Hinckley & Bosworth
Borough Council

FORWARD TIMETABLE OF CONSULTATION AND DECISION MAKING

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| FINANCE & PERFORMANCE/ SCRUTINY COMMISSION | 1 FEBRUARY 2018 |
| COUNCIL | 22 FEBRUARY 2018 |
| WARDS AFFECTED: | ALL WARDS |

**MEDIUM TERM FINANCIAL STRATEGY (UPDATE) 2018/19 - 2022/23**

**Report of Head of Finance**

1. PURPOSE OF REPORT

1.1 To seek Council's approval for the 2018/19 - 2022/23 Medium Term Financial Strategy (MTFS) update.

1.2 The MTFS has been prepared taking into account the Corporate plan 2017 to 2021 and should be read in conjunction with the Capital Programme, General Fund and HRA budgets, which are presented.

2. RECOMMENDATION

2.1 That the Council approve the updated Medium Term Financial Strategy (MTFS) update for 2018/19 to 2022/23

3. BACKGROUND TO THE REPORT

**Introduction**

3.1 The purpose of the MTFS is to:

- Outline how the Council wants to structure and manage its finances and to ensure it fits with and supports the direction of the council's objectives set out in its Corporate Plan.
- Engage officers and members in "owning" the process by which Council finances are managed.

3.2 This refresh of the MTFS builds on the position agreed at the February 2017 Council meeting. The MTFS update sets out the council's financial position for the years 2018/19 to 2022/23, this adds a further year to our usual forecast giving a total five-year outlook. Obviously, the further into the future predictions are made, particularly in uncertain times means that information should be interpreted with the care. The MTFS underpins the council's Corporate Plan and ensures that resources are allocated and used effectively to achieve corporate targets. At the same time, the MTFS is an integral element of the financial planning procedures of the Council and forecasts how the Council will remain financially resilient and sustainable as an organisation, whilst at the same time not placing an unreasonable burden on local taxpayers.

3.3 The update to the MTFS comes at a time of significant downgrades in national economic growth, which will have an effect on public sector finances. We are currently within a spending review period – which ends in 2019-20 – and this limits the scope for the Chancellor to make changes in departmental budgets. Some additional funding has been announced in the recent budget (for the NHS) but otherwise there are no changes in Departmental Expenditure Limits (DEL) or the Resource Budget. Since the provisional settlement a further £150 million in 2018 to 2019 for an Adult Social Care Support Grant has been announced, to be allocated based on need. In the short term, this will have little impact, but in the medium term the news is less positive due to growth forecasts, which will almost certainly translate into lower increases in public sector funding. Therefore, there is an increasing need for Local Authorities to become more self sufficient and seek income generation possibilities where possible.

3.4 Other recent announcements affecting the Council during the term of the MTFS update, such as the significant changes to the administration of Business Rates. For example, the budget announced that business rates will increase based on CPI and not RPI. This will mean our income is lower than anticipated as RPI was expected to be, on average, 1.5% higher than CPI over the next few years, but some compensation is being given via Tariffs and Top up, which will be altered to offer some compensation. In addition, it should be noted, that at some point in the future that section 31 grant is going to cease, and any funding will be rolled into the baseline. This will make it all the more opaque to see that lost income yield has been fully compensated for.

3.5 The second significant change to the operation of the business rates system is the change in the pattern of revaluations to a three-year basis. However, this is expected after the next revaluation in 2022-23. Although the final decision is yet to be confirmed, it is expected that the baseline funding for business rates, will be in 2020-21. This would be at the same time that local business rate share will increase from 50% to 75% in 2020-21. If this is a full reset, then accumulated growth will be lost, but some amendment to the Tariff is expected that will off set the full impact of the reset. This MTFS uses a reset of the baseline that would leave some income growth, approximately 50% of the 2018/19 level, with the Council.

3.6 No major changes were made in relation to Council Tax. However, Local Authorities will be given the powers to charge a 100% premium on empty properties. The current arrangements allow for authorities to charge 50% extra on homes that have been empty for more than two years. This is being reviewed and the County are encouraging all districts to move to a 100% premium.

3.7 No additional funding will be made available for public sector pay in Local Authorities.

3.8 The main financial implication of the recent budget was the proposal to lift the cap in HRA borrowing, albeit only in high-demand areas. Authorities will have to bid for increases in their borrowing caps from 2019-20 onwards. A total of £1bn will be available over the period 2019-20 to 2021-22.

3.9 Despite being above forecast for 2017/18, there are significant pressures for 2018/19, which are mainly caused by the:

- loss of dry recycling credit from the LCC
- transfer of the dry recycling to in house teams
- the need for an extra waste round
- renewal of the waste and wider council fleet
- pay increase above the expected 1%, and
- lower than expected income from Block C at the Crescent

3.10 The same ten strategic financial objectives, as agreed by Council in previous iterations of the MTFS have been used during this update. These objectives serve to ensure the delivery of the council's corporate strategic objectives of; "delivering the council's MTFS with a sustained focus on the council's priorities whilst working to resolve the continuing pressure of service requirements in the context of available resources." The objectives are listed in Appendix 3.

3.11 The MTFS update (Full details are contained at Appendix 1) is one of a suite of documents, which inform the financial strategy of the Council. These include the Capital Programme, HRA Investment Strategy and Treasury Management Policy, all of which should be read in conjunction with this document. A summary of the overall MTFS excluding Special Expenses is given in the table below.

3.12 Note that the four-year settlement agreed in 2016, comes to an end in 2019/20, and a fair funding review is in progress (see section 8 below) and will not be concluded until the financial settlement in December 2019. This makes the years 2020/21 to 2022/23 problematic to forecast due to the lack of information from Central Government on its intentions. It is known there will be a baseline reset for retained business rates income, and a change in the retained income percentage from 50% to 75%, but there is no information on tier split or any transitional funding to soften the impact of lost growth for districts councils. Also, the method for redistribution via tariffs and top up is still not clear. Therefore there is a potential that dampening or transition arrangements will be announced that will off set some of the pressures noted in the MTFS updated in this report.

| 2018/19-2022/23 | 2018/2019 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|---|---|---|---|---|
| **FINANCIAL FORECAST** | **Budget** | **Forecast** | **Forecast** | **Forecast** | **Forecast** |
| | **£** | **£** | **£** | **£** | **£** |
| **Net Service Expenditure** | 9,596,209 | 10,129,861 | 10,451,528 | 11,203,333 | 11,325,645 |
| ***Net Budget movements*** | 533,652 | 321,667 | 751,805 | 122,312 | 416,905 |
| **NET Borough Budget Requirement** | **10,129,861** | **10,451,528** | **11,203,333** | **11,325,645** | **11,742,549** |
| **Pension adjustments** | (534,260) | (534,260) | (534,260) | (534,260) | (534,260) |
| **Contribution to Reserves** | 2,781,000 | 1,306,880 | 318,540 | 55,000 | 85,000 |
| **Contribution from Reserves** | (1,067,811) | (422,300) | (1,056,000) | (987,275) | (827,351) |
| **Contribution to/( from) Balances** | (688,276) | 22,038 | (154,197) | (11,356) | (454,940) |
| **NET BUDGET/FORECAST EXPENDITURE** | **10,620,514** | **10,823,886** | **9,777,416** | **9,847,754** | **10,010,999** |
| ***% Increase in Net Budget Forecast/Expenditure*** | **15.39%** | **15.31%** | **15.37%** | **15.14%** | **10.35%** |
| ***15% minimum balances*** | 1,593,077 | 1,623,583 | 1,466,612 | 1,477,163 | 1,501,650 |
| ***General Fund (Balances)*** | 1,634,649 | 1,656,687 | 1,502,490 | 1,491,134 | 1,036,195 |
| ***Amount above or below minimum balance*** | 41,572 | 33,104 | 35,878 | 13,971 | (465,455) |

**Corporate Plan and the MTFS update**

3.13 The MTFS is the mechanism by which the finances are managed to ensure the Corporate Plan priorities can be delivered. The Council has already made difficult decisions to agree previous budgets that enable a balanced position to be achieved as included in the prior MTFS, such as garden waste and Council Tax increases. Twelve months on there are still challenges ahead, but the Council is well placed to deliver its corporate priorities whilst maintaining future balanced budgets over the life of the updated MTFS based on the assumptions used.

3.14 It should be noted that the Council have already taken action to generate income to become more self reliant, by looking for income from other sources and it has also had to make difficult decisions in relation to the level of charges it makes. Key decisions in this area have been:

- to accept the government’s offer to increase the Council Tax by £5 each year of the four year settlement, as the Council is in the bottom quartile of charge levied in England and Wales, and
- levy a £24 garden waste charge, which is subject to annual confirmation as part of setting the fees and charges of the Council.

3.15 Other areas include entering into agreements that have generated £4.9m of management fee income over the life of this MTFS, and obtaining other commercial rents, and encouraging business to the area which has increased business rate growth. After allowing for financing cost the net estimated income over the term of the MTFS is £1.5m Also work is being done to establish a new facility that will be run via the Council and generate income, while meeting the needs of local residents.

3.16 This MTFS also benefits from projected income from the capital investment in a new facility, which is forecast to bring in £0.5m to the general fund between 2019/20-2022/23.

3.17 In order to drive efficiency savings within the cost of supplies and services, a rate of 0% has been applied to non-contract related expenditure. As the Retail Price Index (RPI) has stood between 2-4% in year, the application of 0% represents an effective saving on running costs.

3.18 Therefore although this MTFS poses challenges that may occur if the fair funding review leads to a loss of income, the Council is in a healthy financial position in the short term and has reserves to manage the position over the life of this MTFS update.

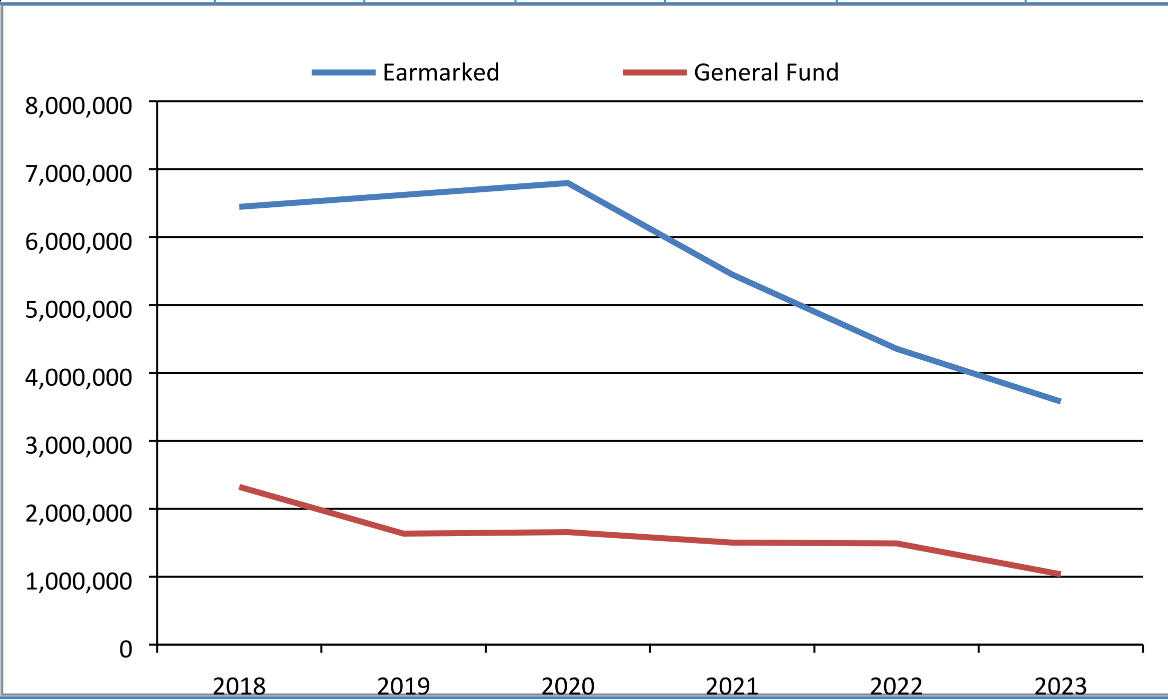
3.19 Other income opportunities are open to members in relation to a review of fees and charges, such as car parking which has an increase of 10p modelled for 2018/19, or, Garden waste charges which are static at £24 over the life of the MTFS. These will be subject to approval in those years.

