



**Hinckley & Bosworth
Borough Council**

Forward timetable of consultation and decision making

Scrutiny Commission	4 February 2021
Council	23 February 2021

Wards affected: All

2021/22 GENERAL FUND BUDGET

Report of Head of Finance

1. Purpose of report

- 1.1 To seek approval of the 2021/22 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 2020/21 and 2021/22 shown in section 3.2
 - The Special Expenses area budget for 2020/21 and 2021/22 shown in section 3.6
 - The proposed movement in General Fund Reserves and balances for 2020/21 and 2021/22 shown in sections 3.16-3.22

3. Background to the report

- 3.1 The General Fund Revenue budget for 2021/22 has been drawn up in accordance with the principles set out in the Budget Strategy. 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 2021/22 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 ensure that the Council has acceptable level of reserves for future pressures and development opportunities.

Budget Summary

3.2 The current administration have taken difficult decisions in the face of uncertainty to ensure that pressures are addressed, but that these actions are proportionate and balanced with the high level of uncertainty of having only a one year financial settlement. In summary these actions are:

- a £5 increase in Council Tax for 2021/22 (which should still leave us in the bottom 15 lowest charging District Councils)
- a £6 increase in Garden Waste, to £30 (Still the lowest of the six charging councils in Leicestershire)
- Director led savings of £0.5m to be delivered of 2021/22 to 2022/23(including savings to the HRA)
- No recurring supplementary requests.

3.3 The original budget for 2020/21, revised budget for 2020/21 and the proposed budget for 2021/22, are set out below. The change in the net service expenditure in 2020/21 is explained in section 3.9 below. Overall an additional £105,047 is budgeted to be transferred to balances in 2021/22. The S31 Collection Fund Support is additional income (mandated relief) that the government has given to set aside for future deficits they may arise as a result of the Covid-19. In accordance with government guidance this will be set aside into a reserve to offset losses arising from the collection fund in future years. If this income is excluded in 2021/22 total service expenditure is budgeted to decrease by £639,271, compared against the original 2020/21 budget (a decrease of 4.4%).

	Original Estimate 2020/21	Revised Estimate 2020/21	Original Estimate 2021/22
	£	£	£
Support Services	13,800	169,180	80,700
Corporate Services	2,700,580	418,079	2,570,120
Community Services	3,093,900	4,929,160	2,757,520
Environment & Planning	8,735,732	9,292,047	8,496,901
Further (Savings) / growths	0	(460,000)	0
S31 Collection Fund Support *		(3,826,520)	3,826,520
Total service expenditure (Net)	14,544,012	10,521,946	17,731,761
Less:			
Special Expenses	(697,210)	(699,210)	(706,360)
Capital Accounting Adjustment	(1,922,220)	(1,922,220)	(1,405,340)
Net external interest (received)/paid	144,890	213,890	185,200

IAS19 Adjustment	(1,346,350)	(1,346,350)	(1,585,970)
Carry forwards from prior year	0	(229,008)	0
Transfer to reserves	1,954,000	2,454,000	660,000
Transfer from reserves	(2,380,033)	(2,363,552)	(280,912)
Transfer to (from) Collection Fund Reserve *	0	3,826,520	(3,826,520)
Transfer from unapplied grants	(157,082)	(260,581)	0
Transfer to/(from) balances	(43,487)	(98,915)	105,047
HBBC Budget Requirement	10,096,520	10,096,520	10,876,906

* The S31 Collection Fund support movement of £3.8m in the table above, is due to the accounting requirements of dealing with Collection Fund deficits until the next financial year in which they are created. HBBC had to give the retail relief to businesses and did not collect the business rates, this generated a deficit on the Collection Fund in 2020/21 to be recognised in 2021/22. HBBC Share being £3.8m, which was funded by Government in 2020/21 to keep the cash flow in order. However, Section 31 income goes into the General fund in 2020/21. This funding needs to be placed into a reserve of £3.8m in 2020/21 to offset the deficit created in the Collection Fund to be recognised in 2021/22. This means HBBC is neither worse nor better off in either year.

