



## Hinckley & Bosworth Borough Council

### FORWARD TIMETABLE OF CONSULTATION AND DECISION MAKING

FINANCE & PERFORMANCE/  
SCRUTINY COMMISSION  
COUNCIL

1 FEBRUARY 2018

22 FEBRUARY 2018

WARDS AFFECTED:

ALL WARDS

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### 2018/19 GENERAL FUND BUDGET

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#### Report of Head of Finance

##### 1. PURPOSE OF REPORT

1.1 To seek approval of the 2018/19 General Fund Revenue Budget.

1.2 The General Fund revenue budget has been prepared taking into account the capital and HRA budgets. The capital and HRA budgets are presented separately but should be read in conjunction with this report.

##### 2. RECOMMENDATION

2.1 That the following are recommended for the Council to approve:

- The General Fund budget for 2017/18 and 2018/19 shown in section 3.2
- The Special Expenses area budget for 2017/18 and 2018/19 shown in section 3.4
- The proposed movement in General Fund Reserves and balances for 2017/18 and 2018/19 shown in sections 3.14-3.19

##### 3. BACKGROUND TO THE REPORT

3.1 The General Fund Revenue budget for 2018/19 has been drawn up in accordance with the principles set out in the approved Budget Strategy and in accordance with the Medium Term Financial Strategy (MTFS) (presented earlier on this agenda). The key objectives of the budget can be summarised as follows:

- To align expenditure on services to the Council's Corporate Plan.
- To provide for reductions in government grant funding for 2018/19 and future years.

- To encourage identification of savings and income generation opportunities across the Council.
- To take decisions which will maintain acceptable and viable levels of General Fund balances and reserves to make provisions for known future funding and expenditure pressures.
- To maintain an acceptable and viable level of balances in the Special Expenses Area.
- To keep the overall increase in average Band D Council Tax (including Special Expense Area) to £5 as allowed by the December 2015 proposed financial settlement.
- To ensure that the Council has acceptable level of reserves for future pressures and development opportunities.
- To keep the charge for garden waste at £24 as agreed in the 2016/17 budget.

### **Budget Summary**

3.2 The original budget for 2017/18, revised budget for 2017/18 (based on November 2017 outturn) and the proposed budget for 2018/19, are set out below. Total service expenditure is budgeted to increase by £412,748 compared against the revised budget (3.46%) and net budget requirement increase by £373,166.

|                                              | Original Estimate<br>2017/18 | Revised Estimate<br>2017/18 | Original Estimate<br>2018/19 |
|----------------------------------------------|------------------------------|-----------------------------|------------------------------|
|                                              | £                            | £                           | £                            |
| <b>Support Services</b>                      | 173,370                      | 333,522                     | 189,460                      |
| <b>Corporate Services</b>                    | 2,742,559                    | 2,619,314                   | 2,694,291                    |
| <b>Community Services</b>                    | 2,258,384                    | 2,473,186                   | 2,168,588                    |
| <b>Environment &amp; Planning</b>            | 6,446,696                    | 6,510,548                   | 7,276,979                    |
| <b>Further Savings in Year</b>               |                              | (20,000)                    |                              |
| <b>Total service expenditure (Net)</b>       | <b>11,621,009</b>            | <b>11,916,570</b>           | <b>12,329,318</b>            |
| <b>Less:</b>                                 |                              |                             |                              |
| <b>Special Expenses</b>                      | (588,870)                    | (591,870)                   | (599,040)                    |
| <b>Capital Accounting Adjustment</b>         | (1,751,250)                  | (1,751,250)                 | (1,940,970)                  |
| <b>Net external interest (received)/paid</b> | 315,320                      | 315,320                     | 340,553                      |
| <b>IAS19 Adjustment</b>                      | (473,330)                    | (473,330)                   | (538,140)                    |
| <b>Carry forwards from prior year</b>        | 0                            | (223,012)                   | 0                            |
| <b>Transfer to reserves</b>                  | 1,479,120                    | 1,639,120                   | 2,781,000                    |
| <b>Transfer from reserves</b>                | (462,246)                    | (443,666)                   | (1,067,811)                  |
| <b>Transfer from unapplied grants*</b>       |                              | (391,993)                   | 0                            |
| <b>Transfer to/(from) pensions reserves</b>  | 3,880                        | 3,880                       | 3,880                        |
| <b>Transfer to/(from) balances</b>           | 103,715                      | 649,579                     | (688,276)                    |
| <b>Business Rates Growth **</b>              |                              | (402,000)                   | 0                            |
| <b>HBBC Budget Requirement</b>               | <b>10,247,348</b>            | <b>10,247,348</b>           | <b>10,620,514</b>            |