3.20 It is these actions noted in the paragraphs above that mean we have the reserves to be able to meet the pressures faced over the life of this MTFS.

**Review of the key changes of the MTFS update**

4. Appendix 2 of the MTFS details the level of reserves and balances that the Council will hold at the end of each financial year of the MTFS. The table shows any surplus/deficit on the General Fund balance after applying the proposed Council's policy of holding 15% of the net budget requirement in balances at the end of each financial year. This achieved MTFS gives an average of 14.3%, including 2022/23, and 15.3% for the first four years prior to that, which is reasonable given the level of uncertainty going forward, and we have sufficient reserves to cover the known forecast risks and pressure faced . A summary of this information is presented in table 1 below, with a graph of the general fund and earmarked reserve position expected over the life of the MTFS. As can be seen the total of all reserves are significantly reducing over the life of the updated MTFS.

| Table 1 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|---|---|---|---|---|---|
| **Forecast** | **£** | **£** | **£** | **£** | **£** | **£** |
| **General Fund Balance** | 2,426,640 | 1,688,364 | 1,710,402 | 1,556,205 | 1,496,067 | 1,053,910 |
| **Percentage of net budget** | **22.79%** | **15.39%** | **15.31%** | **15.37%** | **15.14%** | **10.35%** |
| **Earmarked Reserves** | 6,445,257 | 6,620,940 | 6,795,520 | 5,448,060 | 4,355,786 | 3,578,435 |
| **Total Reserves** | **8,871,898** | **8,255,590** | **8,452,207** | **6,950,551** | **5,846,920** | **4,614,629** |
| **General Fund Surplus/(Deficit)** | 649,579 | (688,276) | 22,038 | (154,197) | (11,356) | (454,940) |




**Changes to reserves**

4.1 The key change underlying the reserves that support the MTFS is the increase in pressure that has been placed on the finances of the council in 2018/19 and over the MTFS period, further detail is given below at Table 4. These changes have changed the forecast position of the Council's general fund up to 2022/23, compared to the position in the last MTFS update, mainly due to the :

- higher costs of pay due to the national settlement,
- pressures from the end of the Dry Recycling Credits and the service moving in house, and
- costs of the waste fleet being replaced.
- income from the Crescent being lower than forecast.

These pressure have reduced the level of general fund balance expected, which needs significant support from reserves to maintain a reasonable balance.

4.2 Table 2 gives the general fund balance as noted in the MTFS approved by the Council in February 2017 compared to the updated position after reserves have been used to support the general fund for the increased costs forecast. Table 2a gives the unsupported position, showing that by 2022/23 the general fund will be negative, which is not allowed under accounting and audit regulations.

4.2.1 Table 2a has been amended to:

- remove the increased charges of 10p for car parking in 2018/19,
- Model a council tax increase at 2% instead of the 3% used, and
- if the Hub Rental reserves was maintained at its prior target level of £850,000 by the end of 2021/22.

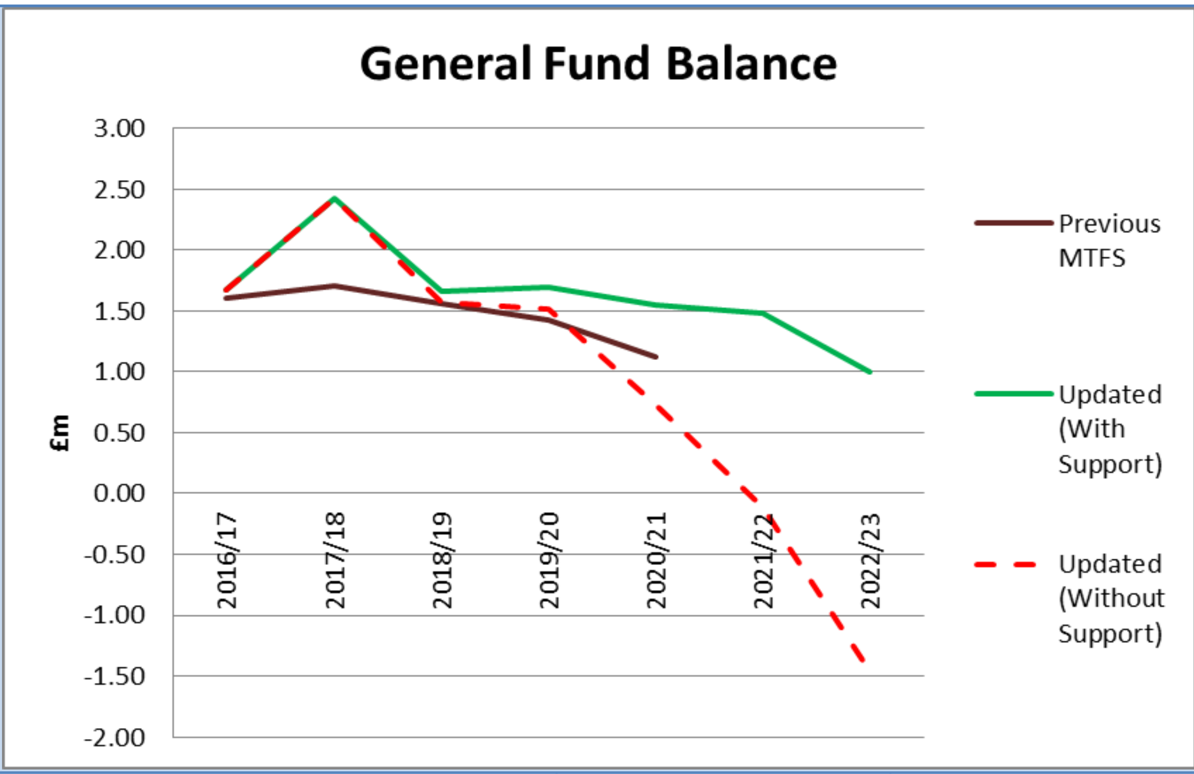
It also has the same assumption that the new reserves being set up and used for capital based as opposed to revenue support based purposes.

4.3 The graphs at the foot of table 2a gives the general fund balance and earmarked balances over the life of the MTFS. This is given over the life of the prior year MTFS, the updated MTFS and a notional MTFS if unsupported by increases in car parking fees, the 3% Council Tax increase, reduction to the level of the Hub Rental reserve, or using support from the Business Rates Equalisation Reserve to support future pressures. The graph demonstrates that the actions taken have ensured a reasonable general fund balance over the life of the MTFS. Note, this graph also shows that the combined impact of the use of reserves and increased income, together totalling £2.3m, have been used to achieve a balanced position over the life of the updated MTFS.

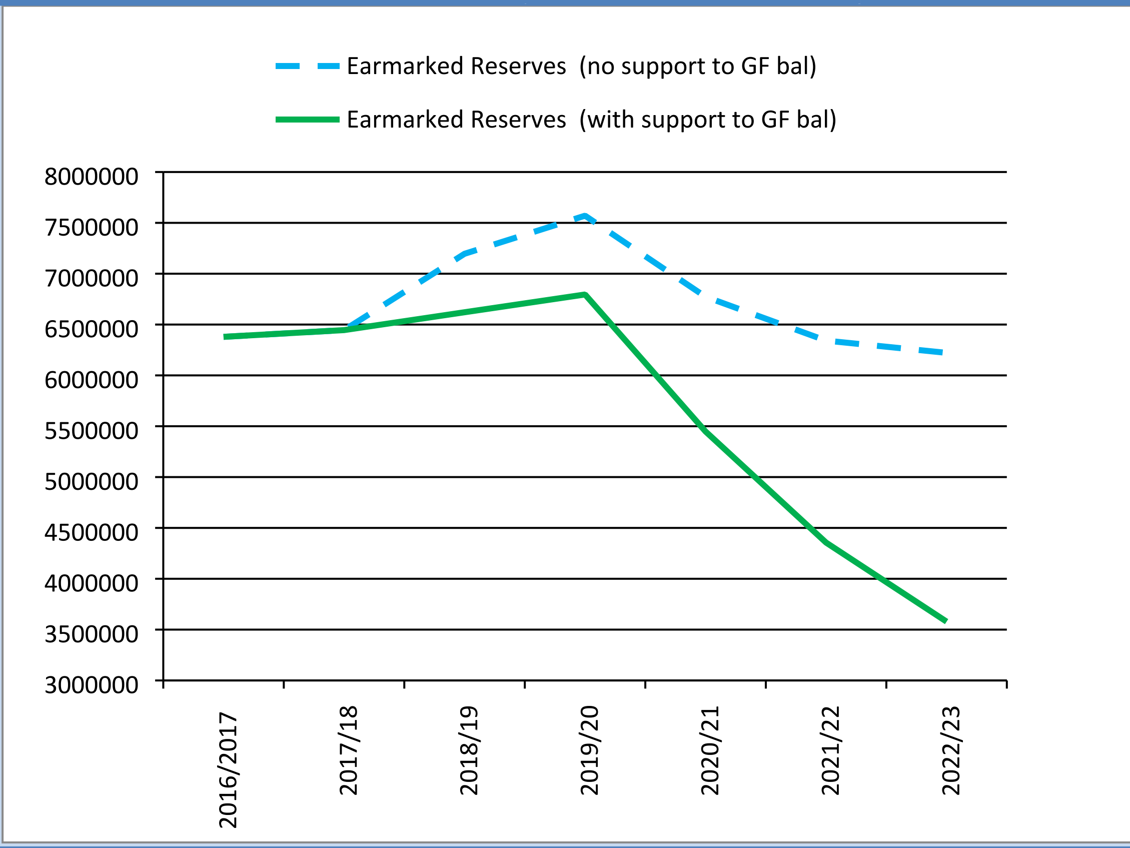
**Table 2, Summary comparisons of General fund position compared to prior MTFS.**

| Table 2 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|---|---|---|---|---|---|
| Original MTFS 16/17 | £ | £ | £ | £ | £ | £ |
| General Fund Balances | 1,710,970 | 1,555,533 | 1,419,704 | 1,125,510 | n/a | n/a |
| **% of net expenditure** | **16.70%** | **15.20%** | **13.80%** | **11.40%** | **n/a** | **n/a** |
| Updated MTFS | £ | £ | £ | £ | £ | £ |
| General Fund Balances | 2,426,640 | 1,688,364 | 1,710,402 | 1,556,205 | 1,496,067 | 1,053,910 |
| **% of net expenditure** | **22.79%** | **15.90%** | **15.80%** | **15.92%** | **15.19%** | **10.53%** |
| Net increase | 715,670 | 132,831 | 290,698 | 430,695 | n/a | n/a |

| Table 2 a General Fund Balances without support | | | | | | |
|---|---|---|---|---|---|---|
| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23* |
| Updated MTFS | £ | £ | £ | £ | £ | £ |
| General Fund Balances | 2,426,640 | 1,572,482 | 1,519,611 | 731,908 | (109,564) | (1,460,069) |
| **% of net expenditure** | 22.79% | 14.84% | 14.02% | 7.52% | -1.12% | -14.86% |
| Net increase/Decrease | 0 | (89,000) | (178,000) | (811,507) | (1,592,840) | (2,457,617) |
| Graph of General fund balance | | | | | | |




## Graph of Earmarked Reserves




** Negative General fund balances are not permissible and action would have to be taken to avoid this occurring*

4.4 In order to begin to support the general fund position the changes and transfers noted below (Table 3) have been made.

