2,727
Summary YoY increase	**0**	**415**	**745**
Major contracts – OPTIMISTIC Environmental Services	+0% 5,945	+3% 6,124	+2% 6,246
Open Spaces	+0% 1,346	+2% 1,373	+2% 1,400
Revenues & Benefits	+0% 2,583	+2.5% 2,647	+2% 2,700
Summary YoY increase	0	*270*	*473*
Major contracts – PESSIMISTIC Environmental Services	+0% 5,945	+7% 6,361	+5% 6,680
Open Spaces	+0% 1,346	+2% 1,373	+2% 1,400
Revenues & Benefits	+0% 2,583	+5% 2,712	+4% 2,820
Summary YoY increase	*0*	*572*	*1,026*

9. Transformation and Efficiency plans

Charnwood has embarked on a programme to achieve financial sustainability. This programme is ongoing and has a number of elements as outlined below:

- Service reviews
- Assets and fixed costs
- Commercialisation and income generation
- Procurement
- Regeneration and economic growth
- Other - Technical and tactical approaches

The initial results of the programme were reflected in the savings and income generating opportunities identified and reflected in the budget for 2021/22 and totalling a net £1.6m. Of these initiatives all were essentially realised other than:

- *Essential Car User allowance* – a saving of £0.2m was assumed within the 2021/22 budget but delays in implementation will not result in savings within the 2021/22 financial year; implementation is now underway and a reduced level of savings is included within the 2022/23 budget

- *Biggin Street toilet closures* – only half of the planned saving of £20k proved realizable; the reduced level of savings is adjusted within the 2022/23 budget

Total savings and additional income generating opportunities identified for the 2022/23 budget comprise £1m. The detailed list of savings is included within the budget papers, but principal elements comprise:

Figure 13: Principal savings and income generation opportunities – 2022/23 budget

(Amounts £000)	*2022/23 Budget*	*2023/24*	*2024/25*
Income generation			
Increase in garden waste charges	300	300	300
Increase in bulky waste charges	50	50	50
Other income generation	84	84	84
Staffing efficiencies – various services			
Deletion of vacant posts or vacant hours - No service changes required	231	231	231
Service changes			
Reductions in grant – housing partner	40	75	75
Customer Services – reduced opening hours	121	121	121
Review of town centre facilities – shop mobility	34	34	34
Reduction – other grants	32	32	32
Efficiency savungs			
Garden waste collections – stationery saving	45	45	45
Other efficiency	73	73	73
TOTAL GENERATED	**1,010**	**1,043**	**1,043**

For the purposes of the MTFS projection it is assumed that savings and income generation identified in respect of the budget year 2022/23 will carry forward into future years, being specific actions and initiatives, and with a high level of probability that these can be delivered and sustained into the medium term.

It is recognized that further savings and / or income generation will be required in 2023/24 and 2024/25 to address the financial challenges identified within the MTFS projections. As such it is important to note that the projections above are arithmetic in nature rather than predictions of a likely outcome in terms of savings that will be achieved in future years,

10. Existing financial resources and use of prudential borrowing

Currently, the Council retains a number of reserves on its balance sheet, representing amounts that the Council may use to deliver or enhance Council services. Broadly, these are of three types:

- The General Fund balance that can be used to fund any type of expenditure
- Balances that may be used to fund any type of expenditure but which have been earmarked for specific uses by the Council
- Balances that are restricted in use by Government regulation that can be used to fund only specific types of expenditure, usually of a capital nature

There are also other balances on the Council's balance sheet created as a result of Government regulation or accounting rules. These balances are not available to fund expenditure of any type.

In recent years Charnwood has continued to invest in service delivery and the MTFS assumes that:

- The General Fund balance will be maintained at a level of not less than £2m in line with good practice
- Other reserves will be utilised or created during the period of the MTFS as appropriate; additionally, transfers between reserves may be deemed appropriate

As will be seen from the financial projections the Council reserves levels are reasonable (with a working balance of some £4.5m projected at 31 March 2023) but the significant risk with the latter two years of the MTFS period in particular, does not give room for complacency.

It is clear from the projections (Section 11) and identified risks (Section 12) that further action is required to address the projected net funding deficit across the period of the MTFS.

In addition, the Council could consider utilising reserves in the short term in order that services can be restructured in a cost effective and efficient manner giving a sustainable base for the future.