The major variations between the 2020/21 Original Estimate and the 2021-22 Original Estimate analysed by directorate are set out in the table below:-

	Variation
	£000's
<u>Support Services</u>	
Additional recharges out to services	66
Decrease in salary costs	(133)
Increase in pension cost	110
Depreciation and Capital Charges	(89)
Reduction in Postages	(10)
Consultancy Costs	31
Computer Support Costs	43
Other variations	49
Total	67
<u>Corporate Services</u>	
Net salary increases after allowing for pay inflation	12
Increase in pension cost	147
Depreciation and capital charges	(104)
Reduction in Support Services.	(172)
Change to NNDR Baseline Funding	(50)
Reduction in rental and service charge income	53
Other variations	(16)
Total	(130)
<u>Community Services</u>	
Net salary increases after allowing for pay inflation	48
Decrease in pension cost	(38)

Depreciation and capital charges (Mainly due to rephasing of DFG expenditure and grant)	(309)
Additional Recharges to services	(24)
Other variations	(13)
Total	(336)
<u>Environment and Planning</u>	
Redistribution of support costs	38
Increase in pension cost	119
Increased planning fees	(54)
Net income from increase in Garden Waste Charges	(222)
Reduction in local plan contribution	(96)
Reduction in Fuel Costs	(21)
Other variations	(8)
Total	(244)

Special Expense Area

- 3.4 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.
- 3.5 The key risks to the plans are that the level of Government support has been estimated and is therefore subject to change. Similarly some estimates for other sources of funding, such as capital receipts, may also be subject to change over this timescale. For instance anticipated asset sales may be postponed due to the poor condition of the property market.
- 3.6 The proposed budgets for the Special Expenses area have been compiled in accordance with an overall decrease in the Borough Council Tax Base of 0.7%. Details of the council tax base are included in the Council Tax report. Due to the adequacy of balances there will be no increase in Council Tax for Special Expenses.

	Original Estimate 2020/21	Revised Estimate 2020/21	Original Estimate 2021/22
	£	£	£
Expenditure	697,210	699,210	706,360
Transfer to/(from) balances	(278)	(2,278)	(9,045)
Transfer to/(from) reserves	78,500	78,500	78,500
S106 Contributions	(20,076)	(20,076)	(25,816)
Budget Requirement	755,356	755,356	749,999

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

	£
Balance at 1st April 2021	365,404
Transfer to/(from) Balances 2020/21	(2,278)
Transfer to/(from) Balances 2021/22	(9,045)
Estimated Balance at 31st March 2022	354,081

Total Council Budget for 2021/22.

3.8 The total overall budget for 2021/22 in the direct control of the Council is therefore:

	Original Estimate 2020/21	Revised Estimate 2020/21	Original Estimate 2021/22
2	£	£	£
HBBC Budget Requirement	10,096,520	10,096,520	10,876,906
Special Expenses Budget Requirement	755,356	755,356	749,999
Total Budget Requirement	10,851,876	10,851,876	11,626,905

3.9 The original budget for 2020/21 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 :-

	Outturn variances £000	Explanation
Additional budgets	534	To take into account latest contractual commitments
Forecast Outturn Movement	(341)	Estimated forecast variance from services
External Interest	69	Reduction in borrowing costs and additional investment income
Use of Reserves	(103)	Use of unapplied grants and contributions from prior years
Carry Forwards	(215)	Movements in Carry forwards.
Change in Outturn	56	Additional amount to be taken from General Fund balances

Explanations for variances against both profiled budget and estimated outturn have been detailed in the monthly outturn sent to FAP. The major service variations in excess of £50,000 have been summarised as follows:

Service	Description	£000 Pressure (Saving)
Covid 19 Related		
Homelessness	Bed & Breakfast including rough sleepers accommodation	150
Leisure Services	Leisure Centre management fees	936
Leisure Services	Additional contract support	508

