

## SCRUTINY COMMISSION – 17<sup>TH</sup> SEPTEMBER 2015

### 2016/17 BUDGET PLANNING REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)



Hinckley & Bosworth  
Borough Council

*A Borough to be proud of*

#### WARDS AFFECTED: ALL WARDS

#### 1. PURPOSE OF REPORT

- 1.1 To reiterate to Scrutiny Commission the financial targets for 2016/17 outlined in the abbreviated Medium Term Financial Strategy (MTFS). These targets have been communicated to Executive to identify direction as to what actions will be taken to fill the budget gap currently identified.
- 1.2 To inform members of the risk that the Council's external auditors may have been required to "qualify" the 2014/15 Value for Money opinion if plans are not clarified as to how the budget gap will be met

#### 2. RECOMMENDATION

- 2.1 That Scrutiny Commission consider the options on either introducing a green waste charge and a 2% increase in Council Tax or going to referendum for an increase in Council Tax of between 10% and 13% to meet the funding gap (which was identified in the Council's approved MTFS) in 2016/17 as set out in this report.
- 2.2 That Scrutiny Commission consider the removal of the provision of Local Council Tax Support to parish councils in full from 2016/17
- 2.3 That pending the result of the discussions in 2.1, Scrutiny Commission consider how the balance of savings should be met in 2016/17

#### 3. BACKGROUND TO THE REPORT

- 3.1 An abbreviated MTFS covering the period 2014/15 to 2017/18 was approved by Council in March 2015. This MTFS detailed three financial scenarios; a best case, worst case and forecast position. The impact of these scenarios on General Fund balances and reserves was detailed in the report and is summarised below for reference:

	<b>2015/2016</b>	<b>2016/2017</b>	<b>2016/2017</b>	<b>2016/2017</b>	<b>2017/2018</b>	<b>2017/2018</b>	<b>2017/2018</b>
	<b>Budget</b>	<b>Forecast</b>	<b>Best Case</b>	<b>Worst Case</b>	<b>Forecast</b>	<b>Best Case</b>	<b>Worst Case</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Closing General Fund Balance</b>	1,079,112	995,780	1,978,029	-667,279	1,105,476	3,646,957	-2,917,417
<b>Closing Earmarked Reserves Balance</b>	3,519,399	3,581,089	3,581,089	3,381,089	4,172,459	4,172,459	3,972,459
<b>Total General Fund Reserves and Balances</b>	4,598,511	4,576,869	5,559,118	2,713,810	5,277,935	7,819,416	1,055,042
<b>General Fund Surplus/(Deficit)</b>	112,279	1,207	957,475	-1,633,634	65,228	2,552,993	-3,898,635

3.2 What is clear from the above is that the worst case scenario is not viable under any circumstances and will effectively lead to the eradication of the General Fund. Conversely the best case scenario forecasts material levels of surplus balances that, in reality, would be difficult to achieve. The forecast position (ie one that preserves the General Fund and the ongoing solvency of the Council) was noted to be achievable by Council but only on the premise that certain financial decisions were made and targets were met in 2016/17.

3.3 The agreed targets contained within the MTFS are detailed in the table below. In each case the target has been categorised as follows:

- Those that have been achieved to date
- Those that are achievable and will be given, as targets, to officers as part of the budget setting process
- Those that are no longer achievable
- Those that require member decision and direction

	2016/17	Updates	Revised	Targets achieved	Targets achievable	Member decision/
	Original		targets		(officers)	direction required
	targets					
	£	£	£	£	£	£
Increased levels of building control income	25,000		25,000		25,000	
Reduction in banking contract	10,000		10,000		10,000	
Increased levels of development control income	78,000		78,000		78,000	
Savings from restructure of Revenues and Benefits Partnership (HBBC share)	108,017		108,017	108,017		
LCC waste management pressures recovered	486,000	157,890	643,890			643,890
Hub utilisation savings	50,000		50,000		50,000	
Further centralisation of budgets	12,000		12,000		12,000	
Reduction in contribution to VCS hub	12,330		12,330			12,330
Savings from restructure	129,800		129,800		129,800	
Additional income from Block C (75% occupancy)	188,303		188,303		188,303	
Phased reduction of Council Tax Support grant to parishes	23,452	119,548	143,000			143,000
Channel Shift	31,902		31,902		31,902	
Retender of ICT contract	100,000		100,000		100,000	
Private management of Atkins building	50,000		50,000			
Support services review	25,000		25,000		25,000	
Insurance contract saving	10,000		10,000		10,000	
Additional in year savings	180,000		180,000		180,000	
Increase in Council Tax (2%) and base (2%)	138,012		138,012			138,012
<b>Total</b>	<b>1,657,816</b>	<b>277,438</b>	<b>1,935,254</b>	<b>108,017</b>	<b>840,005</b>	<b>937,232</b>

3.4 The following two targets have been updated to reflect changes since the MTFS refresh:

- The MTFS forecast position contained an assumption that a decision would be made in 2016/17 to recover 100% the cost of decisions made by the County Council on green waste. The MTFS forecast these pressures would be around £486,000 (the cost of removing green recycling credits plus a contingency for an additional amount of unidentified cuts). This target has been amended in the table to reflect the pressures arising from green recycling credits (£345,000) and the additional costs of

the Palm recycling contract in 2016/17 (£298,8901). Both costs have been met from reserves in 2015/16. This pressure does therefore **not** reflect the cost of removing dry recycling credits as it is believed this will not be introduced until 2017/18 or even 2018/19

- In order to reflect the increased cost of the above and those unachievable targets, the target for removal of Council Tax Support Grant from parishes has been increased to the full allocation for 2016/17

3.5 On the basis of the above, the following direction/decisions are required from members to ensure that the MTFS forecast is achieved:

3.5.1 **Commence charging for Green Waste in 2016/17 to cover the cost of this service or alternatively raise council tax to fund the shortfall**

In previous years, the cost of removing green waste credits (£345,000) was met by reserves which will be depleted following this transfer.