4.5 The majority of the contribution to support the general fund position comes from higher than forecast growth from business rates growth and section 31 funding than anticipated in the prior MTFS. This has been placed into the Business Rates Equalisation Reserve and stems from performance in the 2016/17 and 2017/18 financial years. This reserve was agreed in the last MTFS to manage any decreases in rates due to appeals or to other losses on the collection fund that impacts on the general fund that were not already provided for elsewhere. The Reserve is expected to be £2.1m as the 31/3/2018. This reserve will be needed to assist in the future pressure from the baseline reset, further information on this is given in section 9 below, and £0.3m will be released in 2018/19 to the general fund to enable the setting up of three new reserves.

4.5.1 The Council meeting that agreed the MTFS in February 2017 noted that there was no reserve for the revenue implication of the purchase of the waste fleet and associated costs. The Council did not have a specific reserve at that time other than the £133,295 for grounds maintenance. At that time, the details of these revenue costs were not known. The increase in business rate growth in 2016/17 and during 2017/18 has allowed such a reserve to be established for 2018/19 of £421,460 in addition to the £133,295 held in the ground maintenance reserve to be used to support some of the additional costs of £1.6m included in this MTFS, while maintaining a £0.2m balance at the end of 2022/23.

4.6 As grounds maintenance vehicles are being replaced, then the £133,295 held in reserve for grounds maintenance can be released to support the overall costs of fleet replacement.

4.7 Other reserves changes have been made that require Council approval; these are covered in the earmarked reserve section below.

**Earmarked Reserves**

4.8 The following use and set up of new reserves needs to be noted and agreed by members as they represent a set aside of general fund balances to meet future pressures and costs. The main purpose of the changes is to set aside the increased income to meet the future pressures of the baseline reset, and allow future borough wide developments to be funded from the additional business rates growth than expected in the last MTFS. Some will be used to meet the pressures from the fleet purchase and the risk of loss of growth from the baseline reset expected in 2020/21.

| **Table 3 Reserve movements (Balances over £100k)** | **2018/2019 (1/4/2018)** | **New reserves** | **Transfer in** | **Transfers out** | **Closing Balance 31st March 2019** |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| **Hub Future Rental Management Reserve** | 350,000 | | 50,000 | | 400,000 |
| **Local Plan Procedure** | 505,532 | | 100,000 | (106,000) | 499,532 |
| **Business Rates Equalisation Reserve** | 2,058,056 | | 385,295 | (350,000) | 2,093,351 |
| **ICT Reserve** | 250,411 | | 100,000 | (84,000) | 266,411 |
| **Waste Management Reserve** | 186,460 | | 250,000 | (175,000) | 261,460 |
| **Workforce Strategy Reserve** | | 225,000 | | | 225,000 |
| **Enforcement and Planning Appeals** | 270,000 | | | | 270,000 |
| **Building Maintenance costs** | 388,120 | | 200,000 | | 588,120 |
| **Minor Capital Projects** | | 175,000 | | | 175,000 |
| **Hinckley Community Development Fund** | | 350,000 | | | 350,000 |
| **PCIF reserve (Future Top up pressure)** | | 375,000 | | | 375,000 |
| **Developing Communities Fund** | 962,980 | | 499,000 | (711,980) | 750,000 |
| | **4,971,559** | **1,125,000** | **1,584,295** | **(1,426,980)** | **6,253,874** |

| Table 3a Anticipated use (Balances over £100k) | Bal 31st March 2019 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | Remaining balance |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| **Hub Future Rental Management Reserve*** | 400,000 | 25,000 | 0 | (50,000) | (25,000) | 350,000 |
| **Local Plan Procedure** | 499,532 | 16,000 | (218,000) | (47,532) | | 250,000 |
| **Business Rates Equalisation Reserve** | 2,093,351 | 700,000 | (550,000) | (611,000) | (632,351) | 1,000,000 |
| **ICT Reserve** | 266,411 | 16,000 | (25,000) | (17,411) | | 240,000 |
| **Waste Management Reserve** | 261,460 | (55,000) | 103,540 | (55,000) | (55,000) | 200,000 |
| **Workforce Strategy Reserve** | 225,000 | | | | | 225,000 |
| **Enforcement and Planning Appeals** | 270,000 | | | | | 270,000 |
| **Building Maintenance costs** | 588,120 | 71,880 | (10,000) | (80,000) | (65,000) | 505,000 |
| **Minor Capital Projects** | 175,000 | (35,000) | (35,000) | (35,000) | (35,000) | 35,000 |
| **Hinckley Community Development Fund** | 350,000 | (150,000) | (200,000) | | | 0 |
| **PCIF reserve (Future Top up pressure)** | 375,000 | (125,000) | (125,000) | (125,000) | | 0 |
| **Developing Communities Fund** | 750,000 | (150,000) | (250,000) | 0 | | 350,000 |
| **Total** | **6,253,874** | **313,880** | **(1,309,460)** | **(1,020,943)** | **(812,351)** | **3,425,000** |

4.9 As well as an increase in pressures, which in the short term are covered by higher than anticipated income growth, there is the risk announced to business rate growth in the financial settlement. This is to have baseline funding reset in 2020/21 based on a fair funding review, which is a significant risk to all district councils that have growth significantly above baseline. This is the case for Hinckley and Bosworth Borough Council, which for 2018/19 has growth of £1.2m above its net baseline funding of £2.5m, with an expectation of £1.3m of growth for 2019/20. It is anticipated that the changes and baseline reset will lead to a loss of £1.7m income between 2020/21 to 2022/23 compared to the three pervious years. Therefore, the business rate equalisation reserve is required to off set these pressures and maintain a reasonable general fund balance.

4.10 There is also the need to provide support for future developments as the Council moves forward, therefore three new reserves have been set up to capture the income growth from business rates which will be used to fund development pressures going forward. These are:

- Minor Capital Projects, £175,000

- Hinckley Community Development Fund, £350,000, and
- PCIF reserve (Future Top up pressure), £375,000.

A further £300,000 has been placed in the Developing Communities Fund and £200k in the workforce strategy to invest in additional capacity or if needed to off set potential further costs of the national settlement in 2019/20.

4.11 Further details of all reserves movements are given in Appendix 2.

**Pressures in 2018/19 and over the MTFS period**

5 Due to the reduction in more certain income streams such as RSG, and the move to more changeable income streams from business rates and New Homes Bonus, the level of general fund minimum balances has been set 15% over the life of the MTFS. This does not mean that a range of 10% to 15% in any one year is problematic, but that the longer-term average should have a target level of 15%. The MTFS in this report has an average to 2022/23 of 14.67%. The later years forecast post the fair funding review and baseline reset, are less certain due to a lack of clarity from Central Government at this stage, but current information available suggests pressures will mean the general fund is reducing to 10.53% in 2022/23, and the trend based on current assumptions would be downwards after that. However, this is subject to the fair funding review and any actions taken to generate income by the Enterprise and Innovation Board.

5.1 Income streams continue to be less certain with the potential for a rebase of baseline funding in relation to business rates likely in 2020/21, which will remove some or all the levels of growth realised to date.

5.2 That said, the forecast scenario includes significant pressures and is only achievable in 2018/19 through commitment to a number of targets and decisions. The table below gives the overall savings and pressures included in the 2018/19 General Fund revenue budget report.

| Table 4 | Pressures | Income/ Savings | Net |
|---|---|---|---|
| | £ | £ | £ |
| **Dry Recycling contract council** | 488,000 | (560,000) | (72,000) |
| **Dry Recycling - move in house (Payroll pressure)** | 350,385 | 0 | 350,385 |
| **Pay cost increases (all elements, NI, Pensions and increments)** | 320,269 | 0 | 320,269 |
| **Inflationary increases contracts /Fees** | 134,304 | (76,753) | 57,551 |
| **Waste Fleet and wider Fleet replacement** | 315,123 | 0 | 315,123 |
| **Extra Waste Round** | 171,900 | 0 | 171,900 |
| **Dry Recycling - move in house (Vehicle pressure insurance, repair and fuel)** | 112,985 | 0 | 112,985 |
| **Trade waste, Kerbside recycling and bulky items** | 98,300 | 0 | 98,300 |
| **Microsoft licences** | 84,000 | 0 | 84,000 |

| Table 4 | Pressures | Income/ Savings | Net |
|---|---|---|---|
| **Pensions IAS 19 accounting adjustments** | 64,810 | 0 | 64,810 |
| **LCC Pension Lump Sum** | 64,070 | 0 | 64,070 |
| **Increase in legal fees/Infrastructure Cap and Housing needs** | 50,000 | 0 | 50,000 |
| **Expected additional contribution to reserves - section 31** | 0 | (650,898) | (650,898) |
| **Leisure Centre income** | 0 | (108,200) | (108,200) |
| **Capital Financing** | 0 | (93,670) | (93,670) |
| **ICT contract** | 0 | (51,320) | (51,320) |
| **Local Plan savings** | | (54,500) | (54,500) |
| **Rev and Bens Partnership contributions** | 59,610 | 0 | 59,610 |
| **Efficiency savings from refuse collection and street cleansing** | 0 | (201,820) | (201,820) |
| **Development control income** | 60,000 | (173,000) | (113,000) |
| **Development control investment** | 0 | | 0 |
| **Car parks** | 0 | (89,000) | (89,000) |
| **Flexible Homeless Grant** | 108,060 | (108,060) | 0 |
| **Items less than £50k individually** | 415,830 | (197,293) | 218,537 |
| **Totals** | 2,897,647 | (2,363,995) | 533,652 |

5.3 After allowing for contributions to and from reserves, the General Fund Balance will decrease by £688,278 in 2018/19. The General Fund Budget has further details of these pressures and savings, which should be read in conjunction with this report. The more significant pressures and savings/Income pressures are covered below.