Covid 19 Funding	Estimated income MHCLG Scale of Fees and Charges income Support	(880)
Covid 19 Funding	Additional Funding to support pressures on Council Services	(1,631)
Corp Services	Loss of Legal Fees income from recovery of Council Tax losses	100
Corp Services	Additional PPE and Covid 19 Support (e.g. food parcels, marshals and other compliance costs)	80
Corp Services	Additional Audit costs re Covid 19 grant payment process and increase in bad debt provision	75
Parks	Impact of delay in Crematorium build	80
Waste Management	Additional Agency to cover sickness, loss of income for trade waste, additional vehicle hire costs	98
Car Parks	Shortfall in Income	261
Waste Management	2 months garden waste income	130
	Other Covid 19 Loss across services less than £50k	115
Net impact of Covid 19 related variations		22
Non Covid 19		
Planning	Additional income from major Applications	(170)
General Fund	impact of 2.75 pay settlement (2% Budgeted) and salary variations due to Vacancy Factor	232

3.10 Additional movements in the year.

Apart from the movements reported above an additional £250,000 is expected from Scale of Fees and Charges compensation and £210,000 in Leisure support for additional impact resulting from Covid-19.

It has been assumed that additional Covid 19 support grants which are required to be paid out on behalf of central government will either be paid or any balances set aside to be returned back in accordance with legislative requirements. The table below summarises the allocations as at 5th January 2020.

Type	Grant name	Grant Award	Distributed	Balance
		£000	£000	£000
Businesses	Small Business Leisure and Hospitality	21,864	21,380	484
Businesses	LA Discretionary Grant Fund Business Support	1,068	1,068	0
Businesses	Covid19 - Local Restrictions Support Grant	1,341	625	716
Businesses	Additional Business Support	2,263	60	2,203
Individuals	Track and Trace Grant (payments to individuals)	86	26	60
	Total	26,622	23,159	3,463

In late January, additional containment funding of £192,000 was received via the County Council. Proposals to commit £183,000 are already in place.

Original Budget 2021/22 – assumptions and process

- 3.11 The original budget for 2020/21 has, in accordance with the Council's Financial Procedures, been revised during the year to take account of approved supplementary budgets and virements. These The 2021/22 General Fund revenue budget has been prepared following a robust budget process outlined in the 2021/22 Budget Strategy. The table below gives the overall savings and pressures included in the 2021/22 budget

	Pressures	Income/ Savings	Net	Description
	£	£	£	
Local Plan	0	(96,000)	(96,000)	Reprofile Local Plan - inspection moved back 1 year (funded from earmarked reserves)
Planning Policy	0	(2,550)	(2,550)	Reduction in Strategic growth costs
Finance	0	(4,000)	(4,000)	Finance transaction costs - reduction due to more internet transactions
Renewable Energy		(47,000)	(47,000)	Renewable Energy savings via Business Rates.
Waste Management	0	(177,000)	(177,000)	Increase in garden Waste Fees to £30
Waste Management	0	(18,000)	(18,000)	Additional income from Bulky Waste
Estates Management	6,800	(10,000)	(3,200)	Loss of rental from Industrial Units
Estates Management	68,018	0	68,018	Loss of rental from Block C
Enterprise Zone		(8,010)	(8,010)	Additional income from Enterprise Zone.
	0	(375,000)	(375,000)	Director Led Savings. Details in Appendix 2
Corporate Support	101,410	0	101,410	LCC Pension Lump Sum Cost
MHCLG Cyber Planning	190,000	(190,000)	0	Funding for security planning including backups and disaster recovery
Other Minor changes across Services		(95,517)	(95,517)	Other minor savings across services

Total	366,228	(1,023,077)	(656,849)
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- 3.12 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.).
- 3.13 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 around 1% in year, the application of 0% represents an effective saving on running costs. For contracts, an inflation rate of 1.5% has been used, unless otherwise specified within the terms of the specific contract.
- 3.14 The salaries and wages budget is the most significant element of the revenue budget. For pay costs, the 2021/22 estimates have been based on the latest pension valuation and a provisionally agreed pay structure. 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 2020/21.

