



**WARDS AFFECTED: ALL WARDS**

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1. PURPOSE OF REPORT

- 1.1 To seek approval of the 2015/16 General Fund 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 be approved:
- The General Fund budget for 2014/15 and 2015/16 shown in section 3.2
  - The Special Expenses area budget for 2014/15 and 2015/16 shown in section 3.4
  - The proposed movement in General Fund Reserves and balances for 2014/15 and 2015/16 show in sections 3.16-22
- 2.2 That Council note that a revised Medium Term Financial Strategy (MTFS) will be presented to Council on 24<sup>th</sup> March 2015.

3. BACKGROUND TO THE REPORT

- 3.1 The General Fund revenue budget for 2015/16 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). 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 grant funding for 2015/16 and future years
  - To encourage identification of savings and income generation opportunities across the Council.
  - To 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 Areas) to 0%.

**Budget Summary**

- 3.2 The original budget for 2014/15, revised budget for 2014/15 (based on November 2014 outturn) and the proposed budget for 2015/16 are set out below. Total service expenditure is budgeted to increase by £136,955 (1.17%) and net budget requirement to reduce by £63,125 (-0.65%) ie a net decrease "below the line" of £200,080.

	<b>Original Estimate 2014/15 £</b>	<b>Revised Estimate 2014/15 £</b>	<b>Original Estimate 2015/16 £</b>
Central Services	2,969,918	3,674,605	2,990,531
Leisure and Environment	6,600,531	6,829,829	6,488,829
Housing (General Fund)	986,276	1,374,408	901,744
Planning	1,857,450	2,150,032	1,629,340
Direct Service Organisations	(115,500)	(141,795)	(176,410)
Further Savings in Year	0	(2,190,000)	0
<b>Total service expenditure</b>	<b>12,298,675</b>	<b>11,697,079</b>	<b>11,834,034</b>
<i>Less:</i>			
<i>Special Expenses Area</i>	<i>(616,940)</i>	<i>(616,940)</i>	<i>(618,360)</i>
<i>Capital Accounting Adjustment</i>	<i>(1,473,822)</i>	<i>(1,473,822)</i>	<i>(1,360,840)</i>
<i>Net external interest (received)/paid</i>	<i>2,490</i>	<i>58,040</i>	<i>4,100</i>
<i>IAS19 Adjustment</i>	<i>(131,880)</i>	<i>(131,880)</i>	<i>(129,980)</i>
<i>Revenue Contributions to Capital</i>	<i>0</i>	<i>24,500</i>	<i>0</i>
<i>Carry forwards from 13/14</i>	<i>0</i>	<i>(217,422)</i>	<i>0</i>
<i>Transfer to reserves</i>	<i>280,500</i>	<i>3,743,178</i>	<i>667,000</i>
<i>Transfer from reserves</i>	<i>(452,730)</i>	<i>(1,526,862)</i>	<i>(890,951)</i>
<i>Transfer from unapplied grants</i>	<i>0</i>	<i>(619,957)</i>	<i>0</i>
<i>Transfer to/(from) pensions reserves</i>	<i>25,260</i>	<i>25,260</i>	<i>3,880</i>
<i>Transfer to/(from) balances</i>	<i>(200,089)</i>	<i>(1,229,710)</i>	<i>159,456</i>
<b>HBBC Budget Requirement</b>	<b>9,731,464</b>	<b>9,731,464</b>	<b>9,668,339</b>

### Special Expense Area

- 3.3 This represents the cost of parks, cemeteries and poop scoop schemes 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 overall objective of freezing Council Tax. A separate report was presented to the Hinckley Area Committee on 28<sup>th</sup> January 2015 detailing the recommendations contained in this report.