**Dry Recycling and Waste Service pressures**

6 The Tables below gives the dry recycling changed position from the prior year. There is a relatively small increase on the prior year forecast of 0.9%, but still gives £2.9m of pressure between 2018/19 and 2022/23.

| Table 5 | MTFS update | Prior MTFS |
|---|---|---|
| **Dry recycling** | £ | £ |
| Loss of recycling credits | 470,000 | 505,047 |
| Dry Recycling - move in house (Payroll pressure) | 350,385 | |
| Dry Recycling - move in house (Vehicle pressure insurance, repair and fuel) | 131,900 | |
| Vehicle cost (6 months hire of new vehicles, plus 6 moths extended SFS) This will be a cost £185,075 in 19/20. | 117,538 | |
| Palm Contract savings (end of contract payments) | (560,000) | |
| **Net pressure** | 509,823 | 505,047 |
| Movement | 4,776 | 0.9% |

6.1 The pay cost pressure is due to taking on under TUPE arrangements the drivers and workers associated with the Palm contract. Vehicle costs are for five new vehicles required to cover the dry recycling rounds, for 2018/19 this is for a 6 month period due to when the purchase of new vehicles are made, plus a cost for coverage during the prior 6 months to purchase. The procurement of an additional five vehicles was agreed at full Council in July 2017. The overall pressures not budgeted for in the prior MTFS from bringing dry recycling in house over the life of the MTFS to 2021/22 are £0.3m

6.2 For 2018/19 there is a need for an extra waste round due to the additional demands on the service. The Council have operated with the same collection resources since 2010. In that time period property numbers have increased by 11.3% resulting in an additional 250,000 bins being emptied each year (refuse, recycling and garden per property fortnightly). The Executive agreed the budget for the extra round in June 2017, at £180,000. The costs included in the MTFS s forecast to be £178,900 including £47,000 for Vehicles costs.

| Table 6 | MTFS update | Prior MTFS |
|---|---|---|
| Extra Waste round | £ | £ |
| Pay costs | 109,295 | 0 |
| Vehicle costs - insurance, repair and fuel) | 22,597 | 0 |
| Vehicles costs | 47,000 | 0 |
| Total | 178,892 | 0 |

6.3 The overall pressures not budgeted for in the prior MTFS from the extra round over the life of the MTFS to 2022/23 is £0.9m

6.4 Trade waste and street cleaning has also seen an increase in costs, but these are off set by increased income as noted in Table 6a.

| Table 6a | **2018/19** | **2019/20** | **2020/21** | **2021/22** | **Total** |
|---|---|---|---|---|---|
| **Trade Waste and street cleaning** | £ | £ | £ | £ | £ |
| Disposal fees due to increased collections | 10,950 | 11,169 | 11,392 | 11,620 | 45,132 |
| Vehicles costs | 58,000 | 59,160 | 60,343 | 61,550 | 239,053 |
| New clean neighbourhoods team-leader post | 29,350 | 29,350 | 29,350 | 29,350 | 117,400 |
| Total Costs | **98,300** | **99,679** | **101,086** | **102,520** | **401,585** |
| Income | (102,620) | (101,684) | (101,684) | (101,684) | (407,672) |
| Net gain to general fund | (4,320) | (2,005) | (598) | 836 | (6,087) |

**Procurement of the new council vehicle fleet**

6.5 This section brings together the procurement costs of the vehicles, and notes some of the pressures included in tables above. The MTFS has been adjusted as necessary to ensure the costs are only included once to ensure double counts are avoids. In July 2017, the Council approved a supplementary capital budget of £3,855,500 for fleet and equipment procurement, with a supplementary revenue budget of £609,004 for the annual financing cost, which will replace the current revenue budget of £396,000. The procurement of the fleet also assumes the services remain in house, along with the bringing in house of the dry recycling service and trade waste, which requires 5 additional refuse collection vehicles. The report in July noted that it did not include the costs of maintenance.

6.6 Following external advice and a procurement exercise, the lowest cost option is to use hire contract arrangements for all but the ground maintenance equipment. Based on this there are £1.4m of pressures on the MTFS to 2022/23 that were not forecast this time last year as the vehicles requirements and associated revenue costs were not known (See Table 7 and 7a).

| Table 7 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | Total |
|---|---|---|---|---|---|---|
| **Vehicle procurement** | **£** | **£** | **£** | **£** | **£** | **£** |
| Revenue pressures | 315,123 | 310,247 | 310,247 | 310,247 | 310,247 | 1,556,111 |

| Table 7a | Current Fleet Costs | Hire Purchase | Budget Pressure |
|---|---|---|---|
| | **£** | **£** | **£** |
| **Capital Cost** | 395,992 | 628,032 | 232,040 |
| **Maintenance** | 195,280 | 273,487 | 78,207 |
| **Total** | **591,272*** | **901,519** | **310,247** |

**current fleet costs do not include the extra vehicles needed for the dry recycling and extra waste round.*

6.7 The hire contract option is the lower cost method for the procurement of the new fleet, with the exception of ground machinery, as there is not contract hire option for ground machinery that includes maintenance. The table below gives the comparison between Contract Hire and Purchase. The Main savings on Contract Hire are in relation to the much lower maintenance costs.

| Table 7b | Capital Cost | Maintenance | Total annual cost |
|---|---|---|---|
| **Contract Hire** | **£** | **£** | **£** |
| HGV/Specialist | 428,446 | 228,828 | 657,274 |
| LCV/Grounds | 199,586 | 44,658 | 244,244 |
| **Total** | **628,032** | **273,486** | **901,518** |
| **Purchase** | | | |
| HGV/Specialist | 459,478 | 358,047 | 817,525 |
| LCV/Grounds | 195,158 | 155,098 | 350,256 |
| **Total** | **654,636** | **513,145** | **1,167,781** |
| | | | |
| **Savings to the GF using hire purchase compared to Purchase** | **26,604** | **239,659** | **266,263** |

* Grounds machinery will be purchased at an annualised cost of £31,429, with £200,000 of reserves being used to fund the purchase.

6.8 The hire contract offer is based on a five-year agreement for LCV and seven years for the HGV. The capital element of the contract higher at £680,366 is higher than the forecast costs noted in the July budget report of an annual cost to revenue of £609,004, but offers significant saving on the potential maintenance costs associated with the purchase option.

**Pay and Staff cost pressures**

6.9 National Employers have recently made a final pay offer covering the period 1 April 2018 to 31 March 2020. This combines a 2% increment with changes to the spine point structure, and includes the National Living Wage requirements. These combine to a total increase of 5.6% over the two-year period to 2019/20. The MTFS assumes the 2% pay award will continue over the MTFS period to 2022/23.This puts a significant pressure on the pay costs of the council. Table 8 gives the net new pressures on the MTFS.

| Table 8 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | Total |
|---|---|---|---|---|---|---|
| **Pay cost pressures** | **£** | **£** | **£** | **£** | **£** | **£** |
| Original MTFS 16/17 | 192,092 | 194,013 | 195,953 | 197,912 | 199,891 | 979,861 |
| Updated MTFS | 738,066 | 425,443 | 239,058 | 219,558 | 223,949 | 1,846,075 |
| **Additional Budget pressures** | **545,974** | **231,431** | **43,105** | **21,646** | **24,058** | **866,214** |

6.10 Included in the increased staff costs, is an element for the additional staff being taken on due to bringing the dry recycling collection in-house and the extra round, which accounts for £0.4m of the 2018/19 increase. The impact is less in later years as some allowance was made for increased costs in the prior MTFS.

**Other Changes**

6.11 The level of income generated by Block C at the Crescent has been revised downwards as it is proving difficult to let the remaining two units. This has increased pressure on the general fund. Table 9 below gives the change between the prior MTFS refresh and this MTFS update at a total of £460,660 over the life of the MTFS

| Table 9 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2022/23 | Total |
|---|---|---|---|---|---|---|
| **Block C Income** | **£** | **£** | **£** | **£** | **£** | **£** |
| **Prior MTFS** | 399,343 | 495,043 | 495,043 | 495,043 | 495,043 | 2,379,515 |
| **MTFS update** | 308,643 | 359,707 | 416,835 | 416,835 | 416,835 | 1,918,855 |
| **Reduction in forecast** | **(90,700)** | **(135,336)** | **(78,208)** | **(78,208)** | **(78,208)** | **(460,660)** |

6.12 There has been a change to the accounting requirements for software licences issued by Microsoft, which means they now are treated as revenue costs , and cannot be treated as capital items. This change does not increase the amount spent on these licenses, but does mean they fall on the general fund as a cost. This has added £84,000 to the 2018/19 revenue budget, and a cost of £336,000 to the general fund over the life of the MTFS.

6.13 Other changes individually less than £50,000 but over £10,000 are noted in the table below.

| Table 10 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | Total |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| Infrastructure Capacity assessment for the Local Plan Review | 20,000 | 0 | 0 | 0 | 0 | 20,000 |
| Housing Needs Study | 30,000 | 0 | 0 | 0 | 0 | 30,000 |
| Lost income form materials due to LCC direction notice issued | 18,000 | 18,000 | 18,000 | 18,000 | 18,000 | 72,000 |
| Housing Repairs DSO | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 80,000 |
| Community Planning Officer | 25,000 | 25,500 | -25,500 | 0 | 0 | 25,000 |
| B&B pressure -chance in legislation | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 120,000 |
| Middle Manager Training | 45,000 | 0 | 0 | 0 | 0 | 45,000 |
| Other small movements (Up to £10k) net | 32,726 | 32,726 | 32,726 | 32,726 | 32,726 | 130,904 |
| **Total** | **220,726** | **126,226** | **75,226** | **100,726** | **100,726** | **522,904** |

**Overall key pressures in the MTFS update not noted in the prior MTFS**

6.14 The key pressures noted in this MTFS come from items not included in the prior year MTFS refresh as there was insufficient information at the time to allow a reliable forecast. The key differences are noted in Table 11 below. This has led to a significant pressure on the general fund position.

| Table 11 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | Total |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| Vehicle procurement | 315,123 | 310,247 | 310,247 | 310,247 | 310,247 | 1,556,111 |
| Payroll | 545,974 | 231,431 | 43,105 | 21,646 | 24,058 | 866,214 |
| Block C income reduction | 90,700 | 135,336 | 78,208 | 78,208 | 78,208 | 460,660 |
| Microsoft licences | 84,000 | 84,000 | 84,000 | 84,000 | 84,000 | 420,000 |
| Other | 220,726 | 126,226 | 75,226 | 100,726 | 100,726 | 623,630 |
| **Total** | **1,256,524** | **887,240** | **590,786** | **594,827** | **597,239** | **3,926,615** |

**Savings and income growth in 2018/19 and over the MTFS period**

7 The table below gives the savings for 2018/19 and then the net movement on those savings noted in the MTFS to 2022/23.

| Table 12 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| Dry Recycling contract council | 560,000 | | | | |
| Expected additional contribution to reserves - section 31 | 336,361 | (33,839) | (109,133) | 22,094 | 26,732 |
| Efficiency savings from refuse collection and street cleansing | 201,820 | | | | |
| Items less than £50k individually | 199,623 | 3,460 | 3,529 | 3,600 | 3,672 |
| Development control income | 173,000 | | | | |
| Leisure Centre income | 108,200 | (3,100) | (76,838) | (10,611) | 68,213 |
| Capital Financing | 93,670 | (11,000) | (10,000) | (10,000) | (10,000) |
| Car parks | 89,000 | | | | |
| Inflationary increases contracts /Fees | 76,753 | 78,672 | 80,639 | 82,655 | (78,670) |
| Local Plan savings | 54,500 | 22,000 | (184,000) | 168,000 | 0 |
| ICT contract | 51,320 | 50,000 | 14,000 | 3,000 | 0 |
| **Total** | **1,944,248** | **106,194** | **(281,803)** | **258,739** | **9,947** |

7.1 The Dry recycling contract savings is due to the Palm contract coming to and end, but this has been replaced with the costs of bringing the service in house as covered in Table 5 above. This does not therefore represent a real saving that benefits the general fund, but a transfer of costs from contract payments to direct costs of supplying the service in-house.