Apart from the growths and savings list above, the following items have been included in the service budgets:-

Other pressures and savings 2021/22	Costs	Savings	Description
Statutory Accounting Adjustment Pensions	239,620		Pensions (reversed below line so no impact of balances)
Statutory Accounting Adjustment Capital		(499,840)	Impact of Depreciation & REFCUS reversed below the line so no impact on balances
Inflationary increases	131,000		Contractual inflation
Pay cost	180,750		£82k Additional inflationary increase of 0.75% in 2021 reflected in 2021/22 base and £68k for £250 increases for staff in lower bandings, £30k for climate change post funded from reserve.
Crematorium	21,560		Impact of Crematorium delay.
Leisure Centre Management Fee	14,950		Annual change in management fee.
MRP	20,720		Revenue cost of Capital financing via borrowing.
Interest	131,110	(90,800)	Increase in interest cost based on latest investment and borrowing rates. Investment rates have fallen from around 0.8% to 0.15%. This is offset by additional estimated income from additional lending to the enterprise zone.
Fees and Charges		(81,931)	Inflationary increases in income

Total	739,710	(672,571)
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3.15 The Leicestershire Pension Fund is re-valued 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 18.2% will be used with an additional 1% being included for Ill Health retirement insurance. In addition, a lump sum value of £672,780 (£786,070 including HRA) is payable to the Local Government Pension Scheme which is contained in a corporate budget.

Original Budget 2021/22 – key issues and considerations

3.16 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

3.17 The Council has a current policy of maintaining a general fund balance of 15% of the net 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. The New Homes Bonus income has also dramatically reduced due to new homes not being delivered as hoped. Business Rates funding is a variable source of income.

3.18 The Council therefore has the following policies relating to levels of balances and reserves for 2021/22:

- To maintain an average general balances (non-earmarked) at a minimum of 15% of Hinckley & Bosworth Borough Council's budget requirement in 2021/22. Based on the forecast position for 2021/22 this would determine a need for £1,632,000 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 additional 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

3.19 The projected movement of the General Fund Balances is detailed in the table below and indicates that sufficient balances are forecast as at 31st March 2021 and 31st March 2022. Other movement in balances for 2020/21 will be confirmed at year end and considered as part of future review of reserves.

	Total	General Fund	Special Expenses
	£'000	£'000	£'000
Balances at 1 April 2020	2,021	1,656	365
Amount Taken to /(from) Balances 2020/21	(101)	(99)	(2)
Balances at 31 March 2021	1,920	1,557	363
Amount Taken to/(from)Balances 2021/22	96	105	(9)
Balances at 31 March 2022	2,016	1,662	354
Net Budget Requirement	11,687	10,877	750
Minimum Balance requirement (15%)	1,745	1,632	113
Surplus Balance	271	30	241

Earmarked Reserves

- 3.20 Appendix 1 provides a summary of earmarked General Fund reserves together with estimated movements during 2020/21 and 2021/22. The tables below summarise the changes required to the current approved budget for 2020/21 and lists the approvals required in 2021/22.

Reserve	Transfer to 2020/21 £	Transfer to 2021/22 £	Use
Special Expenses Reserve	0	(110,000)	Set aside to fund future Heritage Action Zone capital costs
Local Plan Procedure	0	(50,000)	Set aside to fund future costs
Maintenance Fund - Green Towers	0	(5,000)	Set aside to fund future maintenance costs
Elections		(25,000)	Set aside to fund future costs
Earl Shilton Toilets	(2,358)	0	Tot write off reverse balance.
New Reserves			
S31 Collection Fund Reserve *	(3,826,520)		Set aside central govt funding for future collection fund deficits
Financial Support Reserve	(500,000)	(580,000)	To ensure general fund performance is maintained until savings are delivered in 2023/24
Total	(4,328,878)	(770,000)	

* The accounting requirements create a delay in dealing with Collection Fund deficits until the next financial year, but also produces an issue to be dealt with in the 2021/22 year. This is due to the methodology chosen by Central Government to provide Cash flow in 2020/21 to cover mandated retail reliefs to retail of £9.4m. As we had to give the retail relief to businesses and did not collect the business rates, this generated a deficit on the Collection Fund in 2020/21 to be recognised to 2021/22. HBBC Share being £3.8m. However, to keep cash flow the same Central Government gave the council funding under Section 31, which goes into the General fund in 2020/21. This funding needs to be placed into a reserve of £3.8m in 2020/21 to offset the deficit created in the Collection Fund in 2021/22.