	<b>Original Estimate 2014/15 £</b>	<b>Revised Estimate 2014/15 £</b>	<b>Original Estimate 2015/16 £</b>
Expenditure	616,940	616,940	618,360
<i>Transfer to/(from) balances</i>	<i>9,000</i>	<i>14,423</i>	<i>0</i>
<i>Transfer to/(from) reserves</i>	<i>61,467</i>	<i>56,044</i>	<i>(44,139)</i>
<b>Net Expenditure</b>	<b>687,407</b>	<b>687,407</b>	<b>574,221</b>
<i>New Homes Bonus</i>	<i>(127,343)</i>	<i>(127,343)</i>	<i>0</i>
<b>Budget Requirement</b>	<b>560,064</b>	<b>560,064</b>	<b>574,221</b>

- 3.5 Council approved the removal of the allocation of New Homes Bonus to Parish Councils and the Special Expense Area on 23<sup>rd</sup> September 2014.
- 3.6 Balances in the Special Expenses Area (SEA) are estimated as follows:

	£
Balance at 1 <sup>st</sup> April 2014	56,270
Transfer to/(from) Balances 2014/15	14,423
Estimated Balance at 31 <sup>st</sup> March 2015	70,693
Transfer to/(from) Balances 2015/16	0
Estimated Balance at 31 March 2016	70,693

#### Total Council Budget for 2015/16

- 3.7 The total overall budget for 2015/16 in the direct control of the Council is therefore:

	Original Estimate 2014/15	Revised Estimate 2014/15	Original Estimate 2015/16
	£	£	£
HBBC Budget Requirement	9,731,464	9,731,464	9,668,339
Special Expenses Budget Requirement	560,064	560,064	574,221
<b>Total Council Controlled Budget Requirement</b>	<b>10,291,528</b>	<b>10,291,528</b>	<b>10,242,560</b>

#### Revised Original Budget 2014/15

- 3.8 As part of setting the budget for 2015/16, a formal revised budget for 2014/15 has not been prepared. The original budget for 2014/15 has, in accordance with the Council's Financial Procedures, been revised during the year to take account of approved supplementary budgets and virements. Section 3.2 however identifies that additional income and savings of £2,190,000 (net) have been identified to November 2014. The key movements leading to this variance have been detailed below:

	Saving/ (Over Spend) £
Savings on bank charges	13,000
Pension costs charged to the HRA and Revenues and Benefits Partnership	64,000
Additional legal costs and benefits overpayment income forecast to be recovered following changes in recovery methodology	55,000
The Council was notified on 30 <sup>th</sup> June 2014 of £658,430 of "section 31 grant" income, designed to reimburse for changes announced in the 2012 and 2013 Autumn Statements. 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 **	658,000
Charitable Relief no longer charged to the General Fund (under Business Rates Retention)	70,000
Fuel savings following review of vehicle use	39,000
Anti social behavior project no longer taking place	22,000
Additional recycling and waste income (credits, trade waste and sale of plastics)	157,000
Reduction in waste vehicle running and leasing costs	51,000

Recycling improvements budgets no longer required	40,000
Additional cost of recycling contract due to contamination charges	(86,000)
Season ticket income from Leicestershire County Council	48,000
NNDR rebate for Crescent site whilst under development	14,000
Additional development control income received due to a number of large applications	519,000
Savings in production of planning policy documents. Of this amount, £263,000 will be required in future years and therefore will be placed back into the Local Development Reserve **	397,000
Council offices - reduction in service charges and operating costs	42,000
Legal costs reimbursed by developers	22,000
Other smaller variances > £5k	65,000

\*\* It should be noted that these amounts will be placed in reserves and therefore do not reflect a true underspend against the General Fund balance

### **Original Budget 2015/16 – assumptions and process**

- 3.9 The 2015/16 General Fund revenue budget has been prepared following a robust budget process outlined in the 2015/16 Budget Strategy (the Strategy).
- 3.10 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).
- 3.11 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 2-3% in year, the application of 0% represents an effective saving on running costs. For contracts, an inflation rate of 3% has been used, unless otherwise specified within the terms of the specific contract.
- 3.12 The salaries and wages budget is the most significant element of the revenue budget. For pay costs, the 2015/16 estimates includes the agreed 2.2% pay increase as outlined by the NJC in November 2014. The Council operates a disciplined process of challenging recruitment and filling of posts and therefore a salary saving rate of 5% (£465,878 – 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 2014/15.
- 3.13 Service Growths totaling £982,806 endorsed by the Strategic Leadership Board have been included in the budget. Of this amount:
- £345,792 relates to the gap arising from the withdrawal of green waste recycling credits by the County Council from 2015/16. A one off contribution from reserves has been made to compensate for this gap as outlined in the reserves section of this report
  - £398,100 relates to the withdrawal of funding from the County Council for delivery of Sure Start Programmes from 2015/16. This service will transfer to the County Council and therefore the Council will also save the running costs of this service to the same amount.
  - £125,600 relates to an increase in the budget for restructuring costs that may arise in year. The total “severance” budget is therefore £175,000 for 2015/16.

