



**REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE  
DIRECTION)**

**RE: BUDGET STRATEGY 2015/2016**

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1. **PURPOSE OF REPORT**

- 1.1 To review the proposed Budget Strategy for 2015/2016 ahead of formal approval by Council.

2. **RECOMMENDATION**

- 2.1 That the committee consider the Budget Strategy 2015/2016 ahead of formal approval.

3. **BACKGROUND TO THE REPORT**

**Financial Outlook and the Medium Term Financial Strategy**

- 3.1 This Budget Strategy is presented within an overall national scene of reduced central government funding and the drive towards greater financial localism. The ongoing impact of austerity measures enacted by Government means that local government budgets have been and will continue to be radically reduced due to cuts in central government funding and local reductions in traditional income streams. Changes in local government financing mean that significant risks of funding of local services have been passed over by central government to local government through the changes to business rates retention (BRR), localisation of council tax support (LCTS) and New Homes Bonus. That said, guidance in these areas is ever changing, making it difficult for authorities to reliably forecast or pre-empt financing arrangements going forward.
- 3.2 When members set the council tax for 2015/2016, the Deputy Chief Executive (Corporate Direction) as the Council's section 151 officer will have a duty under Part II of the Local Government Act to report on the robustness of the budget and the adequacy of reserves in providing quality services. This Strategy aims to provide a framework that will provide for this robustness but at the same time allows the flexibility to react to changes and opportunities should they arise.
- 3.3 The 2015/2016 draft settlement indicates that "core" settlement funding for this Council will reduce in the forthcoming year by almost 16%. Whilst the majority of this reduction **should** be recouped by increases in New Homes Bonus and Business Rates growth, these amounts are not guaranteed and are impacted by fluctuations in the local housing and commercial market.

	<b>2014/15 Final Settlement</b>	<b>2015/16 Draft Settlement</b>	<b>Mvt</b>	<b>Mvt</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>%</b>
Revenue Support Grant	1,949,297	1,107,335	-841,962	-43.19%
Council Tax Support Grant <sup>1</sup>	544,764	544,764	0	0.00%
NNDR	2,251,383	2,313,524	62,141	2.76%
Council Tax Freeze Grants <sup>2</sup>	146,726	146,691	-35	-0.02%
<b>Total core financing</b>	<b>4,892,170</b>	<b>4,112,314</b>	<b>-779,856</b>	<b>-15.94%</b>

- 3.4 Based on this allocation, the funding of this Council is expected to decrease above average for 2015/2016 which in turn impacts the “spending power” per dwelling for citizens of the Borough as detailed below:

	<b>Spending power per dwelling</b>		
	<b>2013/2014</b>	<b>2014/2015</b>	<b>2015/2016 Indicative</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Average - Shire Districts	296.22	288.82	268.3
Hinckley and Bosworth Borough Council	234.06	226.14	207.8
Difference £	-62.16	-62.68	-60.5
Difference %	20.98%	21.70%	22.55%

- 3.5 In order to address this reduction, the Medium Term Financial Strategy approved by Council in May 2014, identified a number of “targets” which would move the Council from a “forecast” to a more sustainable “best case” financial position in 2015/2016. These amounts, together with more recent adjustments, are summarised below and will be set as targets to officers as part of the 2015/2016 budget build:

	<b>MTFS</b>	<b>Revised</b>
	<b>£</b>	<b>£</b>
Requirement (Difference in forecast and best case)	1,370,900	1,370,900
Of which:		
Additional legal fees	50,000	50,000
Additional planning and building control income	135,000	200,000
Additional recycling income	14,000	14,000
Printing and postage savings	10,000	10,000
Reduced impact on car parking income	19,000	19,000
Additional ICT shared service income	20,000	20,000
Contribution from external bodies for planning documents	100,000	100,000
New Homes Bonus no longer provided to parishes	478,000	178,000
BID contribution to car parking	25,000	25,000

<sup>1</sup> Whilst this grant is not specifically awarded from 2014/2015 onwards, DCLG stated that the allocation has been assumed as frozen and therefore this has been assumed in the presentation of funding for 2014/15 and 2015/16

<sup>2</sup> Grants for 2011/12 and 2013/14. It is expected that the grant announced for 2014/15 will be “rolled into” the core settlement from 2014/15 onwards

No additional appeals costs	100,000	100,000
Council Tax Support grant no longer provided to parishes	143,000	0
Reduction in hardware support	35,000	35,000
Business Rates Growth	115,000	200,000
NNDR and electricity savings (Hub)	50,000	50,000
<b>Additional savings target</b>	<b>76,900</b>	<b>369,900</b>

It can be seen from the above table the “additional savings target” has increased to £369,900 principally due to the phasing of the removal of the NHB to Parish Councils and the decision to carry on providing funding to Parish Councils for the impact on their Council Tax base from the Localisation of Council Tax Support. The Joint Management Board (SLB and COB) together with Finance will consider how to make up this gap in funding.