Growth Support Fund and Capital Plan Reserve

The Growth Support Fund has been established to support growth throughout the Borough. This fund is a revenue reserve and can be used for a variety of purposes, both revenue and capital. In addition, a Capital Plan Reserve has been created so that the Council can supplement its level of usable capital receipts. This reserve is designed to be used for General Fund capital items only but it is not constrained and could also be used to fund general fund revenue expenditure.

Usable Capital Receipts Reserve

The Usable Capital Receipts Reserve represents the proceeds of asset sales available to meet future capital expenditure. The use of this reserve is restricted for application on items of a capital nature.

The Council has a well-established process exists for the management of the capital plan. For the purposes of the MTFS we are therefore able to assume that sufficient resources exist, or will be generated, to finance all uncompleted schemes within the current Capital Plan. Funding required beyond this point will rely on the Council's ability to generate new receipts from asset sales, or funding from revenue and/or reserves or Prudential Borrowing, which is discussed below.

Use of Prudential Borrowing – General Fund

Historically, Charnwood has been able to avoid the use of borrowing but in the 2020/21 financial year undertook Prudential Borrowing to finance the acquisition of commercial properties for investment purposes (some £22m) and to part finance the purchase of the new environmental services fleet. Further prudential borrowing of £2m was undertaken in 2021/22 to fund development of the Enterprise Zone.

Additional detail of this is set out in the Capital Strategy 2022/23.

Use of Prudential Borrowing for Housing

The Council will externally borrow, if necessary, to undertake works in line with its Housing Capital Investment Programme and 30-Year Housing Business Plan. Where feasible it will 'internally borrow' from the General Fund provided there are surplus amounts available for this purpose. These internally borrowed amounts will be at similar interest rates to those offered by the government's Public Works Loan board (PWLB). The Council retains all its Council dwellings rental income in order to service the HRA debt, pay for repairs and maintenance of the housing stock and for its housing operations generally. This borrowing, and any additional borrowing as mentioned above, is segregated from General Fund borrowing and so does not directly impact on the MTFS. Further details regarding the HRA are set out in the section covering the Housing Revenue Account.

11. Financial Projections 2022 – 2025

Figure 14 MTFS financial projections – General Fund

	2022/23 £000	*2022/23 £000*	*2023/24 £000*
Expenditure			
Baseline Net Service Costs	18,508	18,151	19,038
Ongoing Service pressures	184		
Ongoing additional savings / income	(1,010)		
Net Service Expenditure	17,432	18,151	19,038
Commerial property interest and provisions	729	729	729
Interest payable	240	240	60
Interest receivable	(300)	(300)	(300)
Collection fund and reserve adjustments	322	0	0
	18,423	18,820	19,527
Savings to be determined 2022/23	(250)		
Total Borough Expenditure	**18,173**	**18,820**	**19,527**
Funding			
Council Tax Receipts	7,981	8,381	8,791
Loughborough Special Levy	1,346	1,392	1,440
Revenue Support Grant	174	0	0
NNDR	5,200	5,400	5,600
New Homes Bonus	1,631	0	0
Lower Tier Services Grant	1,112	0	0
Core Spending Grant	296	0	0
Government Grants - non specific	**0**	**2,398**	**1,582**
Collection Fund Surplus/(Deficit)	122	0	0
	17,863	17,571	17,413
Projected use of Working Balance	**311**	**1,248**	**2,114**

The implication of the above projections is that to bring the Council's finances back into a sustainable position (ie. where expenditure is restricted to match funding) is that by 2024/25 the Council will need to remove around £2.1m from its projected cost base over and above savings identified and income generation created to date. **Critically, this assumes that funding due (or likely to) fall away from 2023/24 is at least partially replaced – which is a highly uncertain proposition at this time.**

The impact of these projections on the Council's revenue reserves is set out below:

Figure 15: Projected movement on Working Balance

	2022/23	*2022/23*	*2023/24*
	£000	*£000*	*£000*
General Fund working balance			
Balance brought forward	4,970	4,614	3,366
Collection fund surplus	122	-	-
Replenishment Reinvestment Reserve	(167)		
Use of balance in year	(311)	(1,248)	(2,114)
	4,614	**3,366**	**1,252**

The above projection shows that without action to address the financial challenge projected, the Working Balance would fall below the minimum level of £2m (as recommended by the Section 151 Officer) by the end of the MTFS period; further, although the projections do not extend into 2025/26, it is clear that the working balance would be completely depleted if no action was taken and the Council in effect becoming insolvent.