- £120,000 relates to a potential VAT claim connected to the Greenfields site. This is a worst case scenario and it is expected that some element of this can be reclaimed through the VAT system.

3.14 In comparison, service managers and the Corporate Operations Board (COB) have identified £1,732,638 savings through review of income streams and expenditure levels. The most significant of these savings are:

- Removal of budgets for delivering Sure Start Programmes (£398,100) as outlined above
- £343,711 base budget saving from removal of New Homes Bonus allocation to parish councils. This was based on the 2014/15 budget. The actual allocation for 2015/16 is £1,974,742 and therefore the total reduction in budget is £493,686
- £259,000 additional growth in the income budget for planning fees. This reflects the ongoing increase in applications made to this service
- £92,000 rental income due to the Council in 2015/16 from the units owned on the Crescent development (Block C)
- £50,000 additional income legal costs recovered from revenues and benefits cases. This reflects the high levels of recovery that have been achieved in previous years.

3.15 The Leicestershire Pension Fund was re-valued as at 31 March 2013 in accordance with statutory requirements and was found to be in 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 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 is contained in a corporate budget. These rates have been confirmed with the Pension Scheme provider.

### **Original Budget 2015/16 – 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 the following policies relating to levels of balances and reserves:

- Maintain general balances (non earmarked) at a minimum of 10% of Hinckley & Bosworth Borough Council's budget requirement. Based on the forecast position for 2014/15 this would determine a need for £973,146 of General Fund balances and £966,834 based on the 2015/16 budget. 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 profit/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

3.18 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 2016. It should be noted

that the transfer from balances for 2014/15 includes £1,153,000 of excess balances that were moved to reserves in line with the principles in 3.17 and therefore does not represent over spends. Excess balances for 2014/15 will be confirmed at year end and considered as part of the outturn review of reserves.

	<b>Total</b>	<b>General Fund</b>	<b>Special Expenses</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balances at 1 April 2014	2,205,636	2,149,366	56,270
Amount Taken to /(from) Balances 2014/15	(1,215,287)	(1,229,710)	14,423
<b>Balances at 31 March 2015</b>	<b>990,349</b>	<b>919,656</b>	<b>70,693</b>
Amount Taken to/(from)Balances 2015/16	159,456	159,456	0
<b>Balances at 31 March 2015</b>	<b>1,149,805</b>	<b>1,079,112</b>	<b>70,693</b>
Net Budget Requirement	9,668,913	9,668,339	574
Minimum Balance requirement	966,891	966,834	57
Balance surplus /(requirement)	182,913	112,278	70,636

### Ear marked Reserves

3.19 Appendix 1 provides a summary of earmarked General Fund reserves together with estimated movements during 2014/15 and 2015/16.

3.20 The following uses of reserves for revenue purposes require approval by Council for 2015/16. Use of reserves for capital purposes are detailed in the Capital Programme.

<b>Reserve</b>	<b>Transfer from £</b>	<b>Use</b>
Benefits Reserve	82,719	The cost of funding voluntary redundancy payments for the Leicestershire Revenues and Benefits Partnership. See section 3.37 onwards
Local Plan Reserve	371,500	All costs associated with production of Local Plan documents are funded from a dedicated reserve set up for this purpose.
Waste Management Reserve	345,792	Following a decision by the County Council to remove green waste credits in 2015/16, this Council will have a budget pressure of £549,070 – representing the income currently received. This pressure is offset by savings in gate fees arising from the changes of £203,278.  It was approved by Council on 16 <sup>th</sup> December 2014 that a transfer be made to the Waste Management Reserve in 2014/15 from savings identified in year to offset this pressure in 2015/16 only.
Planning Delivery Grant Reserve	10,940	Annual contribution towards salary costs of planning officer.
Elections Reserve	80,000	The cost of both the General and Local Elections to this Council in 2015 are forecast to be £163,279.19. The Council will receive a grant for these costs of £83,279.19 and therefore this transfer represents the balance

		to be funded from internal reserves.
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3.21 The following transfers to reserves require approval by Council:

<b>Reserve</b>	<b>Transfer to 2014/15 £</b>	<b>Transfer to 2015/16 £</b>	<b>Use</b>
Hub Future Rental Management Reserve	183,000	0	A transfer from this reserve was made to the Leisure Centre reserve in 2014/15 to fund the cost of the moveable floor in the new facility. It was endorsed by Council that this reserve should be reinstated in future years as a contingency for any fluctuations in rental costs/income at the Hinckley Hub.
Local Plan *	0	165,000	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.
Business Rates Reserve	0	7,000	As outlined in section 3.26, this Council would need to lose £176,903 of Business Rates before a safety net payment will be made under the Business Rates Retention Scheme. This transfer therefore increases the balance (less any section 31 grant) to this level.
Leisure Centre Reserve *	0	250,000	As endorsed by Council, excess balances are transferred to this reserve to reduce the cost of borrowing for this scheme.
Elections Reserve	0	25,000	Annual contribution to fund the cost of future elections.
Transformation Reserve	100,000	100,000	This reserve is in place to fund any “spend to save” schemes and initiatives that the Council may introduce going forward (e.g. costs arising from the set up of a Local Housing Company).
Appeals *	21,000	100,000	Funding set aside to finance potential large appeals and associated legal costs that may arise.
Enforcement *	0	20,000	Reserve set aside to fund future large enforcement claims against the Council.

\*Denotes those reserves identify as “priority” by Council on 3<sup>rd</sup> December 2014

3.22 Based on these calculations, it is estimated that the Council will hold £4,161,119 in earmarked reserves as at 31<sup>st</sup> March 2015 and £3,519,399 at 31<sup>st</sup> March 2016. 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. A full review of the earmarked

reserves position will be performed in April 2015 as part of the outturn reporting process.

### 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 2015/16 Local Government Finance Settlement, along with additional elements of financing are detailed below:

	<b>2014/2015</b>	<b>2015/2016</b>	<b>Mvt</b>	<b>Mvt</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>%</b>
			<b>Inc/(Dec)</b>	<b>Inc/(Dec)</b>
Revenue Support Grant	1,949,297	1,120,574	(828,723)	(42.5%)
Council Tax Support Grant	544,764	544,764	0	0
National Non Domestic Rates	2,251,383	2,294,404	43,021	0
2% Rates Cap	24,570	0	(24,570)	(100.0%)
Council Tax Freeze Grant 2011/2012	104,445	104,047	(398)	(0.4%)
Council Tax Freeze Grant 2013/2014	42,281	84,399	(395)	(0.5%)
Council Tax Freeze Grant 2014/2015	42,513			
<b>Core Funding</b>	<b>4,959,253</b>	<b>4,148,188</b>	<b>(811,065)</b>	<b>(16.4%)</b>
Council Tax Freeze Grant 2015/2016	0	42,300	42,300	100.00%
New Homes Bonus	1,401,891	1,974,742	572,851	40.86%
Collection Fund Surplus	38,416	86,971	48,555	126.39%
Council Tax payer	3,331,904	3,416,138	84,234	2.53%
<b>Total Financing</b>	<b>9,731,464</b>	<b>9,668,339</b>	<b>(63,125)</b>	<b>(0.6%)</b>