*\*at the July 2017 Council meeting it was agreed that £391,993 of grant funding that has been allocated but not spent as at 31st March 2017 would be transferred to “unapplied grants and contributions”, to be spend during 2017/18. These Funds and approved have been released and hence expenditure in the revised budget is higher than the original budget.*

\*\* Additional business rates growth based on September forecasts. In year growth and future growth have been allowed for within the MTFs.

### Special Expense Area

3.3 This represents the cost of parks and cemeteries in the non-parished area of Hinckley. Whilst the cost will only fall on the residents of this area, the net expenditure is built into the service totals above and must be included in the Council's overall budget requirement for Council Tax purposes.

3.4 The proposed budgets for the Special Expenses area have been compiled in accordance with the approved Budget Strategy and the taking advantage of the £5 Council Tax rise under the 2016/17 settlement available to councils that have historically been kept in a low taxing position. A budget report was presented to the Hinckley Area Committee on the 16<sup>th</sup> January 2018.

|                                    | Original Estimate<br>2017/18<br>£ | Revised Estimate<br>2017/18<br>£ | Original Estimate<br>2018/19<br>£ |
|------------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
| <b>Expenditure</b>                 | 588,870                           | 591,870                          | 599,040                           |
| <b>Transfer to/(from) balances</b> | 65,693                            | 62,693                           | 99,695                            |
| <b>Transfer to/(from) reserves</b> | 20,000                            | 20,000                           | 20,000                            |
| <b>S106 Contributions</b>          | (18,860)                          | (18,860)                         | (22,700)                          |
| <b>Budget Requirement</b>          | 655,703                           | 655,703                          | 696,035                           |

3.5 Balances in the Special Expenses Area (SEA) are estimated as follows:

|                                             | £       |
|---------------------------------------------|---------|
| <b>Balance at 1st April 2017</b>            | 86,444  |
| <b>Transfer to/(from) Balances 2017/18</b>  | 62,693  |
| <b>Transfer to/(from) Balances 2018/19</b>  | 99,695  |
| <b>Estimated Balance at 31st March 2019</b> | 248,832 |

### Total Council Budget for 2018/19

3.6 The total overall budget for 2018/19 in the direct control of the Council is therefore:

|                                | Original Estimate<br>2017/18<br>£ | Revised Estimate<br>2017/18<br>£ | Original Estimate<br>2018/19<br>£ |
|--------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
| <b>HBBC Budget Requirement</b> | 10,247,348                        | 10,247,348                       | 10,620,514                        |

|                                                    |                   |                   |                   |
|----------------------------------------------------|-------------------|-------------------|-------------------|
| <b>Special Expenses Budget Requirement</b>         | 655,703           | 655,703           | 696,035           |
| <b>Total Council Controlled Budget Requirement</b> | <b>10,903,051</b> | <b>10,903,051</b> | <b>11,316,549</b> |