Figure 16: Other Revenue Reserves (year end position)

	2022//23	*2023/24*	*2024/25*
	£000	*£000*	*£000*
Other Revenue Reserves			
Reinvestment Reserve	500	500	357
Capital Plan Reserve	2,233	2,233	2,233
Other Revenue Reserves	2,215	2,215	2,215
	3,183	**3,183**	**3,183**

(Movements in other reserves are typically not directly connected to revenue expenditure but will in practice diminish through utilisation over the MTFS period)

Note on Collection Fund: In any year the amounts of council tax or business rates actually collected will differ from that budgeted due to additions or removals of properties from the register, or non-collection of amounts billed. These surpluses or deficits are managed through the collection fund and (effectively) reflected in adjustments to precepts in subsequent years.

12. Risk and sensitivities

Government funding

The delay in the Funding Funding review and another one-year ‘sticking plaster’ local government financial settlement (historically there are little or no changes between the provisional and final settlements - which is usually communicated in mid-February) means that there is a high level of uncertainty around future funding in the latter years of this MTFS and a very wide range of plausible funding outcomes. The most obvious risk area is the New Homes Bonus funding stream where some £1.6m receivable in 2022/23 is due to cease, but other funding streams are also earmarked as ‘one year only’ and generally, funding received in 2022/23 will be subject to potentially adverse redistribution effects in future years.

Inflation

The current inflation outlook is discussed previously in this MTFS but the less benign outlook clearly gives rise to additional risk; in broad terms each additional 1% increase on payroll and major contract costs adds £0.25m to the Council’s annual expenditure.

Environment Act 2021

The financial impact of the Environment Act 2021 has also been discussed previously. Based on the significant lead time required to implement the aspects of the Act directly impacting local government it is assumed that the Regulations that will set out the detailed implementation timetable will not result in any material adverse financial impact to the Council over the period of the MTFS. However, earlier adoption of the requirement to offer a free garden waste collection in particular could give rise to a significant loss of income.

A sensitivity analysis for the above areas is included within previous Sections. The following areas are also areas of risk and / or opportunity.

Supported living

The projections assume these costs remain at around £0.7m across the period of the MTFS. Based on current information around supported living units existing and planned, it is possible that costs could exceed £1m. However, should either the Council be successful in lobbying the Government about the impact of this situation, or the main providers in Charnwood achieve Registered Provider status then the cost to the Council could fall significantly.

In the OPTIMISTIC case the main providers in Chranwood both achieve Registered Provider status (or fall under an RP umbrella) such that costs reduce to an annual £0.1m from 1 January 2023. In the PESSIMISTIC case costs exceed the budget amount by £0.2m in 2022/23 and increase by this amount year on year, as set out below.

Figure 17: Supported living - sensitivies

(Amounts £000)	*2022/23 Budget*	*2023/24*	*2024/25*
Supported living – central case	**650**	**650**	**650**
Supported living – OPTIMISTIC	650	525	100
Supported living – PESSIMISTIC	850	1,050	1,250

Income streams

The Council generates around £12m annually from various fees and charges. These include:

- **Planning fees** are known to be cyclical in nature and given the substantial nature of some individual planning fees a variance (adverse or negative) of £0.25m around the budgeted figure would not be unusual
- ***Leisure centres*** – it is assumed that the Council will successfully complete the contract extension for the leisure centre provider with income receivable being stable across the period of the MTFS at contracted levels
- ***Markets*** – it is assumed income levels will recover from pandemic lows but then plateau towards a new lower normal in 2023/24 reflecting the loss of some existing traders and permanent changes in shopping habits
- ***Town Hall*** – shows and room hire will continue to operate at below pre-pandemic levels through 2021/22 but it is assumed that the key shows will be able to run in line with pre-pandemic operations from 2022/23 and in subsequent years.
- ***Car parking*** – income is assumed at 85% of pre-pandemic levels across the MTFS period; underpinning assumptions are that economic activity will near normal by late spring 2022 (with works around Bedford Square being completed and the temporary free car parking offer ceasing) but that permanent changes in shopping and commuting habits will restrict income recovery; budgeted income for 2022/23 is set at prior year levels with potential shortfalls (based on current run rates) being offset by the periodic rate increase which is due.

In total, income may be plus or minus £0.5m versus the budgeted figure, as reflected in the table below.