3.24 The following points should be noted:

- The reduction in core funding for the Council is 16.4%.
- The Medium Term Financial Strategy included a projection for a reduction of 16.2% and therefore this outcome has been adequately planned for
- For 2015/16, the Council Tax Freeze grant for the previous two years have been rolled into the core funding allocation
- The 2015/16 freeze grant has been separately announced at 1% (£42,300 for this Council) and the referendum limit is 2%. This amount and eligibility will be confirmed following approval of the Council Tax for 2015/16
- The settlement for 2015/16 does not separately identify the Council Tax Support Grant. However, the consultation on the document advised Authorities to assume that a similar level had been included for this purpose. Of the £544,764 allocated through Council Tax Support Grant, £143,000 will be allocated to parish councils as in previous years.
- Once the Settlement is taken into account with other funding streams, the Council's funding is moderately comparable to prior year (0.6% decrease).
- The Settlement in previous years also included a provisional allocation for the forthcoming year. This detail for 2016/17 was not provided by Government and therefore forecast of financing within the next iteration of the Medium Term Financial Strategy will be increasingly speculative.



## Business Rates Retention and Pooling

- 3.25 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.
- 3.26 The retained business rates of this Council are subject to a tariff set out in the 2015/16 Local Government Finance Settlement (£8,9767,259). Any growth over a set baseline (£2,358,703) 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 £176,903 of Business Rates before a safety net payment will be made.
- 3.27 The NNDR1 form for this Council was approved by Deputy Chief Executive (Corporate Direction) before the deadline of 31<sup>st</sup> January 2015.
- 3.23 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, no growth has been included in the budget for 2015/16.
- 3.24 The Local Government Finance Bill allows local authorities to form pools for the purposes of business rate retention. Practically, pooling means that any 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)
- 3.25 In 2013/2104, ten Leicestershire local authorities including all the District and Borough Councils, the City and County and Fire Authority participated in a Leicester and Leicestershire Business Rates Pool (the pool). Per a legal agreement drawn up between all parties, any surplus made on the pool would be transfer to the Leicester and Leicestershire Enterprise Partnership (LLEP) for distribution to schemes in the County. The final position for the pool for 2013/2014 was a surplus of £706,390 made up as follows:

	<b>Levy £</b>	<b>Safety Net £</b>
Blaby	0	(90,816)
Charnwood	0	(284,505)
Harborough	903,204	0
Hinckley & Bosworth	187,032	0
Melton	52,146	0
North West Leicestershire	0	0
Oadby & Wigston	0	(60,671)
<b>Total</b>	<b>1,142,382</b>	<b>435,992</b>
Surplus (Deficit)	706,390	

- 3.26 Based on forecasts for business rates and uncertainties around appeal results, the pool was disbanded for 2014/15. The surplus above has been retained by the County Council pending any decision on pooling for forthcoming years. In practical terms, the absence of a pool in 2014/15 means that any levy payments due from this Council will be made directly to Central Government.
- 3.27 On 9<sup>th</sup> January 2015, the Leicestershire Treasurers Association (LTA) unanimously agreed that the pool should be reinstated for 2015/16. Per below, it is forecast that the

pool will make a surplus of £2,581,251. This increase is due to large levels of development and growth in Boroughs such as Blaby and North West Leicestershire.

	<b>Levy</b>	<b>Safety Net</b>
	<b>£</b>	<b>£</b>
Blaby	699,573	0
Charnwood	0	(142,446)
Harborough	981,441	0
Hinckley & Bosworth	134,385	0
Melton	341,798	0
North West Leicestershire	499,484	0
Oadby & Wigston	67,016	0
<b>Total</b>	<b>2,723,697</b>	<b>(142,446)</b>
Surplus (Deficit)	2,581,251	

3.28 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. On this basis the 2015/16 budget does not reflect any growth. Ongoing monitoring will be performed of the position in year as in 2014/15 and reported to the Finance, Audit and Performance Committee quarterly. As outlined in Appendix 1 a reserve is in place to compensate for any loss of business rates income up to the safety net threshold.

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

3.29 From 2013/14, Council Tax Benefit for non pensioners was removed and instead, all individuals were required to pay an element of council tax based on an agreed local scheme. From a budget perspective this resulted in the removal of council tax subsidy and also Council Tax Benefit payments from the Collection Fund.