#### Revised Budget 2017/18

3.7 The original budget for 2017/18 has, in accordance with the Council's Financial Procedures, been revised during the year to take account of approved supplementary budgets and virements. These budget changes are summarised below :-

|                                                                      | £              |
|----------------------------------------------------------------------|----------------|
| <b>Additional Service Budgets Approved</b>                           | 936,161        |
| <b>Of Which Agreed at Council July 17:</b>                           |                |
| <b>Amounts funding prior commitments</b>                             | 325,432        |
| <b>Amounts funding prior year commitments form prior year grants</b> | 411,993        |
|                                                                      |                |
| <b>In year Supplementary Budgets</b>                                 | <b>198,736</b> |
|                                                                      |                |

After allowing for the budget movements in the above table, section 3.2 identifies that additional savings of £644,000 have been identified to November 2017. The key movements leading to this variance have been detailed below:

|                                                                                                                                                                                                                                                                                                                                              | Saving/(Over Spend) *<br>£ |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| <b>“Section 31 grant” income, designed to reimburse for changes in Business Rates. The level of this grant that may be retained by the Council will not be known until year end and therefore this grant has been placed in the Business Rates pooling reserve until this point including Discretionary funding for Business Rate Relief</b> | 291,000                    |
| <b>Homelessness prevention underspend due to demand.</b>                                                                                                                                                                                                                                                                                     | 50,000                     |
| <b>Additional income from recovery of Housing Benefit Overpayments and new burdens income.</b>                                                                                                                                                                                                                                               | 79,000                     |
| <b>Additional Trade Waste income</b>                                                                                                                                                                                                                                                                                                         | 62,000                     |
| <b>Additional income from Street Cleansing and Penalty Notices</b>                                                                                                                                                                                                                                                                           | 26,000                     |
|                                                                                                                                                                                                                                                                                                                                              |                            |
| <b>Additional Development Control Income</b>                                                                                                                                                                                                                                                                                                 | 40,000                     |
| <b>Local Plan Consultancy Expenditure rephrased to 2018/19</b>                                                                                                                                                                                                                                                                               | 78,000                     |
| <b>Estimated Year end salary (over)/under spend</b>                                                                                                                                                                                                                                                                                          | 20,000                     |

- An additional amount of £160,000 has been set aside in reserves to fund the purchase of Council's Fleet in 2018/19.

### **Original Budget 2018/19 – assumptions and process**

3.8 The 2018/19 General Fund revenue budget has been prepared following a robust budget process outlined in the 2018/19 Budget Strategy. The table below gives the overall savings and pressures included in the 2018/19 budget.

|                                                                             | Pressures        | Income/<br>Savings | Net            |
|-----------------------------------------------------------------------------|------------------|--------------------|----------------|
| Forecast                                                                    | £                | £                  | £              |
| 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         |
| 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 Business Rate growth/reliefs ( – 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                                                          | 23,500           | (78,000)           | (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                                                  | 0                | (173,000)          | (173,000)      |
| Planning & Development regeneration investment                              | 60,000           | 0                  | 60,000         |
| Car parks                                                                   | 0                | (89,000)           | (89,000)       |
| Items less than £50k individually *                                         | 415,830          | (197,293)          | 218,537        |
| Flexible Homelessness Grant                                                 | 108,060          | (108,060)          | 0              |
| <b>Closing General Fund Balance</b>                                         | <b>3,026,432</b> | <b>(2,493,300)</b> | <b>533,132</b> |