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

Reserve	Transfer from 2020/21 £	Transfer from 2021/22 £	Use
Local Plan Procedure	(26,000)	74,792	Re-profiling of expenditure for use on local plan
Special Expenses Reserve	0	31,500	To fund Free Car Parking
Waste Management Reserve	0	78,337	Used to fund in year costs
ICT Reserve	0	80,000	used to fund in year ICT costs
Planning Delivery	0	17,783	Used to fund in year planning costs
Environmental Action Reserve	0	30,000	Use to fund salary cost
S31 Collection Fund	0	3,826,520	Write out prior year grant for collection fund deficit.
Total	(26,000)	4,138,932	

3.22 Based on these calculations, it is estimated that excluding the £3.826m for the S31 collection fund the Council will hold £7.163 million in earmarked reserves as at 31st March 2021 and £6.583 million at 31st March 2022. 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

3.23 The Council’s budgets are highly sensitive to changes in the finance settlement and Government policy. The funding for this Council announced in the 2021/22 Local Government Finance Settlement, along with additional elements of financing are detailed below:

	2020/21 Original Budget £	2021/22 Original Budget £	Mvt Inc/(Dec) £
National Non Domestic Rates	2,684,122	2,684,594	472
<i>Business Rates Growth</i>	1,281,677	1,638,272	356,595
<i>Lower Tier Support Grant</i>	0	429,409	429,409
<i>New Homes Bonus</i>	1,642,296	892,004	(750,292)
<i>Net Collection Fund Surplus / (Deficit)</i>	(15,461)	567,087	582,548
<i>Council Tax payer</i>	4,503,886	4,665,540	161,654
Total Financing	10,096,520	10,876,906	780,386

- 3.24 The following points should be noted:
- The reset of business rates has been delayed a further year, and
 - A reduction in New Homes Bonus Income of £0.8, mainly caused by a fall in the funding basis by Government due to the removal of legacy payments, but also a fall in the rate of increase in houses coming into use on the Council Tax base.

Business Rates Retention and Pooling

- 3.25 Leicestershire will remain in the pool for now, as the level of income fall due to Covid-19 is not expected to be great enough to require the pool to be suspended for 2021/22, but will be kept under review.
- 3.26 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. For 2021/22 HBBC will have a 40% tier which is approximately £13.7m, the table above gives the element retained once Tariff and Levy charges have been made.

The retained business rates of this Council are subject to a tariff of £9.6m as set out in the 2021/22 Local Government Finance Settlement. Any growth over a set baseline (£2.7m) is subject to a "levy" payment of £1.5m, which is paid to the business rates pool. The settlement announced that a safety net threshold for all Councils of 7.5%. On this basis, this Council would need to lose £2.5m of Business Rates before a safety net payment will be made.

- 3.27 The NNDR1 form which set out the final budgeted position for this Council will be approved by the Head of Finance (S151 officer) on 31 January 2021.
- 3.28 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.
- 3.29 Budgeting for business rates is 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.

New Homes Bonus

- 3.30 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.
- 3.31 The Financial settlement for 2021/22 see significant changes to NHB, as it moves towards being phased out with only legacy payments being made. This means that this funding will be removed between 2022/23 to 2023/24. The 2020/21 year is the last time legacy payments will be made based on four years of award, it will move to two years, then one year, then no further payments under the current procedures. The Government have noted they wish to introduce a more targeted funding, but have released no details of how this will work or what it will be based on. Any replacement is expected to be at a much reduced level on current. As a one off, due to Covid 19 a

payment of on years' award was agreed in 2021/22, but it will not attract any legacy payments going forward.