7.2 The increase in the S31funding is based on the position of being in a 75% business rates retention position from 2020/21, with districts retaining a 40% tier split share; further detail of this is given below in the section on Local Governing Funding.

7.3 The efficiency savings and income from refuse collection and street cleansing is made up of:

- £92,000 from additional Trade waste income
- £31,000 from additional tipping away fees
- £47,620 from additional street cleansing income

These increases have been due to extra collections for trade waste and an increase in team leader capacity for street cleansing and have an associated cost for extra resources of £87,350.

7.4 Development control income includes a 20% increase in fees as draft regulations providing for the increase in planning application fees were laid before Parliament on the 19th October 2017. The regulations have been now been approved by both Houses of Parliament, and fee increases have now been introduced leading to an expected increase in fee income of £173,000 Note £60,000 of investment costs have been allowed for against this as the increased fees will need to deliver improvements and some additional resources in planning.

7.5 The leisure centre income has increased as per the agreement, with no allowance for indexation, Note the fees were not set as increasing each year, hence there will be a reduction in income for the following three years of the MTFS as per the contract.

7.6 Due to capital disposals the costs of capital has decreased by £93,670, which benefits the general fund. The Capital Programme gives details of the underlying transitions that have led to this position and should be read in conjunction with this MTFS update.

7.7 Car Park income includes the proposal for a 10p increase in parking fees. The increase represents a contribution to the costs of running services over the life of the MTFS of £356,000. This is a significant contribution to those services. The basic 50p rate was introduced in 2013/14 as a reduction from the 70p rate inforce before that time. Therefore the 10p increase only restores half of the original income reduction to from reduced the fees in 2013/14, and with CPI inflation that original 70p rate would be 75p for 2018/19.

**Local Government funding - Fair Funding review**

8 Funding baselines for local authorities, as determined by the local government finance settlement, are based on an assessment of local authorities' relative needs and resources. The methodology behind this assessment was introduced over ten years ago, and has not been updated since the introduction of the 50% business rates retention system in 2013/14.

8.1 Since that time, demographic pressures have affected local areas in different ways, as has the cost of providing particular services. In recognition of these pressures, the Government last year announced a review to address concerns about the fairness of current funding distributions. The outcome of this review will enable the Government to reconsider how the relative needs and resources of local authorities should be assessed in a world in which Local Authorities will continue to have greater control over the money that they raise.

8.2 In 2016, the Council signed up to the Government's 4 year settlement for the period 2016/17 – 2019/20. The four year settlement was implemented to provide Local Government with greater certainty in respect of funding as funding reforms continue to progress to make councils more self-sufficient.

8.3 The Government has recently announced some detail regarding the shape of its Fair Funding Review and the date for implementation which is now delayed until 2020-21. The review determines the starting position of funding for local authorities based on an assessment of the relative level of needs and resources of all councils across England. The outcome of the review will determine the level of Revenue Support Grant and business rate tariffs and levies chargeable against locally collected business rate income.

8.4 The aim of the fair funding review is to ensure local government funding is reviewed and decided in a fair, robust and evidence-based way, one that reflects the most up-to-date picture of councils' relative needs and resources. A Fair Funding Review and consultation is now taking place and will close on 12 March 2018. The results are expected in December 2019 as part of the financial settlement. This makes elements of forecasting post 2019/20 problematic as there is little detail on issues, such as the details of baseline reset for business rates, or if negative RSG charges will be levied or how tariffs or top up will be levied.

8.5 The MTFS has been forecast to 2022/23 assuming that the baseline reset for retained funding from business rates will be significantly reduced, based on discussions with our advisors and the general information already known on the baseline reset, growth from 2020/21 will be just under 50% of the 2018/19 level. Other Councils have taken differing approaches depending on the likely impact and view on uncertainty associated with the fair funding review outcome. Those not including it in the forecast are noting as a future risk to income. Due to the potential size of the impact of lost growth, the MTFS has been drafted taking a prudent view and has included an estimate for the loss and set aside a reserve to cover the potential impact. This protects the Council from over allocating the general fund prior to the results of the fair funding review in late December 2019. Once the fair funding review is concluded, the reserves position can reviewed.

**Local Governing Funding allocations 2018/19**

8.6 Each year the council receives a significant amount of financial support from central government in the form of grants and allocations. The allocations to the council are determined by Government carrying out Comprehensive Spending Reviews (CSR) which enables it to decide how much it can afford to spend, what its priorities are and targets for improvements to be funded by additional resources.

8.7 The last full review was undertaken in 2015 (CSR15) following the General Election in May 2015 and covered the four years following. The spending targets set in this review were significantly influenced by the Government's desire to remove the deficit and move into surplus by 2019/20, which has not been achieved.

8.8 The spending review and Autumn Statement had some key points that impact on the Council. The table below shows the changes from more stable funding streams such as RSG and NHB to more locally based and riskier income streams, such as business rate retention over the life of the MTFS.

8.9 In the short term HBBC have done well, mainly from higher than anticipated retained growth from business rates, coupled with higher levels of Section 31 grant to cover reliefs given. The differences on business rates income is £0.78m on average per year, which represents about 0.9% of gross rates before the multiplier, reliefs, appeals, amendments and changes in operating business numbers and tier share are taken into account. Table 14 gives the prior MTFS period for 2017/18 compared to the updated MTFS for the same period. This indicates the Council is £3.12m better off in the short term in relation to income from business rates related income than anticipated last time the MTFS was refreshed. However, from 2020/21 income pressure are beginning to be evidence due to the risk of a resetting of business rates baseline funding and the fall in NHB ( see tables 15 and 19)

| *Table 14* | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | Total |
|---|---|---|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| Council Tax | 4.13 | 4.15 | 4.40 | 4.57 | n/a | n/a | 17.25 |
| NNDR | 3.11 | 3.59 | 3.72 | 3.85 | n/a | n/a | 14.27 |
| New Homes Bonus | 2.79 | 2.64 | 2.64 | 2.00 | n/a | n/a | 10.07 |
| Revenue Support Grant | 0.75 | 0.44 | 0.08 | 0.00 | n/a | n/a | 1.27 |
| **Total** | 10.78 | 10.82 | 10.84 | 10.42 | n/a | n/a | 42.86 |
| Council Tax | 4.13 | 4.22 | 4.37 | 4.60 | 4.79 | 4.98 | 27.09 |
| NNDR | 3.69 | 4.58 | 4.83 | 4.01 | 4.11 | 4.21 | 25.43 |
| New Homes Bonus | 2.79 | 2.57 | 2.70 | 2.22 | 2.02 | 1.91 | 14.21 |
| Revenue Support Grant | 0.75 | 0.44 | 0.08 | 0.00 | | | 1.27 |
| **Total** | 11.36 | 11.81 | 11.98 | 10.83 | 10.92 | 11.11 | 68.00 |
| **Difference** | 0.58 | 0.99 | 1.14 | 0.41 | n/a | n/a | 3.12 |

8.10 The financial settlement and budget gave some indications of other changes being made, such as:

- Councils will be able to use capital receipts for revenue purposes, subject to specific conditions not yet published. This council's ability to realise significant capital receipts is, however, very low.
- The proposal to allow local authorities to retain 75% of business rates income is positive, but details on the allocation (between District and Counties in the two-tier area) and redistribution (to enable low-growth areas to have a degree of protection - called 'damping') have yet to be announced.
- Balanced against the Business Rates proposal will be the withdrawal (over the same period - to 2019/20) of Revenue Support Grant, with the issue of negative RSG in later years being recognised as an issue, but not yet withdrawn.
- A break with the continuation of average public sector pay awards of 1% to a 2% basis has increased the cost base faced by the council and the MTFS update assumes this will be in place for each year of the forecast.
- NHB has been reduced from a 6 year basis to a five year basis in 2017/18 and then to a 4 year basis thereafter.

**Business rates**

9 Business rates and the level of retention of growth is a key element of the funding of the Council. The Business Rates Retention Scheme (BRR) commenced on 1st April 2013. Under the scheme, the council can retain a proportion of locally generated business rates over a set baseline where growth occurs. Whilst this financing regime provides the opportunity to financially reward the council, the volatility of the market makes it difficult to budget for. The recent Financial settlement and budget statement have indicated that there will be changes to both the level of local retention and the level of growth that will be retained due to a baseline reset following a funding review.

The only statement we have from the settlement in relation to the retention of business rate growth and changes to the baseline funding is that,
"Local authorities will be able to keep that same share of growth on their baseline levels from 2020 to 2021, when the system is reset. So from 2020 to 2021 business rates will be redistributed according to the outcome of the new needs assessment subject to suitable transitional measures."

The basic calculation is expected to be based on 40% of the business rates collected in 2020/21 less the baseline funding of 2018/19 inflated by CPI. There may be some other changes as grants, such as RSG may be subsumed into the baseline-funding amount, which is a concern if negative RSG is levied. However, there is the potential that the baseline reset year will be based on the 2018/19 year. This would be beneficial as growth after the reset is retained. The mechanism for reducing the amount of growth available is most likely going to be an increase the Tariff charge, which is £9.2m for 2018/18.

9.1 This comes at the same time as the move to a 75% retained business rates model, No details have been given, other than the Business Rate Retention Scheme (BRRS) will increase from 50% to 75% in 2020-21. It is not expected that the tier split will increase from 40% for district council, although it may be changed and any shortfall compensated via tariffs and top up transactions.

9.2 To assess the impact of these proposals advice was taken from our external advisors, as the best way to model the impact. The expected position is that 40% will be the district tier split, but that the tariff will be adjusted to remove growth prior to 2019/20, allowing some to be retained from the 2020/21 to 2021/22 business rates. The last baseline was set in 2013/14 with inflation and formula amendments since then. These forecast changes are key assumption for these later years of the MTFS. A lower retention or a harsher settlement on growth could adversely affect these predictions. There is no detail on how a phased or supported reset of the baseline will be implemented or to what extent it will reduce the impact on the reset on the finances of local authorities, but there will be a consultation on fair funding prior to the baseline reset. If support or transitional funding options are applied then the position may be improved on that forecast. The table below gives the forecast position, which indicates that HBBC will potentially lose £1.7m of growth funding between 2020/21 to 2022/23 compared to the previous three years.

| ***Table 15*** | **2017/18** | **2018/19** | **2019/20** | **2020/21** | **2021/22** | **2022/23** |
|---|---|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| NNDR collected | 30,701,570 | 32,297,797 | 33,702,198 | 34,554,977 | 35,389,768 | 36,314,000 |
| **HBBC share 40%** | 12,280,628 | 12,919,119 | 13,480,879 | 13,821,991 | 14,155,907 | 14,525,600 |
| **Actual retained income after levies and tariffs** | | | | | | |
| | **2017/18** | **2018/19** | **2019/20** | **2020/21** | **2021/22** | **2022/23** |
| **Baseline funding** | 2,358,703 | 2,499,827 | 2,555,271 | 2,619,153 | 2,684,632 | 2,751,748 |
| **Retained growth** | 855,252 | 1,165,595 | 1,313,441 | 523,596 | 534,643 | 548,009 |
| **Total** | 3,213,955 | 3,665,422 | 3,868,712 | 3,142,749 | 3,219,275 | 3,299,757 |

| *Table 15a* | 2017/18 to 2019/20 | 2020/21 to 2022/23 | Difference |
|---|---|---|---|
| Growth retained | 3,334,288 | 1,606,248 | (1,728,040) |

9.2.1 The consultation does note that there will be suitable procedures for tapering relief when the rebase is completed, but there remains a risk that not all growth income will be retained. The financial settlement makes no reference to the treatment of growth past 2020. The model above assumes that not all growth will be lost, with approximately 50% of the 2018/19 levels of growth being retained. If this is incorrect and higher levels of growth are retained then the position will be improved. If transitional arrangements cover a further 50% of the lost income from rebased growth for the years 2020/21 to 2022/23 this would provide a further £0.75m to £0.9m.