\* Please see Appendix 2 for details

- 3.9 The budget has been created with clear links to the Council's strategic and service objectives. Clarity of priorities has enabled cross-party members through the Scrutiny and Executive functions to prioritise the projects included in the Capital Programme. Although the Capital Programme is the subject of a separate report, it is important to note that there are links between capital and revenue (e.g. interest from capital receipts, interest on borrowing, staffing costs etc).
- 3.10 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. For contracts, an inflation rate of 3.9% has been used, unless otherwise specified within the terms of the specific contract.
- 3.11 The salaries and wages budget is the most significant element of the revenue budget. For pay costs, the 2018/19 have been based on the latest pension valuation and an agreed 2% pay award. This compares to the MTFS presented to Council in February 2017 which had an assumption of 1%. The Council operates a disciplined process of challenging recruitment and filling of posts and therefore a salary saving rate of 5% (General Fund and HRA) has been applied to posts to reflect the savings which will result from this challenge. This rate is unchanged from that used in 2017/18.
- 3.12 The Leicestershire Pension Fund was re-valued as at 31 March 2016 and a triennial valuation completed in accordance with statutory requirements. There is currently an actuarial deficit (i.e. the assets of the fund were less than those required to meet the long term liabilities in terms of benefits due to members). Whilst action is needed to remedy this position, the timescales involved mean that there is sufficient time to recover the position in a phased manner over a number of years and valuations. An Employers Contribution rate of 20.4% will be used with an additional 0.9% being included for Ill Health retirement insurance. In addition a lump sum value of £245,000 (£306,000 including HRA) is payable to the Local Government Pension Scheme which is contained in a corporate budget.

### **Original Budget 2018/19 – key issues and considerations**

- 3.13 In addition to service priorities, there are a number of wider issues, identified in the Budget Strategy and previously in the Medium Term Financial Strategy. A summary of these items and how they have been addressed in the budget is provided below.

#### **Balances**

- 3.14 The Council has previously maintained a general fund balance of 10% of the general fund budget requirement. Historically, the Council's income from Central Government has been relatively fixed. (i.e. the financial settlement set the amount of RSG, Business Rates Income and New Homes Bonus). The method of funding local government services has changed and continues to change. RSG is reducing, the Council's element of New Homes Bonus income is also reducing and the amount of Business Rates funding is becoming more variable. To manage this risk it is recommended that the Council works towards a 15% of the Council's Budget is set aside as a balance. The change will not impact on service delivery and the MTFS will demonstrate that the Council ensures service delivery and financial stability over next 5 years.
- 3.15 The Council therefore has the following policies relating to levels of balances and reserves for 2018/19:

- To maintain an average general balances (non-earmarked) at a minimum of 15% of Hinckley & Bosworth Borough Council's budget requirement in 2018/19. Based on the forecast position for 2018/19 this would determine a need for £1,593,671 of General Fund balances. The same discipline is also applied to the Special Expense Area.
- Where possible, all actual service under-spends and excess balances should be transferred to earmarked reserves to plan for specific future costs or financial risks.
- There should be no direct contribution from revenue to capital except for specific identified projects.
- Any notional surplus/deficit earned/incurred by the Direct Service Organisations will be transferred to/from General Fund balances. Any such balance on the Housing Repairs DSO account is transferred to/from the Housing Repairs Account held within the Housing Revenue Account.

3.16 The projected movement of the General Fund Balances is detailed below and indicates that sufficient balances are forecast as at 31<sup>st</sup> March 2018 and 31<sup>st</sup> March 2019. Other movement in balances for 2017/18 will be confirmed at year end and considered as part of future review of reserves.

|                                                 | Total        | General Fund | Special Expenses |
|-------------------------------------------------|--------------|--------------|------------------|
|                                                 | £'000        | £'000        | £'000            |
| <b>Balances at 1 April 2017</b>                 | 1,762        | 1,676        | 86               |
| <b>Amount Taken to /(from) Balances 2017/18</b> | 713          | 650          | 63               |
| <b>Balances at 31 March 2018</b>                | 2,475        | 2,326        | 149              |
| <b>Amount Taken to/(from)Balances 2018/19</b>   | (588)        | (688)        | 100              |
| <b>Balances at 31 March 2019</b>                | <b>1,887</b> | <b>1,638</b> | <b>249</b>       |
| <b>Net Budget Requirement</b>                   | 11,317       | 10,621       | 696              |
| <b>Minimum Balance requirement</b>              | 1,697        | 1,593        | 104              |
| <b>Surplus Balance</b>                          | 190          | 45           | 145              |