### **Income Generation/Fees and Charges**

- 3.6 All fees and charges are reviewed on an annual basis and are published separately in the Council’s Fees and Charges book, as approved by the Executive. Whilst a dedicated charging strategy is not in place, a number of principals are followed when considering fees and charges.
- 3.7 In general terms, all applicable services should be charged for unless there is a valid reason for an exception to be made. These exemptions include, but are not limited to:
- Instances where the administrative cost of levying and recovering the charge would outweigh any potential income
  - Where policy has been passed to fund the service from Council Tax or other dedicated funding streams (e.g. grants)
  - Circumstances where charging would significant deter demand
  - Where statute dictates that charges cannot be made
- 3.8 When setting scales of charges, the following factors are taken into consideration:
- Statutory obligations
  - Policy decisions
  - Inflation and relevant indices
  - Local market research and competition, including consideration of market distortion (where relevant)
  - The impact of price changes on activity level or demand
  - Levels of subsidy (where appropriate)
  - The need to avoid any exploitation of customers who have no option but to use the Council’s services
  - Cost recovery. This should be considered with recognition that, taking one year with another, the income from charges should not exceed the cost of provision
  - The financial position of the Council and the need to generate income to remain solvent

### **2015/2016 Budget Assumptions**

- 3.9 The 2015/2016 base budget is to be based on the 2014/2015 original budget.
- 3.10 All one-off items in the 2014/2015 original budget will be removed and full year effects of part year reductions in 2014/2015 implemented. Any savings or additional income

identified as part of the last budget round but not being implemented until 2015/2016 must be adjusted for in the budget. It is highly unlikely that any additional money will be available for growth in 2015/2016. Consideration will be given to requests where additional resources are required to cover additional expenditure arising from additional statutory requirements or corporate priorities. Requests will need to be supported by both the relevant SLB and COB members and must be accompanied by an explanation as to why the costs cannot be met from existing resources.

3.11 The following inflation assumptions will be used in the budget process:

#### 3.11.1 *Employees*

- Pay increase –1%
- National Insurance – HMRC rate (not yet confirmed)
- Employers Pension Contributions – An Employers Contribution rate of 16.4% will be used with an additional 0.9% being included for Ill Health retirement insurance. In addition a lump sum value of £371,000 is payable to the Local Government Pension Scheme which will be contained in a corporate budget. These rates were based on estimates made at the last valuation of the fund and will be confirmed by the pension provider in November 2014.
- A net salary/vacancy saving of 5% will be applied (5% in previous years). This will be across all service areas with the exception of senior management posts.

#### 3.11.2 *Supplies and Services*

- Non contract – no increase
- For contracts it is anticipated that the average rate of RPI will be added to the Council's payments. As such a rate of 3% will be applied to 2014/2015 contractual costs which is in line with the MTFs but slightly higher than the most recent release (2.6% June 2014). Where budget holders have knowledge of price rises that differ, adjustments can be made to these budgets to reflect actual price changes.

#### 3.11.3 *Fees and Charges*

Where an inflationary increase is called for, the contract rate of 3% will be used.

#### 3.11.4 *Investment Income*

The Bank of England base rate is currently 0.5%. There is currently little prospect for an upward movement, with forecasts assuming this level will be frozen to manage quantitative easing. On this basis, an investment rate of 0.5% will be assumed for 2015/2016.

### 4. **FINANCIAL IMPLICATIONS (KP)**

Contained within the body of the report.

### 5. **LEGAL IMPLICATIONS (LH)**

These are contained in the report and any specific legal implications resulting from recommendations and actions outlined will be identified as they are implemented.

### 6. **CORPORATE PLAN IMPLICATIONS**

This Budget supports all aims of the Corporate Plan

**7. CONSULTATION**

All budget holders will be consulted in the Budget setting process.

**8. RISK IMPLICATIONS**

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:

<b>Management of significant (Net Red) Risks</b>		
<b>Risk Description</b>	<b>Mitigating actions</b>	<b>Owner</b>
S.11 - Failure to successfully deliver the Medium Term Financial Strategy	<p>The Ground Condition survey at Argents Mead which means that the cost of construction (and therefore cost to the Council) will increase by between £750,000 and £1m. Although provision was made of just over £500k from the 2013/14 under spend, the balance will need to be funded by temporarily borrowing internally from the Hub Rental reserve with a view to replenishing this reserve from in year savings in 2014/15 and from (if required) budgeted savings in 2015/16. This position was not reflected in the Council’s MTFs which was approved by full Council in April/May 2014.</p> <p>A positive risk- negotiations on retention of business rates up lift from the MIRA EZ will probably mean that the Council retains at least 20% of up lift plus costs. This will be a positive movement in funding not included in the financial projections under pinning the MTFs</p>	Sanjiv Kohli

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

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

10. **CORPORATE IMPLICATIONS**

By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector

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Background papers: Medium Term Financial Strategy

Contact Officer: Katherine Plummer, Head of Finance ext 5609

Executive Member: Cllr K Lynch