**Business Rates Appeals**

9.3 Business rates have been subject to a new rateable value listing as from 2017/18, which is expected to lead to a significant increase in appeals. There has been a consideration by the DCLG in consultation with Society of County Treasurers Technical Support Team that indicates that a figure of as much as 4.5% of gross rates after the multiplier has been applied can be expected (£1.5m). Therefore, a provision has been set aside for appeals based on this advice and that of our local advisors.

9.4 The appeals risk for the 2010 rateable listing has increased by £0.4m. In 2017/18 , the council has had to settle £1.4m of successful appeals against a provision of £2.3m for the 2010 RV listing. Currently there are £3.4m of appeals in relation to 2010 still pending VOA judgement. We have a provision in relation to these appeals of £1.5m to deal with 120 appeals, four of which equal £1.1m. There is a further provision of £1.5m in relation to the RV listing for 2017; as yet this is a general provision as we have not been notified of any specific appeals in relation to that listing.

9.4.1 The level of provision is based on a percentage of appeals being successful for the 2010 listing. A higher weighting is given to larger appeals, as they are likely to have professional taken advice. The higher the provision provided leads to a reduction in the amount of growth retained by the Council. If appeals succeed at a higher level, the difference will fall on the general fund. For the MTFS the provision has been modelled as noted in the table below. Note is assumes no settlement of 2017 appeals, which may not be the case, but if settled in favour of the appealing business , it will lead to lost income yield. Once actual appeal information is available this position will be updated, a lower requirement for the level of provision for appeals would lead to increased growth retained.

| *Table 16 Appeals* | 2015/16 Actual | 2016/17 Actual | 2017/18 Actual | 2018/19 Forecast | 2019/20 Forecast | 2020/21 Forecast | 2021/22 Forecast | 2022/23 Forecast |
|---|---|---|---|---|---|---|---|---|
| | *£000* | *£000* | *£000* | *£000* | *£000* | *£000* | *£000* | *£000* |
| **Balance b/f** | 840 | 1,323 | 2,321 | 3,045 | 4,011 | 4,999 | 6,109 | 7,299 |
| **Increase** | 818 | 1,323 | 2,081 | 1,868 | 1,576 | 1,493 | 1,439 | 1,404 |
| **Settled** | (335) | (325) | (1,357) | (902) | (588) | (383) | (249) | (162) |
| **Balance c/f** | 1,323 | 2,321 | 3,045 | 4,011 | 4,999 | 6,109 | 7,299 | 8,541 |

9.5 Therefore this income is more volatile and less certain than other forms of funding received directly from central Government. The 2020/21-2022/23 financial years are under significant pressure if appeal losses increase. There may also be additional business rate growth that would off set such losses. Due to the uncertainty in relation to the level of business rates, a Business Rate Equalisation reserve is included in the MTFS, which will have a balance of £1m at the end of 2022/23, which will help protect the council’s financial position. However, the MTFS assumes £1.4m of this will be needed to support the general fund position due to lost growth during 2021/22 and 2022/23. This leave the Council exposed to some risk of not having a safety net after that date if appeals are higher than allowed by the provisions made.

**Business rates and Collection Fund Losses**

9.5.1 The collection of business rates is included in the collection fund and the Council is left with a share of the surplus or loss on the collection fund based on the tier split percentage. For the MTFS post 2018/19 the deficit is problematic to forecast particularly after the impact of the Baseline reset. The methodology for NNDR returns to DCLG means the loss or Surplus falls in the year after it is generated. The significant increases in the appeals provision for 2016/17 and 2017/18 will have caused some of the collection fund loss, but was needed to safeguard the Council from un-provided for appeals. As this will have led to some of the increased loss, the average loss positon has been used, at £181,854 for each year of the MTFS. If the actual loss is greater than this, the general fund will be reduced in that year.

| Table 16a | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | Average |
|---|---|---|---|---|---|---|
| | **£45,329** | **£262,877** | **-£546,253** | **-£370,688** | **-£300,536** | **-£181,854** |
| **Deficit/ Surplus** | Surplus | Surplus | Loss | Loss | Loss | Loss |

**Enterprise Zone and business rates**

9.6 In addition to “standard” business rates collected, the creation of the Enterprise Zone (EZ) at MIRA Technology Park will also generate significant increases in business rates. In order to stimulate such growth, these uplifts are not subject to business rate retention rules. This currently means that 100% of the growth form the EZ is retained by the LLEP. The council is currently in negotiation with the Leicester and Leicester Local Enterprise Partnership (LLEP) to identify what element of this uplift will be retained by the Council directly. Any agreement will seek to avoid being prejudicial to the Council's position when the governments eventual aim to introduce 100% retention rate is introduced.

9.7 In order to be prudent, this income has **not** been included in this version of the MTFS. However, the table below indicates what HBBC may be able to obtain from an agreement where by some of the EZ growth is retained by the Council and is based on information supplied by consultants to the LEPP and MIRA to aid predictions. Note, income from EZs are meant to be invested into generating new business and business development, therefore income generated from successful negotiations would need to be set aside for such investment and not used for the purpose of supporting the general fund position.

| *Table 17* | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|---|---|---|---|---|---|
| **HBBC retain:** | **£** | **£** | **£** | **£** | **£** | **£** |
| HBBC share 60% | 549,975 | 796,604 | 1,090,750 | 1,246,616 | 1,301,564 | 1,479,268 |
| HBBC share 40% | 366,650 | 531,069 | 727,166 | 831,078 | 867,710 | 986,179 |
| HBBC share 20% | 183,325 | 265,535 | 363,583 | 415,539 | 433,855 | 493,089 |

**Council Tax**

9.8 The amount of council tax an authority needs to raise is the difference between its budget requirement (the Council's planned spending less any funding from reserves and income, excluding income from the Government and council tax) and the funding it will receive from the Government. The level of council tax and any increase is approved by Council annually.

9.9 For 2016/17 the financial settlement offered the ability to councils that have been prudent in council tax increments and find themselves in the bottom quartile for the level of council tax charged, to level a £5 increase for a four year period. This was agreed as part of the 2016/17 MTFS and equates to £0.4m over the life of the MTFS compared to a 2% increase. The Current MTFS refresh has assumed the £5 will be maintained and for forecasting purposes that a 3% increase will be charged from 2020/21. The recent financial settlement offered councils the option to raise tax by 3% without consultation. This has been adopted in the forecast, as a CPI increase was allowed by the current financial settlement without consultation, this will add a further £280,000 of income to the finances of the Council over the years 2020/21 to 2022/23. There is no indication that the 3% will continue to be available in future years, if the former 2% level is resumed it will reduce general fund balances by £462,000, and the general fund balance will fall below 10% in 2022/23 to 7.84%. If this does occur then action will be taken to maintain the forecast 10% balance.

| *Table 18* | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|---|---|---|---|---|
| Council tax | £4,148,382 | £4,358,716 | £4,584,222 | £4,778,322 | £4,972,424 |
| Increase | £5 | £5 | 3% | 3% | 3% |
| Average band D | £127.09 | £132.09 | £136.05 | £140.13 | £144.34 |

**New Homes Bonus (NHB)**

| Table 19 New Homes Bonus | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|---|---|---|---|---|---|
| | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast |
| | £ | £ | £ | £ | £ | £ |
| **MTFS Update** | 2,793,740 | 2,639,757 | 2,641,547 | 2,000,400 | n/a | n/a |
| **Previous MTFS** | 2,793,740 | 2,570,833 | 2,696,201 | 2,219,799 | 2,019,511 | 1,864,601 |
| **Difference** | 0 | (68,924) | 54,654 | 219,399 | n/a | n/a |

9.10 The Financial settlement for 2018/19 is based on a four-year basis of funding, with 2017/18 being the transitional year of a five-year basis. This has led to a reduction in the length of time funding is provided in relation to new homes delivered. The table above indicates that we are in a more favourable position compared to the previous MTFS, but with pressure building in the later years.

9.11 In calculating the forecast for NHB the accuracy of the build trajectory provided by planning has been adjusted for those years further away. Ranging from 95% to 80% in the later years of the MTFS, to allow for slippage or potential changes to NHB funding. The table below gives the forecast as per the MTFS in more detail. These percentages are a little more optimistic than in prior years, which used 90%-70%. However as the long term average is over 92%, this is not unreasonable.

| Table 20 New Homes Bonus | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|---|---|---|---|---|---|
| Included in settlement there known 100% | 2,793,740 | 2,570,833 | 1,990,195 | 1,054,560 | 459,908 | 0 |
| Amounts included forecast on a range of 95%-80% | | | 706,006 | 1,165,240 | 1,559,603 | 1,864,601 |
| **Totals** | **2,793,740** | **2,570,833** | **2,696,201** | **2,219,800** | **2,019,511** | **1,864,601** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **If based on 100% of trajectory** | **2,793,740** | **2,570,833** | **2,774,646** | **2,413,053** | **2,381,777** | **2,357,581** |
| **Difference** | 0 | 0 | (78,445) | (193,253) | (362,266) | (492,980) |

9.12 If 100% of the trajectory was included it would remove part of the decrease in the general fund position noted earlier in this report, but this is a break with previous methods of forecasting which treat income from future years as less certain.

9.13 New Homes Bonus (NHB) awarded has been reduced to a 4 year period from the previous 6 years of funding. There is no current indication that NHB will be reduced further after this parliament, so it has not been reduced from four years for any period covered by the MTFS update, but it remains a risk as the move to 100% rates retention takes place that NHB may come under further review. If 2021/22 was based on a three year period, the loss of income to the Council would be a total of £1,128,756 for the two year 2021/22 and 2022/23 based on the projection above.

9.14 There has also been a target introduced that new homes must be above 0.4% of the housing stock base as measured by the Council Tax Base information reported to central government. If it is below this then an element of the NHB is withheld. Also, there is consideration of withholding NHB in relation to new homes where applications for planning consent are initially rejected and then won on appeal.

**Negative RSG**

9.15 The recent financial settlement noted the strength of feeling in local government around the issue of negative Revenue Support Grant (RSG) and the concerns raised. This will be looked at during the fair funding review as to how DCLG will deal with negative RSG and that it will be consulted on in the spring 2018.