#### Earmarked Reserves

3.17 Appendix 1 provides a summary of earmarked General Fund reserves together with estimated movements during 2017/18 and 2018/19. Additional contributions from Reserves to General Fund expenditure are summarised below and will require approval:

| Reserve                       | Transfer from 2017/18 £ | Transfer from 2018/19 £ | Use                                                                                                                              |
|-------------------------------|-------------------------|-------------------------|----------------------------------------------------------------------------------------------------------------------------------|
| <b>Local Plan Reserve</b>     |                         | 106,000                 | <b>All costs associated with production of Local Plan documents are funded from a dedicated reserve set up for this purpose.</b> |
| <b>Business Rates Reserve</b> |                         | 350,000                 | <b>To be set aside to dampen fluctuations in Business Rates</b>                                                                  |

|                                   |  |         |                                                                                  |
|-----------------------------------|--|---------|----------------------------------------------------------------------------------|
| <b>Relocation Reserve</b>         |  | 50,000  | <b>Current level of balance not required.</b>                                    |
| <b>Pension Reserve</b>            |  | 53,811  | <b>Use to offset additional costs arising from the pension liability.</b>        |
| <b>ICT Reserve</b>                |  | 84,000  | <b>To fund cost of Microsoft Licences</b>                                        |
| <b>Transformation</b>             |  | 32,000  | <b>To fund ongoing ICT transformation changes.</b>                               |
| <b>Election Reserve</b>           |  | 42,000  | <b>To fund changes costs of Electoral registration.</b>                          |
| <b>Waste Management Reserve</b>   |  | 175,000 | <b>Cover additional cost of new fleet</b>                                        |
| <b>Workforce Strategy Reserve</b> |  | 175,000 | <b>Smooth payroll pressures arising from December 2017 pay settlement offer.</b> |

3.18 The following additional transfers to reserves require approval by Council:

| <b>Reserve</b>                              | <b>Transfer to 2017/18 £</b> | <b>Transfer to 2018/19 £</b> | <b>Use</b>                                                                                                                                                                                     |
|---------------------------------------------|------------------------------|------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Building Maintenance Reserve</b>         |                              | 200,000                      | <b>To set aside funds for future maintenance costs as significant pressures have been identified in the stock condition survey.</b>                                                            |
| <b>Developing Communities Fund</b>          |                              | 499,000                      | <b>To support projects or activity aimed at improving efficiency and invest to save schemes.</b>                                                                                               |
| <b>Hub Future Rental Management Reserve</b> |                              | 50,000                       | <b>In July 2015 Council endorsed that this reserve should be reinstated in future years as a contingency for any fluctuations in rental costs/income at the Hinckley Hub.</b>                  |
| <b>Business Rates Equalisation Reserve</b>  |                              | 385,295                      | <b>To be set aside to dampen fluctuations in Business Rates</b>                                                                                                                                |
| <b>Local Plan Procedure</b>                 | 78,000                       | 100,000                      | <b>As outlined in the Medium Term Financial Strategy, contributions will be made to the Local Plan Reserve annually in order to fund the costs of producing the documents within the Plan.</b> |
| <b>Carry Forward Reserve</b>                | 43,000                       |                              | <b>Reduction on requirement due to expenditure being capitalised.</b>                                                                                                                          |
| <b>Waste Management Reserve</b>             |                              | 250,000                      | <b>Additional amount to be set aside to fund future fleet costs</b>                                                                                                                            |
| <b>Workforce Strategy Reserve</b>           |                              | 225,000                      | <b>Smooth future payroll pressures arising from December 2017 pay settlement offer</b>                                                                                                         |
| <b>Minor Capital Projects</b>               |                              | 175,000                      | <b>Set aside for future Council led Community based capital projects</b>                                                                                                                       |
| <b>Hinckley Community Development Fund</b>  |                              | 350,000                      | <b>Community Development Fund for Hinckley</b>                                                                                                                                                 |
| <b>PCIF Reserve</b>                         |                              | 375,000                      | <b>Set aside to fund additional</b>                                                                                                                                                            |