Leisure Centre Income

- 3.32 From 2016/17, the Council has been in receipt of Management Fees from the provider of the new leisure contract. The table below summarises the management fee. Due to the Covid-19 no management fee has been received in 2020/21. This is line with legal clauses relating to forced closures and potential losses on the contract that the provider faces. Of the £936k income loss in 2020/21 approximately £655k will be recovered via MHCLG's fees and charges compensation scheme for local authorities. An assumption has been made that normal services will resume from the 1st April 2021. This is not without some risk, but Central Government have agreed to continue the fees compensation scheme in quarter one of 2021/22, and to offer ongoing Covid-19 support in that quarter. Therefore, if there is any on-going support, it will be alleviated by this level of support. The fees and compensation scheme covers 75% of lost fees, and based on 2020/12 other income support to council is expected, but some risk remains as the future of leisure centres, like all businesses, depends on how successful the Government's actions to bring the pandemic under control.

	2020/21	2020/21 rev	2021/22
Net Management Fee £	935,810	0	920,860

- 3.33 The 2021/22 budget should be read in conjunction with the Council's Fees and Charges book for 2021/22, 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 in the Fees and Charges report.

Leicestershire Revenues and Benefits Partnership

- 3.34 The budget for the Leicestershire Revenues and Benefits Partnership (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 2021/22 are detailed below. The contribution for this Council has been included within the General Fund budget and reflects a targeted decrease of £50,000, if possible, compared to 2020/21:

	HBBC £
2021/22 Contribution (draft to be finalised)	1,298,170
2020/21 Contribution	1,348,170
Difference – Increase/(Decrease)	(50,000)

Investment (Income/Costs)

- 3.35 In recent years the country has faced unprecedented levels of public sector borrowing which had reached a peak in 2019/20 and has led the Public Works Loan Board (PWLB) to increase rates by 1% in 2020. In 2021 the government reduced this rate by 1% the government continues to emphasise a need to reduce borrowing which consequently impacts the level of resources available to the sector.

- 3.36 The Base Rate is currently 0.1%; this level has been assumed in the 2021/22 budget to ensure that a prudent level of investment income is assumed. Conversely, the Council is able to borrow from the 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.
- 3.37 Net interest cost for this Council have been estimated at £185,200 and is based on a cash flow and borrowing forecast. This allows for a net drop in income of £131,000 and additional income from the Enterprise Zone of £98,000. This increase in from the Enterprise Zone loan will only be achieved if an agreement is reached to invest. This has not yet been agreed, so there is some risk that this may not be realised.

Major Projects

- 3.38 Appropriate provision has been made in the budget for the revenue consequences of the Council's major projects including the crematorium.

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

Council Tax

- 3.39 For 2021/22 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. The General Fund budget is based on a £5 average band D and a £0 increase for HAC.

Medium Term Financial Strategy

- 3.40 The budget proposed for 2021/22 is achieving the target of 15% agreed by members and has earmarked reserves of £6.5m, which is just under the forecast position last year of £6.8m. The general fund balance is forecast to be £1.7m. Therefore, the Council can achieve its financial targets for the 2021/22. However, given the significant changes in Local Government Financing, the 2021/22 budget should be considered in light of the MTFS, which indicates that the years after 2021/22 will be subject significant pressures due to the long awaited fair funding review. Directors have identified savings and to date an additional £375,000 has been budgeted for. As previously mentioned these are attached in Appendix 2. 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, as part of their VFM review they will consider the savings and increased income of £0.96m included for 2023/24 included in our current forecast. As long as there is a robust plan in place to be delivered if needed, then it is not expected that a qualification would be made.

4. Exemptions in accordance with the Access to Information procedure rules

- 4.1 Report taken in open session.

5. Financial implications [IB]

- 5.1 Contained in the body of the report

6. Legal implications [MR]

- 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.

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.

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.

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. The budget is scrutinised on an ongoing basis to ensure that assumptions are robust and reflective of financial performance.	Strategic Leadership Team Strategic Leadership Team
That decisions made for 2020/21 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 sustainability, resulting in public criticism on value for money from the internal and external auditors	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

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. Climate implications

11.1 There are no direct implications arising from this report

12. Corporate implications

12.1 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
-

Background papers: None

Contact officer: Ilyas Bham, Accountancy Manager x5924
Executive member: Cllr K Lynch