3.30 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. The council tax base for this Council for 2013/14 was impacted by -3,532.7 and Council Tax of £318,617 as a result of the introduction of a 8.5% capped scheme. For 2014/15, this cap was increased to 12%, meaning that individuals will be required to pay 3.5% more than in previous year. The scheme has remained unchanged for 2015/16.

#### New Homes Bonus

3.31 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 authorities will 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.

3.32 Based on the number of new properties brought into council tax from October 2013 to October 2014 this Council has been allocated £1,974,742 in New Homes Bonus for 2015/16. This includes the element of funding from previous allocations. As outlined below, this allocation is £62,743 more than "best case" scenario used in the Medium Term Financial Strategy. This can be attributed to the results of an empty property review (carried out by Capacity Grid) which identified a large number of properties that are no longer vacant and therefore have been brought "back into the base".

	2015/16	2015/16	Mvt	Mvt
	£	£	£	%
Scenario	MTFS	Allocation	Inc (Dec)	Inc (Dec)
Worst Case	1,656,945	1,974,742	317,797	19%
Forecast	1,784,472	1,974,742	190,270	11%
Best Case	1,911,999	1,974,742	62,743	3%

3.33 It should be noted that there continues to be considerable uncertainty over New Homes Bonus. Whilst the government has withdrawn proposals to “top slice” elements of the funding from 2015/16, alternative methods of allocation have not been ruled out. Withdrawal of any element of New Homes Bonus is a considerable risk to this Council and will be planned for in the next iteration of the MTFS.

#### Income Increases and Reductions

3.34 A significant proportion of the Council’s overall income comes from fees and charges levied on services provided by the Council. In the current climate, levels of income are extremely volatile and a number of movements have been taken into account in the 2015/16 budget. These include:

- £19,750 additional rent and service charge income for the Hinckley Hub to reflect new tenants that have moved into the building
- £259,000 additional growth in the income budget for planning fee income. This reflects the ongoing increase in applications made to this service
- £92,000 rental income due to the Council in 2015/16 from the units owned on the Crescent development (Block C)
- An increase in income received from Building Control services of £40,000. This reflects that officers are no longer shared with Oadby and Wigston Borough Council and therefore will be able to attract additional income for this service.
- Following the success of the trade waste and sales of plastic, income budgets have been increased by £50,500 for 2015/16
- Season ticket income of £30,000 to reflect the income received by Leicestershire County Council for parking spaces at the Hinckley Hub
- Car Parking income for pay and display has been forecast at similar levels as in 2014/15. Whilst the Council has lost the use of two car parks since development has started in the town centre, income from the remaining sites has exceeded budget. On this basis a similar income stream is deemed reasonable.
- Market income has been adversely affected in 2014/15 due to a decrease in street sellers and adverse weather conditions. The 2015/16 budget includes a reduction in income of £20,450 to reflect this downturn
- A reduction in income from Leicestershire County Council for green waste credits. This reduction of £549,070 is offset by savings in gate fees arising from the changes of £203,278.

3.35 Members will recall that from 2015/16, the Council will also be in receipt of Management Fees from the provider of the new leisure centre. The average income over the life of the contract is £899,293 (before financing costs). The income received for the first 5 years of the contract, plus the interim payment until completion is as follows:

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Year	Interim	1	2	3	4	5
Management Fee £	40,323	408,367	907,547	1,015,747	1,012,647	935,809

3.36 The 2015/16 budget should be read in conjunction with the Council's Fees and Charges book for 2015/16 which is presented to Executive in January 2015. This document reflects the annual review of all Council income streams and any variations in charging regimes. The following new charges have been endorsed by Executive for 2015/16:

- Off peak rates for tennis at Hollycroft Park
- Renewals and variations of licenses for sex establishments
- Charges for new documents produced (e.g. Land Availability Studies, Earl Shilton and Barwell Action Plan and Renewable Energy Capacity Study)
- General waste – bin replacement
- Pre application advice – domestic
- New Occupancy (provision of 3 bins and internal caddy)
- Failure to comply with a Community Protection Notice, under the Anti-social Behaviour, Crime and Policing Act 2014