|                                        |  |         |                                                                |
|----------------------------------------|--|---------|----------------------------------------------------------------|
|                                        |  |         | <b>anticipated demand for PCIF projects.</b>                   |
| <b>Grounds Maintenance</b>             |  | 66,705  | <b>Additional amount set aside to fund Machinery purchase.</b> |
| <b>Maintenance Fund - Green Towers</b> |  | 5,000   | <b>Reserve set aside to fund future costs at Green Towers.</b> |
| <b>ICT Reserve</b>                     |  | 100,000 | <b>Set aside to fund ICT requirements</b>                      |

Additionally, ensure that the reserve titles are more closely aligned to expenditure use it is recommend that the Project Management Masterplan reserve is renamed as The Asset Management Reserve.

3.19 Based on these calculations, it is estimated that the Council will hold £6.445 million in earmarked reserves as at 31<sup>st</sup> March 2018 and £6.620 million at 31<sup>st</sup> March 2019. This amount excludes any “unapplied grants and contributions” which are treated as earmarked reserves in accordance with accounting regulations but relate to specific grants where conditions have not yet been met.

#### Local Government Finance Settlement

3.20 The Council’s budgets are highly sensitive to changes in the finance settlement and Government policy. The funding for this Council announced in the 2018/19 Local Government Finance Settlement, along with additional elements of financing are detailed below:

|                                                               | 2017/18<br>Orig<br>Budget | 2018/19<br>Orig<br>Budget | Mvt              |
|---------------------------------------------------------------|---------------------------|---------------------------|------------------|
|                                                               | £                         | £                         | £                |
|                                                               |                           |                           | Incl/(Dec)       |
| <b>Revenue Support Grant</b>                                  | 753,927                   | 437,461                   | (316,466)        |
| <b>National Non Domestic Rates</b>                            | 2,426,915                 | 2,499,827                 | 72,912           |
| Core Funding                                                  | <b>3,180,842</b>          | <b>2,937,288</b>          | <b>(243,554)</b> |
| <b>Additional Business Rates Growth (excluding S31 grant)</b> | 514,788                   | 1,192,997                 | 678,209          |
| <b>New Homes Bonus</b>                                        | 2,793,740                 | 2,570,833                 | (222,907)        |
| <b>Net Collection Fund Surplus / (Deficit)</b>                | (147,845)                 | (228,986)                 | (81,141)         |
| <b>Council Tax payer</b>                                      | 3,905,823                 | 4,148,382                 | 242,559          |
| <b>Total Financing</b>                                        | <b>10,247,348</b>         | <b>10,620,514</b>         | <b>373,166</b>   |

3.21 The following points should be noted:

- The reduction in core funding for the Council is £243,554 (7.66%).
- The Settlement for the RSG element is in line with four year settlement which is based on the Councils efficiency plan.
- None Core funding has covered the reduction noted above, largely through business rates growth leading to an overall increase of £373,166.

### Business Rates Retention and Pooling

- 3.22 The Council's NNDR1 form forecasts the level of Business Rates expected to be collected by the Council in year, after taking into account discounts, collection rates and appeals estimates. Of the total income forecast, 50% is paid to central government. The remaining 50% (locally retained share) is shared between the Borough and preceptors.

The retained business rates of this Council are subject to a tariff set out in the 2018/19 Local Government Finance Settlement (£9,222,943). Any growth over a set baseline (£2,499,827) is subject to a "levy" payment which is paid using the same proportions indicated above. The settlement announced that a safety net threshold for all Councils of 7.5%. On this basis, this Council would need to lose £2,312,339 of Business Rates before a safety net payment will be made.

- 3.23 The NNDR1 form for this Council was approved by the Head of Finance (S151 officer) on 31<sup>st</sup> January 2018.

- 3.24 The accuracy of these forecasts will be monitored on a regular basis and will be validated only at year end as part of the completion of the NNDR3 form. Due to the volatility of the economy and continual changes in guidance in this area, retained business rates has been included based on returns submitted to DCLG.