9.16 Negative RSG will affect many authorities as part of the amendments to authorities' tariffs or decreasing their top-ups. These amounts are difficult to estimate, but advice from our consultants suggested the loss would be in the range noted below in the table below.

| Negative RSG | 2021/22 | 2022/23 |
|---|---|---|
| **Loss to General Fund** | £70 to - £90k | £120k to - £140k |

9.17 This has not been included in the MTFS as DCLG have agreed to consult on negative RSG, which may mean it does not get actioned.

**<u>Other Factors</u>**

10 In addition to those risks relating to financing detailed above, this MTFS highlights a number of other key factors that will impact on the financial positon of this Council over the next five financial years. These include, but are not limited to:

- **Capital Programme -** The council's capital investment plans are outlined annually in the Capital Programme (the "Programme") which is approved at the same time as the revenue budget. The Capital Programme forecast spend of over £12.7million, and is concentrated around:
  - Continued redevelopment of The Hinckley Bus Station Site - "The Crescent"
  - Green Spaces Delivery Plan
  - Rural Community assistance through the Developing Community Funds
  - New facility (Land off A47) - A report has already been presented to members outlining the proposed new facility. The Development will result in an increase in the Council's Bowering requirement of £4.76 million. The borrowing costs and associated income have been allowed for within the Business Case presented to members.

- Although capital expenditure is clearly separated from revenue spend within the council's budget, the use of capital resources has an impact on revenue in the following ways:-

  - The use of capital resources will result in a corresponding reduction in investment income.

  - Any borrowing will incur interest payments and minimum revenue provision which is charged as a "cost" to the Council's revenue budget

  - The creation of new assets will require running costs that will have to be funded from revenue sources.

- **Income Levels -** A significant proportion of council expenditure is financed from income from fees and charges. A number of these income streams are extremely volatile and depend on external factors such as take up, demand and local economic conditions. The most significant and sensitive changes in income levels include:

  - Planning fees - Whilst the council has seen a large increase in planning fees in the last two to three financial years, this income stream is highly dependent on both the housing and commercial market and therefore large "windfalls" often occur in times of prosperity. In addition to income received for planning fees, the council has seen significant costs for appeals against decisions taken by Planning Committee. In order to prudently budget for future costs, scenarios for appeal costs have also been considered in this Strategy.

- Car Parking - Going forwards, the level of income received from parking will be affected by the continued development of the town centre and new capital developments, therefore is variable based on those factors. This MTFS includes an increase of 10p in 2018/19.

- Refuse and Recycling Income - The council continues to charge for a number of refuse and recycling services such as trade waste and bulky waste.

- Garden waste charges continue to be a significant contribution, this MTFS assumes no increase in this charge over the period of the MTFS, but all fees and charges are reviewed annually.

- Rental Income - In addition to the council's current portfolio of industrial units, the MTFS considers the income currently known as due from Block C within the new town centre development.

- **Efficiencies -** In order to manage the council's financial position and to ensure ongoing resilience and value for money, the MTFS includes a number of initiatives such as centralisation of budgets, review of support services, and implementation of Channel Shift and utilisation of offices buildings, which may aid this position.

10.1 In addition to this, the following general assumptions will be used for all forecasts:

- RSG levels as outlined in the Spending Review, but expected to continue to reduce with zero allocation by 2020/21. No allowance has been included for the potential introduction of negative RSG in 2021/22 and 2022/23.
- The Collection Fund will be have a an average deficit of £88,000 after 2018/19
- There is no change to the Local Council Tax Scheme over the life of the MTFS.
- Pay increase compliant with the national agreement for 2018/19 and 2019/20 and 2% thereafter.
- 5% vacancy factor each year delivering and efficiency saving of £0.5m for 2018/19.
- 0.25% base rate for 2017/18.
- Retail Price Index of 3.9% for 2018/19 and 2.5% for the life of the MTFS.

11. <u>EXEMPTIONS IN ACCORDANCE WITH THE ACCESS TO INFORMATION PROCEDURE RULES</u>

11.1 Report to be taken in open session

12. <u>FINANCIAL IMPLICATIONS [AW]</u>

12.1 Contained in the body of the report.

13. LEGAL IMPLICATIONS [AR]

12.1 The MTFS provides the foundations to allow the Council to meet its statutory obligations in accordance with Section 32 of the Local Government Finance Act 1992 and section 25 of the Local Government Act 2003. The Council has a statutory requirement to set a budget for each financial year and approve the MTFS, including a three year capital programme.

13. CORPORATE PLAN IMPLICATIONS

13.1 A robust MTFS is required to ensure that resources are effectively allocated in order to ensure delivery of all of the aims, outcomes and targets included in the Council's Corporate Plan.

14. CONSULTATION

14.1 All members of the Strategic Leadership Team have been consulted in preparing this Strategy.

15. RISK IMPLICATIONS

15.1 It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

15.2 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.

15.3 The following significant risks associated with this report / decisions were identified from this assessment:

15.4 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 |
| That the Council has insufficient resources to meet its aspirations and cannot set a balanced budget | A budget strategy is produced to ensure that the objectives of the budget exercise are known throughout the organisation.<br><br>The budget is scrutinised on an ongoing basis to ensure that assumptions are robust and reflective of financial performance.<br><br>Sufficient levels of reserves and balances have been maintained to ensure financial resilience | A Wilson |

16. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

16.1 The budget process will impact on all areas of the Borough and all groups within the population.

17. CORPORATE IMPLICATIONS

17.1 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: None

Contact Officer: Ashley Wilson, Head of Finance, ext. 5609

Executive Member: Cllr M Hall

**Appendix 1- Detailed MTFS movements**

| 2018/19-2022/23 | 2017/2018 | 2018/2019 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|---|---|---|---|---|---|
| **FINANCIAL FORECAST** | | | | | | |
| | Budget | Budget | Forecast | Forecast | Forecast | Forecast |
| | £ | £ | £ | £ | £ | £ |
| **Net Service Expenditure** | 10,560,352 | 9,596,209 | 10,129,861 | 10,451,528 | 11,203,333 | 11,325,645 |
| ***Budget movements*** | | | | | | |
| **Fuel Savings/costs** | 40,800 | 0 | 1,224 | 1,261 | 1,299 | 1,337 |
| **Channel Shift savings** | (31,901) | 31,901 | | | | |
| **Fluctuations in subsidy income** | 23,720 | 0 | | | | |
| **Increase in legal fees/Infrastructure Cap and Housing needs** | | 50,000 | (50,000) | | | |
| **Building Control** | | 20,000 | 400 | 408 | 416 | 424 |
| **Development control income and regulation changes** | | (173,000) | (3,460) | (3,529) | (3,600) | (3,672) |
| **Investment of increased planning fees in service improvements and capacity** | | 60,000 | | | | |
| **Savings (VCS) income** | (35,000) | | | | | |
| **Efficiency savings from refuse collection and street cleansing** | | (201,820) | | | | |
| **Rent allowances** | | (20,000) | | | | |
| **Atkins Service Charge** | | (18,760) | | | | |
| **Car parks** | (9,190) | (89,000) | | 0 | | 0 |
| **Local Plan** | (35,000) | (54,500) | (22,000) | 184,000 | (168,000) | 0 |
| **Corporate Restructure** | (209,654) | 0 | | | | |
| **Rev and Bens - contributions** | (27,000) | 59,610 | 44,957 | 31,293 | 32,027 | 32,778 |

| 2018/19-2022/23 | 2017/2018 | 2018/2019 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|---|---|---|---|---|---|
| **Admin support grant changes** | | 10,000 | 19,000 | 10,000 | | |
| **Dry Recycling contract council** | | (72,000) | | | | |
| **Dry Recycling - move in house (Payroll pressure)** | (21,890) | 350,385 | | | | |
| **Dry Recycling - move in house (Vehicle pressure insurance, repair and fuel)** | | 112,985 | | | | |
| **Extra Waste Round & changes** | | 171,900 | (40,000) | | | |
| **Toilets being handed over to Market Bosworth Parish Council** | (12,980) | | | | | |
| **Hackney carriage drivers licence period to 3 years from one year.** | 13,760 | (13,810) | | | | |
| **NNDR Increase due to change in RV HBBC properties** | 44,500 | | | | | |
| **Street Lighting Costs** | 12,750 | | | | | |
| **Industrial estates -necessary contractual replacements and statutory remedial work** | 20,000 | | | | | |
| **To establish a maintenance budget for the Block C Crescent units** | 15,000 | | | | | |
| **Strategic growth budget approved by council** | 16,000 | | | | | |
| **Increase in general debt provision** | 14,710 | | | | | |
| **Parks - Removal of income budget as a result of the post transferring to NWL District Council** | 16,420 | | | | | |
| **Housing Repairs DSO** | | 45,000 | | | | |
| **Elections and related costs/ grant income** | | (15,000) | | | | |
| **Members allowances** | | 37,700 | 24,620 | | | |
| **Trade waste, Kerbside recycling and bulky items** | (34,000) | 98,300 | | | | |
| **Trade Waste additional net income** | | 6,000 | | | | |

| 2018/19-2022/23 | 2017/2018 | 2018/2019 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|---|---|---|---|---|---|
| **Garden Waste** | (133,048) | 0 | | | | |
| **Restructure costs** | (10,585) | 0 | | | | |
| **Block C Rentals/Service charges** | (28,245) | 39,630 | (57,128) | | | |
| **Removal of Leisure Centre Asset Maintenance Budget due to New Leisure Centre.** | (35,000) | 0 | | | | |
| **Leisure Centre income** | (531,130) | (108,200) | 3,100 | 76,838 | 10,611 | (68,213) |
| **Insurance costs** | | (24,000) | | | | |
| **Planning Site allocation savings from previous year** | (95,000) | 0 | | | | |
| **Expected additional contribution to reserves - section 31** | 17,735 | (650,378) | 33,046 | 109,405 | (22,094) | (26,732) |
| **Other small movements (less than or =£10k)** | 15,663 | 32,726 | 10,000 | 10,000 | 10,000 | 10,000 |
| **Estimated cost of Apprenticeship Levy** | 30,268 | 0 | | | | |
| **Pay cost increases (all elements, NI, Pensions and increments)** | 258,334 | 320,269 | 425,443 | 239,058 | 219,558 | 223,949 |
| **Community Planning Officer** | | 25,000 | 500 | | | |
| **Capacity requirements Feb 2017** | 90,000 | 0 | | | | |
| **B&B pressure -chance in legislation** | | 30,000 | | | | |
| **Inflationary increases** | | 122,198 | 125,253 | 128,384 | 131,594 | 125,250 |
| **Inflationary increases Fees and Charges** | | (76,753) | (78,672) | (80,639) | (82,655) | 78,670 |
| **Reduction in Bulky items collection** | | 31,200 | 936 | | | |
| **Strategic Growth plan** | | 28,289 | (28,289) | | | |
| **LCC Pension Lump Sum** | (186,751) | 64,070 | 64,880 | 65,700 | 66,531 | 67,361 |
| **Minimum wage and is 19 movement** | | 64,810 | | | | |
| **Capital Financing** | 279,511 | (93,670) | 11,000 | 10,000 | 10,000 | 10,000 |
| **Additional interest payable/(receivable)** | 20,060 | (25,233) | | | | |
| **Microsoft licences** | | 84,000 | | | | |