#### Leicestershire Revenues and Benefits Partnership

3.37 The budget for the Leicestershire Revenues and Benefits Partnership (the Partnership) was approved by the Partnership Joint Committee on 29<sup>th</sup> January 2014. 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 contributions for 2015/16 are detailed below. The contribution for this Council has been included within the General Fund budget and reflects a saving compared to 2014/15 of £53,700:

	<b>Total £</b>	<b>HBBC £</b>	<b>HDC £</b>	<b>NWLDC £</b>
2015/16 Contribution	3,621,140	1,362,180	1,040,710	1,218,250
2014/15 Contribution	3,589,240	1,415,880	1,014,350	1,159,010
Difference – Increase/(Decrease)	31,900	(53,700)	26,360	59,240

3.38 It should be noted that the Partnership budget detailed above is a holding budget and will be revised following completion of the current review of the service. It is envisaged that once implemented, the review will generate in excess of £300,000 savings arising from restructuring and more efficient methods of working. A further report on this outcome will be brought to Council later in the financial year.

3.39 As part of this restructure, the Joint Committee and Management Board of the Partnership have currently agreed 12 voluntary redundancies (10.78 FTE posts) which will result in £269,472 of one off redundancy payments. These costs are to be met by the partners in line with agreed percentage split. The 2015/16 Budget for this Council includes £82,719 to meet the costs relating to redundancy payments. This cost will be met by the Benefits Reserve as outlined in section 3.20

#### Investment Income

3.40 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.

3.41 The Base Rate is currently 0.5% and has been at this historically lower level since March 2009. This level has been assumed in the 2015/16 budget to ensure that a prudent level of investment income is assumed.

3.42 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.

3.43 Net interest for this Council have been estimated at £4,100 and is based on a detailed cash flow and borrowing forecast, which includes income that will be received for the loan to Tin Hat Partnership in year (£174,041).

#### Major Projects

3.44 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"
- Build of the new Hinckley Leisure Centre
- Capital works associated with the Regional Growth Fund (RGF)
- Build of the new facility for the Hinckley Squash and Racket Club

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

#### Council Tax

3.45 One of the directions of the Comprehensive Spending Review (CSR10) published in October 2010 was that Council's should seek to set a zero increase in council tax where possible for the years of the spending review. Freeze Grants have been offered for a number of years to incentivize Council's to not increase their tax levels.

3.46 For 2015/16 the Council has announced a 1% Council Tax Freeze Grant for eligible Council's. This equates to a grant of £42,300 for this Council and will be confirmed following approval of Council Tax levels at this meeting.

3.47 In order to curb excessive increases in council tax, the Secretary of State for Communities and Local Government has announced that for 2015/16 Councils setting council tax increases of over 2% would need to carry out a referendum. The estimated cost of carrying out a referendum for this Borough would be between £110,000 and £120,000. On this basis an increase of Council Tax of at least 3% would be required to cover these costs.

3.48 That said, the impact of not introducing any Council Tax increase since 2009/10 has meant an erosion of the basis and reduction of over £800,000 in spending power in real terms.

#### Medium Term Financial Strategy

3.49 This Council's Medium Term Financial Strategy (MTFS) for 2014/15 onwards was approved by Council in May 2014. The MTFS contained 3 scenarios (Best case, worst case and forecast), with the best case being the only scenario that would be sustainable in the medium term. The budget for 2015/16 has managed to achieve a budget position that is consistent with this best case scenario due to the inclusion of a number of "targets" contained in the MTFS.

3.50 Given the significant changes in Local Government Financing and locally for the Council since this time, a revised document will be produced and reported to Council in March 2015.

#### 4. FINANCIAL IMPLICATIONS [KP]

As contained in the report

5. LEGAL IMPLICATIONS [EH]

5.1 The Council has a legal duty to set a balanced budget.

5.2 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.

6. CORPORATE PLAN IMPLICATIONS

The budget will have an indirect impact on all other Corporate Plan targets.

7. CONSULTATION

All budget holders, Corporate Operations Board and the Strategic Leadership Board have been consulted throughout 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:

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.  Sufficient levels of reserves and balances are maintained to ensure financial resilience	S. Kohli

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

The Budget sets out the Council's expenditure plans and takes into account rural and equality issues

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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