- 3.25 The Local Government Finance Bill allows local authorities to form pools for the purposes of business rate retention. Practically, pooling means that levy payments on growth are made into a local pool rather than paid to Central Government. Correspondingly, losses will be funded from the pool. Under pooling, these net thresholds are set at a pool level (i.e. the total of all individual thresholds).

- 3.26 Budgeting for business rates is extremely difficult, given the level of volatility in the market and delays in processing of appeals and applications for relief. Ongoing monitoring will be performed of the position in year and reported to the Finance and Performance Committee quarterly. Significant levels of appeals have been lodged with the Valuation Office Agency (VOA), which if successful would have a significant impact on the Council.

### Implementation of a Local Council Tax Support Scheme (LCTS)

- 3.27 From a financing point of view, the introduction of the LCTS had the result of reducing the council tax base for the Council, as income is only received for a proportion of those properties previously in receipt of Council Tax Benefit. LCC have requested that the scheme is reviewed. A report was presented as Executive Brief where members have indicated that this will remain unchanged so persons of working age are required to pay a minimum of 12% of their council tax liability. The caseload at the beginning of 2017 in receipt of LCTS is 5,837 households of which 3,102 are pensioners (who are protected and will continue to receive 100% support), with the remainder of 2,735 working age households will all lose some level of support under either of the reduced schemes.

### New Homes Bonus

- 3.28 New Homes Bonus was introduced in February 2011 and was designed to encourage housing growth by providing financial incentive for Councils and local people to accept new housing. The first awards were made in April 2011. For each additional new home built local authority currently receive six years of grant based on the council tax. This

will increase in amount each year as more new housing comes on stream. The scheme applies to new housing and empty properties brought back into use.

- 3.29 As part of the Governments Funding Allocation 2018/19 New Homes Bonus has been reduced from a 6 year basis to a five year basis in 2017/18 and then to a 4 year basis thereafter. Future withdrawal of any element of New Homes Bonus is a considerable risk to this Council and will be monitored and planned for in each annual update of the MTFS.

#### Future Income Increases

- 3.30 Members will recall that from 2016/17, the Council will also be in receipt of Management Fees from the provider of the new leisure centre. The table below summaries the net management fee. This income has already been allowed for within the MTFS:

|                      | 2017/18 | 2018/19 | 2019/20 |
|----------------------|---------|---------|---------|
| Net Management Fee £ | 313,027 | 309,927 | 233,089 |

- 3.31 The 2018/19 budget should be read in conjunction with the Council's Fees and Charges book for 2018/19, which is also agreed by Council. This document reflects the annual review of all Council income streams and any variations in charging regimes. Major Fee changes are summarised below:-

- An increase in pay and display car parking charges
- An average 20% increase in Planning Fees (announced in the local government finance settlement.)

#### Leicestershire Revenues and Benefits Partnership

- 3.32 The budget for the Leicestershire Revenues and Benefits Partnership (the Partnership) was approved by the Partnership Joint Committee on 25<sup>th</sup> January 2018. The total cost of the Partnership is split between Hinckley and Bosworth Borough Council, Harborough District Council and North West Leicestershire District Council based on a percentage rate which reflects the case load dealt with by the Partnership. The resulting estimated contributions for 2018/19 are detailed below. The contribution for this Council has been included within the General Fund budget and reflects an increase of £52,060 compared to 2017/18:

|                                         | HBBC<br>£        |
|-----------------------------------------|------------------|
| <b>2018/19 Contribution</b>             | <b>1,340,580</b> |
| <b>2017/18 Contribution</b>             | 1,288,520        |
| <b>Difference – Increase/(Decrease)</b> | 52,060           |

#### Investment (Income/Costs)

- 3.33 In recent years the country has faced unprecedented levels of public sector borrowing which had reached a peak of 11.0% of Gross Domestic Product (GDP) in 2009/10. The Government continues to emphasise a need to reduce borrowing which consequently impacts the level of resources available to the sector.