The following options are to be considered by members to recoup this loss of income:

- 1) Offer the service to customers for a charge. Previously Council (November 2014) had considered introducing a charge of £30 for the first bin and £20 for a subsequent bin which would generate the following net income (after taking into account the costs of administering the charge). As this is an optional charge, the net income received would be dependent on take up

	<b>30% Take Up</b>	<b>40% Take Up</b>	<b>50% Take Up</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Income	-427,500	-570,000	-712,500
Cost of implementing	143,117	147,179	151,742
Net income	-284,383	-422,821	-560,758

- 2) Levy a charge on all customers who currently have a green waste bin. For the purpose of this calculation a charge of £24 for the first bin (£2 per month) and £10 for the second has been considered. If this charge is made mandatory it is proposed that customers will be charged for it at the same time as their council tax:

	<b>Properties</b>	<b>%</b>	<b>Chargeable Properties</b>	<b>Charge</b>	<b>Income</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>£</b>	<b>£</b>
1 Bin	48,500	84.0%	40,740	-24	-977,760
2 Bins	48,500	1.4%	670	-10	-6,700
					-984,460
Admin costs <sup>i</sup>				6	291,000
<b>Net income</b>					<b>-693,460</b>

- 3) Raise council tax to cover the gap. In order to cover the gap from the loss of funding and the cost of administering a referendum to increase council tax (estimated at £100,000), the Council would be required to raise council tax by 13%. This would mean an increase of £12.50 per Band D property per annum.

3.5.2 **Remove the allocation Council Tax Support Grant to parishes in full from 2016/17**

The MTFS currently assumes a phased approach to removing this allowance. However, given the additional pressures identified, it is recommended that the allowance be removed in full (£143,000) in 2016/17. It should be noted that parish councils have the ability to raise Council Tax to meet any shortfall from this gap and many other authorities have removed/have never provided this funding

### 3.5.3 How do members propose to fund the remaining targets?

Depending on which of the above options are implemented, the MTFS contains additional targets of between £411 - £797k that are required to be met in 2016/17:

	Total member target	Member decision			Remaining target
		LCTS allocation	2% Council Tax	Income Generation	
	£				
Introduce optional charge for Green Waste (40% take up)	1,247,032	-143,000		-422,821	681,211
Introduce mandatory charge for Green Waste	1,247,032	-143,000		-693,460	410,572
Increase Council Tax (13%)	1,247,032	-143,000	138,012	-445,000	797,044

Officers require direction as to how these will be achieved from any the following means:

- Redundancies of staff
- Reductions/removal of discretionary services
- Reductions in service provision

3.6 Due to the fact that no firm plans are in place to fill the current budget gap, the Council's external auditors (PricewaterhouseCoopers LLP) have highlighted the risk that the 2014/15 Value for Money opinion may have been qualified. This is a serious risk as it indicates a lack of faith in the Council's financial position into the medium term. In order for the opinion to be unqualified, the auditors require assurance that plans are in place.

3.7 Notwithstanding any report from external audit, if no immediate decisions are made to bridge the funding gap then the s151 Officer of the Council will be duty bound bring a report to full Council s114 of the Local Government Act

#### 4. FINANCIAL IMPLICATIONS [KP]

4.1 Contained in the body of the report

#### 5. LEGAL IMPLICATIONS

5.1 The in-house legal team are considering the legal implications and these will be provided to the Scrutiny at the meeting.

#### 6. CORPORATE PLAN IMPLICATIONS

6.1 The budget will ultimately aid the achievement of all Corporate Plan aims

#### 7. CONSULTATION

7.1 As outlined in legal implications

## 8. RISK IMPLICATIONS

- 8.1 It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.
- 8.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.
- 8.3 The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
S.11 - Failure to successfully deliver the Medium Term Financial Strategy	<p>The position for 2016/17 has now become even more uncertain with the change in Administration and the initial direction of reducing debt through early redemption of borrowing, no introduction of green waste recycling charges and limiting Council Tax increases to 2%. This effectively means that the Council will now be facing a deficit in the budget for 2016/17 of around £500K to £600K as the shortfall resulting from LCC decision to remove recycling credits from 2015/16 was funded from general fund balances and reserves for this current year.</p> <p>Although there is a desire to increase income through "invest to earn" projects the revenue benefits will not be seen in 2016/17 and with the time lag resulting from the need for comprehensive business plans is unlikely until 2018/19 at the earliest.</p> <p>This position is of concern and will need further detailed discussions with the new administration.</p>	S Kohli

## 9. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

No direct implications at this point

## 10. CORPORATE IMPLICATIONS

- 10.1 By submitting this report, the report author has taken the following into account:
- Community Safety implications
  - Environmental implications
  - ICT implications
  - Asset Management implications
  - Procurement implications
  - Human Resources implications
  - Planning implications
  - Data Protection implications
  - Voluntary Sector

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Background papers: MTFS

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<sup>1</sup> Further work is required to quantify these admin costs