| 2018/19-2022/23 | 2017/2018 | 2018/2019 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|---|---|---|---|---|---|
| **ICT contract** | (36,000) | (51,320) | (50,000) | (14,000) | (3,000) | |
| **collection fund deficit** | (546,000) | 0 | | | | |
| **VCS / Town Centre support** | 75,000 | (35,000) | | | | |
| **HAC Contribution Reduction - Car Park** | 25,000 | 0 | | | | |
| **Middle Manager Training** | | 45,000 | (45,000) | | | |
| **Funding Combined authority** | 25,000 | 0 | | | | |
| **Waste Fleet and wider Fleet replacement** | | 315,123 | (4,877) | | | |
| **Development (Land off A47)** | | 0 | (63,266) | (16,375) | (80,374) | (34,249) |
| **Flexible Homeless Grant -Expenditure** | | 108,060 | | | | |
| **Flexible Homeless Grant - income** | | (108,060) | | | | |
| **NET Borough Budget Requirement** | 9,596,209 | 10,129,861 | 10,451,528 | 11,203,333 | 11,325,645 | 11,742,549 |
| **Pension adjustments** | (469,450) | (534,260) | (534,260) | (534,260) | (534,260) | (534,260) |
| **Contribution to Reserves** | 1,178,120 | 2,282,000 | 1,306,880 | 318,540 | 55,000 | 85,000 |
| **Transfer to DCF** | 301,000 | 499,000 | 0 | 0 | 0 | 0 |
| **Contribution from Reserves** | (462,246) | (1,067,811) | (422,300) | (1,056,000) | (987,275) | (827,351) |
| **Transfer from unapplied grants** | | 0 | | | | |
| **Additional contributions to/from reserves** | | | | | | |
| **Contribution to/( from) Balances** | 103,715 | (688,276) | 22,038 | (154,197) | (11,356) | (454,940) |
| **NET BUDGET/FORECAST EXPENDITURE** | 10,247,348 | 10,620,514 | 10,823,886 | 9,777,416 | 9,847,754 | 10,010,999 |
| ***% Increase in Net Budget Forecast/Expenditure*** | 16.33% | 15.39% | 15.31% | 15.37% | 15.14% | 10.35% |
| ***15% minimum balances*** | 1,537,102 | 1,593,077 | 1,623,583 | 1,466,612 | 1,477,163 | 1,501,650 |
| ***General Fund (Balances)*** | 1,673,347 | 1,634,649 | 1,656,687 | 1,502,490 | 1,491,134 | 1,036,195 |
| ***Amount above or below minimum balance*** | 136,244 | 41,572 | 33,104 | 35,878 | 13,971 | -465,455 |
| | | | | REBASE | | |
| ` | 2017/2018 | 2018/2019 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
| | Budget | Budget | Forecast | Forecast | Forecast | Forecast |

| 2018/19-2022/23 | 2017/2018 | 2018/2019 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| | 10,247,348 | 10,620,514 | 10,823,886 | 9,777,416 | 9,847,754 | 10,010,999 |
| | | | | | | |
| **Revenue Support Grant** | 753,927 | 437,461 | 83,975 | 0 | 0 | 0 |
| **Business rate growth (Baseline)P** | | | | | | |
| **National Non Domestic Rates** | 2,426,915 | 2,499,827 | 2,555,271 | 2,619,153 | 2,684,632 | 2,751,748 |
| **Growth - not including S31** | 514,784 | 1,192,997 | 1,299,076 | 523,596 | 534,643 | 548,009 |
| **Surplus from pilot/ post 18/19 either partial reset or transitional arrangements** | | | | | | |
| **Collection fund Deficit NNDR** | (370,688) | (300,536) | (181,854) | (181,854) | (181,854) | (181,854) |
| **Baseline transitional relief** | | 0 | 0 | 0 | 0 | 0 |
| **New Homes Bonus** | 2,793,740 | 2,570,833 | 2,696,201 | 2,219,799 | 2,019,511 | 1,908,172 |
| | | | | | | |
| **Collection Fund Surplus - Ctax** | 222,847 | 71,551 | 12,500 | 12,500 | 12,500 | 12,500 |
| **Council Tax Income** | 3,905,823 | 4,148,382 | 4,358,716 | 4,584,222 | 4,778,322 | 4,972,424 |
| | | | | | | |
| **Estimated Tax base** | 37,362 | 38,118 | 38,532 | 39,345 | 39,816 | 40,227 |
| **Estimated Band D Council Tax** | £104.54 | £108.83 | £113.12 | £116.51 | £120.01 | £123.61 |
| **Year on Year Increase in Council Tax** | | | | | | |
| **(i) Amount** | £4.29 | £4.29 | £4.29 | £3.39 | £3.50 | £3.60 |
| **('ii) Percentage** | 4.28% | 4.10% | 3.94% | 3.00% | 3.00% | 3.00% |
| | | | | | | |
| **SPECIAL EXPENSES** | | | | | | |
| **Net Budget Requirement B/Fwd** | 612,952 | 655,703 | 696,034 | 730,947 | 768,764 | 801,315 |
| **Inflationary increase** | 26,527 | 27,064 | 27,358 | 27,935 | 28,270 | 28,561 |
| **Revenue impact of salaries previously capitalised** | | | | | | |
| **Minor variances** | (44,979) | (45,755) | (47,128) | (48,541) | (49,998) | (51,498) |

| 2018/19-2022/23 | 2017/2018 | 2018/2019 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|---|---|---|---|---|---|
| **Contribution to/(from) Reserves** | 20,000 | 20,000 | 20,600 | 21,218 | 21,855 | 22,510 |
| **Contribution to/(from) Balances** | 60,063 | 65,000 | 66,950 | 68,959 | 71,027 | 73,158 |
| **Net Budget Requirement** | 674,563 | 722,011 | 763,814 | 800,517 | 839,918 | 874,046 |
| **Contributions from S106 Reserves** | (18,860) | (25,977) | (32,867) | (31,753) | (38,603) | (40,181) |
| | | | | | | |
| **NET BUDGET/FORECAST EXPENDITURE-Special Expenses** | 655,703 | 696,034 | 730,947 | 768,764 | 801,315 | 833,865 |
| **Estimated Tax base** | 37,362.00 | 38,118.00 | 38,531.80 | 39,345.00 | 39,816.40 | 40,226.90 |
| **Special Expenses Council Tax** | £17.55 | £18.26 | £18.97 | £19.54 | £20.13 | £20.73 |
| **Year on year increase in Special Expenses Council Tax** | | | | | | |
| **(I) Amount** | £0.71 | £0.71 | £0.71 | £0.57 | £0.59 | £0.60 |
| **(ii) Percentage** | 4.22% | 4.05% | 3.89% | 3.00% | 3.00% | 3.00% |
| | | | | | | |
| **Total Net Budget Requirement** | 10,903,050 | 11,316,548 | 11,554,833 | 10,546,180 | 10,649,068 | 10,844,864 |
| | | | | | | |
| **Tax base** | 37,362.00 | 38,118.00 | 38,531.80 | 39,345.00 | 39,816.40 | 40,226.90 |
| | | | | | | |
| **Council Wide Council Tax** | £122.09 | £127.09 | £132.09 | £136.05 | £140.13 | £144.34 |
| **Percentage Increase** | 4.27% | 4.10% | 3.93% | 3.79% | 3.68% | 3.57% |

**Appendix 2- Reserves**

| Reserves - year end closing balances | 31st March 2018 | 31st March 2019 | 31st March 2020 | 31 March 2021 | 31 March 2022 | 31 March 2022 |
|---|---|---|---|---|---|---|
| **Benefits Reserve** | 58,549 | 58,549 | 58,549 | 58,549 | 0 | 0 |
| **Hub Future Rental Management Reserve** | 350,000 | 400,000 | 425,000 | 425,000 | 375,000 | 350,000 |
| **Special Expenses Reserve** | 148,429 | 138,429 | 138,429 | 138,429 | 138,429 | 138,429 |
| **Local Plan Procedure** | 505,532 | 499,532 | 515,532 | 297,532 | 250,000 | 250,000 |
| **Business Rates Equalisation Reserve** | 2,058,056 | 2,093,351 | 2,793,351 | 2,243,351 | 1,632,351 | 1,000,000 |
| **Relocation Reserve** | 50,000 | 0 | 0 | 0 | 0 | 0 |
| **Year End Carry Forwards 2016/17** | 43,000 | 43,000 | 43,000 | 0 | 0 | 0 |
| **Maint Fund - Green Towers** | 25,000 | 30,000 | 35,000 | 40,000 | 45,000 | 50,000 |
| **Pensions Contribution** | 107,611 | 53,800 | 0 | 0 | 0 | 0 |
| **ICT Reserve** | 250,411 | 266,411 | 282,411 | 257,411 | 240,000 | 240,000 |
| **Waste Management Reserve** | 186,460 | 261,460 | 206,460 | 310,000 | 255,000 | 200,000 |
| **Asset Management Reserve** | 615,526 | 0 | 0 | 0 | 0 | 0 |
| **Planning Delivery Grant Reserve** | 17,783 | 17,783 | 17,783 | 17,783 | 0 | 0 |
| **Workforce Strategy Reserve** | 0 | 50,000 | 0 | 0 | 0 | 0 |
| **Election Reserve** | 122,005 | 80,005 | 30,005 | 30,005 | 30,005 | 60,005 |
| **Grounds Maintenance** | 133,295 | 0 | 30,000 | 30,000 | 30,000 | 30,000 |
| **Transformation** | 52,500 | 20,500 | 0 | 0 | 0 | 0 |
| **Enforcement and Planning Appeals** | 270,000 | 270,000 | 270,000 | 270,000 | 270,000 | 270,000 |
| **Earl Shilton Toilets** | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| **Building Maintenance costs** | 388,120 | 588,120 | 660,000 | 650,000 | 570,000 | 505,000 |
| **Minor Capital Projects** | 0 | 175,000 | 140,000 | 105,000 | 70,000 | 35,000 |
| **Hinckley Community Development Fund** | 0 | 350,000 | 200,000 | 0 | 0 | 0 |
| **PCIF reserve (Future Top up pressure)** | 0 | 375,000 | 250,000 | 125,000 | 0 | 0 |
| **Developing Communities Fund** | 962,980 | 750,000 | 600,000 | 350,000 | 350,000 | 350,000 |
| **Total** | **6,445,258** | **6,620,941** | **6,795,521** | **5,448,061** | **4,355,786** | **3,578,435** |

**Appendix 3 - Strategic Financial Objectives**

- The Council should allocate resources to services in line with the Corporate Aims and Ambitions
- Ensure regular monitoring of actual spend against budget to assess outcomes and inform the Performance Management Framework
- The Council must search for new sources of funding to support its activities and maximise opportunities from emerging economic initiatives such as City Deals and Local Growth Funds
- To review the scale of fees and charges at least annually
- To optimise the financial return on assets and ensure capital receipts are obtained where appropriate opportunities arise
- Capital expenditure is properly appraised
- When funding the Capital Programme, all funding options are considered
- To review levels and purpose of Reserves and Balances
- To maintain sustainable Council Tax increases
- To increase efficiency savings and generate funding through shared services and collaborative working