- 3.34 The Base Rate is currently 0.5%; this level has been assumed in the 2018/19 budget to ensure that a prudent level of investment income is assumed.
- 3.35 Conversely, the Council is able to borrow from the Public Works Loan Board (PWLb) to fund the Capital Programme. Loans are acquired at preferential rates from this source which reduces the level of interest payable from the General Fund.
- 3.36 Net interest cost for this Council have been estimated at £340,533 and is based on a cash flow and borrowing forecast.

#### Major Projects

- 3.37 Appropriate provision has been made in the budget for the revenue consequences of the Council's major projects including:
- The Hinckley Bus Station Redevelopment - "The Crescent"
  - Hinckley Leisure Centre
  - Former Co-op site (Castle Street)

The full impact of these schemes is detailed in the Capital Programme.

#### Council Tax

- 3.38 The proposed financial settlement, published December 2015, had a clear break with the prior position of requiring Councils to seek to set a zero increase in council tax where possible for the years of the Spending Review of 2010. On this basis Freeze Grants are no longer offered to incentivize Councils to not increase their tax levels. For 2018/19 the financial settlement offers 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 continue to levy a £5 increase.

#### Medium Term Financial Strategy

- 3.39 The current budget proposed for 2017/18 has managed to achieve a budget position that is better than forecast due to the identification of savings and income being higher than expected, particularly for retained business rates growth. However, given the significant changes in Local Government Financing and locally for the Council since this time, the 2018/19 budget should be considered in light of the MTFs, which indicates that the next three years after 2018/19 are significantly pressured due to the assumptions made in relation to potential changes in Government financing, of which full details are not yet available. As a consequence, Members are advised strongly to take steps to mitigate those pressures as early as possible – starting in 2019/20, in order to avoid even greater pressures in later years. Delays in implementing the measures set out in this report will only serve to increase the gap between expenditure and income over the subsequent four years beyond the capability of this Council to address, without service reductions. Members should note, failure to set a balanced MTFs that maintains the financial position of the Council could lead to our auditors qualifying the VFM conclusion.

#### 4. EXEMPTIONS IN ACCORDANCE WITH THE ACCESS TO INFORMATION PROCEDURE RULES

- 4.1 Report to be taken in open session.

5. FINANCIAL IMPLICATIONS [IB]

5.1 Contained within the body of the report.

6. LEGAL IMPLICATIONS [AR]

6.1 Section 25 of the Local Government Act (2003) requires the Section 151 officer to report on the robustness of the estimates made within the budget and the adequacy of the financial reserves. This report meets that obligation.

7. CORPORATE PLAN IMPLICATIONS

7.1 A robust General Fund Budget 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.

8. CONSULTATION

8.1 None.

9. RISK IMPLICATIONS

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

9.2 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.

9.3 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                     |
| 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.                                                     | Strategic Leadership Team |
|                                                                                                                                           | The budget is scrutinised on an ongoing basis to ensure that assumptions are robust and reflective of financial performance.                                                  | Strategic Leadership Team |
| That decisions made for 2017/18 are made in isolation from the Medium Term Financial Strategy and the pressures set out in that strategy. | Decisions are made which provide costed reassurance that sufficient levels of reserves and balances are maintained to ensure financial resilience over the period of the MTFS | Council                   |
| That the MTFS has no robust and costed plan to ensure                                                                                     | Decisions are made which provide costed reassurance that sufficient                                                                                                           | Council                   |

|                                                                                                          |                                                                                                           |  |
|----------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|--|
| sustainability, resulting in public criticism on value for money from the internal and external auditors | levels of reserves and balances are maintained to ensure financial resilience over the period of the MTFS |  |
|----------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|--|

10. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

10.1 This budget ensures that value for money services can be delivered to all residents and communities within the Borough.

11. CORPORATE IMPLICATIONS

11.1 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

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