Figure 18: Income - sensitivies

(Amounts £000) *Increases / (decreases) versus the 2022/23 budget)*	*2022/23 Budget*	*2023/24*	*2024/25*
Income – central case	**0**	**0**	**0**
Income – OPTIMISTIC	500	500	500
Income – PESSIMISTIC	(500)	(500)	(500)

COVID-19

The impact of the COVID-19 pandemic has been considered within the MTFS projections set out in previous paragraphs assuming a general scenario where social restrictions on day-to-day life are minimal and society recovers towards a new normal.

Should a major reoccurance of COVID-19 arise such that major restrictions on day-to-day life have to be introduced for an extended period of time this would materially impact the Council’s income and expenditure patterns. None of the projections in this iteration of the MTFS are based on this scenario and – as was the case in 2020/21 – such an event would likely require updated versions of the budget and MTFS to be produced.

Summary of sensitivities

A summary of the sensitivities – differences to the central case – are tabulated below for both OPTIMISTIC and PESSIMISTIC scenarios.

Figure 19: Sensitivities – OPTIMISTIC SCENARIOS

(Amounts £000)	*2022/23 Budget*	*2023/24 MTFS*	*2024/25 MTFS*
Council Tax	-	166	80
NDR retention	700	800	1.000
Other government grants	-	813	1,613
Investment income (non-commercial property)	50	100	200
Environment Act 2021	-	-	-
Payroll costs	-	68	131
Major contract indexation	-	145	273
Irrecoverable Housing Benefit – supported living	-	125	550
Income streams	500	500	500
BEST CASE SCENARIO	**1,250**	**2,717**	**4,347**

Figure 20: Sensitivities – PESSIMISTIC SCENARIOS

(Amounts £000)	*2022/23 Budget*	*2023/24*	*2024/25*
Council Tax	**-**	(48)	(50)
NDR retention	(300)	(500)	(700)
Other government grants	-	(400)	(600)
Investment income (non-commercial property)	-	(20)	(50)
Environment Act 2021	(800)	(1,700)	(1,700)
Payroll costs	(408)	(346)	(282)
Major contract indexation	-	(157)	(281)
Irrecoverable Housing Benefit – supported living	(200)	(400)	(600)
Income streams	(500)	(500)	(500)
WORST CASE SCENARIO	**(2,208)**	**(4,071)**	**(4,763)**

It should be noted in practice that is highly unlikely that variations to the central case would be entirely positive or negative; however, the scale of individual elements within the above table do indicate that significant variation from the budget or MTFS projections is very possible.

13. Note on the Housing Revenue Account

The Housing Revenue Account (or HRA) is a ring-fenced set of transactions that sit within the wider financial records of the Council. It had budgeted gross income of £22.3m in 2022/23 of which £21.4m was dwelling rents. Expenditure on management and repairs amounted to £12.2m whilst depreciation was £3.6m. A further £2.7m was required for interest payments on its debt.

There is a surplus or deficit on the HRA each year which is added to the brought forward HRA balance. This balance should always be in surplus and at 31 March 2022 it was £0.6m equating to its target balance of that amount. There is an additional £11.2m in the Housing Financing Fund, the purpose being to help mitigate potential financial pressures that national policy may place on the HRA in the medium-term and also ensure debt repayments can be met in the short and medium term. There is £3.2m in the Major Repairs Reserve which has restrictions on its use to capital expenditure and the repayment of loans.

Rental levels are largely controlled by central government and there are certain other restraints on how the Council may manage its housing stock. The most recent 30 Year Housing Business Plan, which effectively represents the MTFS for the HRA, was approved by Council in November 2014. The Business Plan is now being refreshed and a new version should be complete within the 2022/23 financial year.

14. Reserve Strategy

As outlined above, from 2023/2024 onwards grant funding from central government remains highly uncertain. The Council's strategy is to maintain a minimum of £2.0m in the working balance.

The Council's reserves were adversely affected by COVID-19 (such an emergency is precisely why the Working Balance reserve is maintained) and concerted efforts will need to continue in order to meet this objective and ensure the Council remains financially sustainable.

The budget proposed for 2022/23 would leave the Working Balance at £4.5m, above the £2.0m minimum.

15. Monitoring, Delivery and Review

There are well established processes for the monitoring of budgets which include regular outturn reports to the Performance Scrutiny Panel and Cabinet. For example, Revenue and Capital Plan outturn reports are usually presented to Cabinet in the July following completion of the financial year. Internally, budgets are monitored on a regular basis with regular Senior Leadership Team review whilst a series of ‘Boards’ chaired by the Council’s Directors are in place to drive through the financial sustainability agenda.