



2016/17 GENERAL FUND BUDGET
REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)

WARDS AFFECTED: ALL WARDS

1. PURPOSE OF REPORT

- 1.1 To seek approval of the 2016/17 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 be approved:
- The General Fund budget for 2015/16 and 2016/17 shown in section 3.2
 - The Special Expenses area budget for 2015/16 and 2016/17 shown in section 3.4
 - The proposed movement in General Fund Reserves and balances for 2015/16 and 2016/17 shown in sections 3.16-3.22
- 2.2 That Members note the reason for and the impact of introducing the Green Waste charge in the 2016/17 budget and the longer term finances of the Council, as set out in the Medium Term Financial Strategy.

3. BACKGROUND TO THE REPORT

- 3.1 The General Fund Revenue budget for 2016/17 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 2016/17 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 introduce a £24 annual charge for the collection of green waste from 2016/17, in order to support the Council's financial position going forward.
- 3.2 The income from the charge for the collection of green waste is needed to support the longer term finances of the Council. The net income generated by the Green Waste charge is £1.5m over the period of the MTFS. This allows the Council to stay within the 10% minimum balances policy over that period and set up a Special Purpose Reserve to support 'invest to save schemes' and other efficiencies/initiatives

agreed by members. This would not be possible without the additional income. The table below gives the details of the charge.

	2016/2017	2017/2018	2018/2019	2019/20	Total
	£	£	£	£	£
Income	465,753	465,753	465,753	465,753	1,863,012
Costs	203,603	70,555	70,555	70,555	415,268
Net	262,150	395,198	395,198	395,198	1,447,744

Reserves Position with the £24 Green Waste					
General Fund Balance +Special Purpose Balance	1,649,425	1,588,167	1,469,066	942,539	
Contribution to/- from Balances	-115,934	474,276	-119,101	-526,528	
Balance %	10.87%	15.41%	15.09%	10.00%	
Reserves position without the £24 Green Waste					
Contribution to/- from Balances	213,450	135,078	-458,299	-865,726	
General Fund Balance *	1,443,274	1,578,352	1,120,052	254,326	
Balance %	14.08%	15.32%	11.50%	2.70%	

*Special Purpose Reserve is not possible without the Green Waste Charge.

Budget Summary

3.3 The original budget for 2015/16, revised budget for 2015/16 (based on November 2015 outturn) and the proposed budget for 2016/17, are set out below. Total service expenditure is budgeted to decrease by £571,225 (4.9%) and net budget requirement to increase by £579,855 (5.9%) i.e. a net increase "below the line" of £8,630.

	Original	Revised	Original
	Estimate	Estimate	Estimate
	2015/16	2015/16	2016/17
	£	£	£
Central Services	2,990,531	3,379,363	2,922,192
Leisure and Environment	6,488,829	6,868,752	6,117,159
Housing (General Fund)	901,744	1,023,950	977,380
Planning	1,629,340	1,997,525	1,194,096
Direct Service Organisations	-176,410	-176,410	-28,872
Further Savings in Year	0	-1,340,000	0
Total service expenditure	11,834,034	11,753,180	11,181,955
Less:			
Special Expenses Area	-618,360	-641,360	-629,907
Capital Accounting Adjustment	-1,360,840	-1,380,840	-936,739
Net external interest (received)/paid	4,100	4,100	335,380
IAS19 Adjustment	-129,980	-129,980	-396,620
Revenue Contributions to Capital	0	-20,000	0
Carry forwards from 14/15	0	-126,682	0

Transfer to reserves	667,000	1,352,000	1,202,534
Transfer from reserves	-890,951	-973,507	-393,440
Transfer from unapplied grants	0	-301,352	-2,915
Transfer to/(from) pensions reserves	3,880	3,880	3,880
Transfer to/(from) balances	159,456	128,900	-115,934
HBBC Budget Requirement	9,668,339	9,668,339	10,248,194

Special Expense Area

- 3.4 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.
- 3.5 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 2015/16 settlement available to councils that have historically kept been in a low taxing position. A separate report is to be presented to the Hinckley Area Committee detailing the recommendations contained in this report.

	Original Estimate 2015/16	Revised Estimate 2015/16	Original Estimate 2016/17
	£	£	£
Expenditure	618,360	641,360	626,317
<i>Transfer to/(from) balances</i>	0	0	0
<i>Transfer to/(from) reserves</i>	-44,139	-67,139	-13,365
Net Expenditure	574,221	574,221	612,952
<i>New Homes Bonus</i>	0	0	0
Budget Requirement	574,221	574,221	612,952

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

	£
Balance at 1st April 2015	70,444
Transfer to/(from) Balances 2015/16	0
Estimated Balance at 31st March 2016	70,444
Transfer to/(from) Balances 2016/17	0

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 2015/16	Revised Estimate 2015/16	Original Estimate 2016/17
	£	£	£
HBBC Budget Requirement	9,668,339	9,668,339	10,248,194
Special Expenses Budget Requirement	574,221	574,221	612,952
Total Council Controlled Budget Requirement	10,242,560	10,242,560	10,861,146

Revised Original Budget 2015/16

- 3.8 As part of setting the budget for 2016/17, a formal revised budget for 2015/16 has not been prepared. The original budget for 2015/16 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 expenditure of £1,340,000 (net) has been identified to November 2015. The key movements leading to this variance have been detailed below:

	Saving/ (Over Spend)
	£
The Council was notified on 30th June 2015 of £630,000 of "section 31 grant" income, designed to reimburse for changes announced in the Autumn Statement. 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 **.	630,000
Savings from recycling on the Palm contract and agency costs savings, but off set by a loss of recycling income from LCC.	53,000
Additional trade waste income and fuel savings.	83,000
Forecast additional planning and legal fee income	110,000
Local Plan 2026 Plus is now has scheme rescheduled for future years, with reserve pull down on planned schemes being in n futures years. Therefore £322,000 will be used in later periods	322,000
Estimated Year end salary (over)/under spend	(52,000)

** 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 2016/17 – assumptions and process

- 3.9 The 2016/17 General Fund revenue budget has been prepared following a robust budget process outlined in the 2016/17 Budget Strategy. The table below gives the overall savings and pressures included in the 2016/17 budget, excluding Green Waste income.

	£
Service Pressures and capital financing	2,585,014
Savings	-2,201,418
Net pressures	383,596

- 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 1.1% 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 1% pay. 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 2015/16.

3.13 Service pressures totaling £2,585,014, endorsed by the Strategic Leadership Board, have been included in the budget. Of this amount £931,141 is contractually committed expenditure as noted below, :

- £459,000 relates to staff cost resulting from pay inflation, pay increments, pension and NI costs. Pension and NI changes account for £246,000 of this increase and are outside of the Council's control.
- £298,100 relates to additional costs incurred under the Palm contract.
- £174,041 impact from the Tin Hat Partnership which ended in 2015/16

Other major services and capital financing pressures include:

- £424,101 of capital financing pressure (includes Block C and Leisure Centre costs)
- £108,970 relates to asset management costs for Block C, but is completely off set by associated income.
- £157,000 relates to additional interest in relation to funding the capital programme
- £30,200 relates to a net increase in the budget for restructuring costs that may arise in-year.

3.14 In comparison, service managers and the Corporate Operations Board (COB) have identified £2,201,418 of efficiency savings and new income possibilities through a review of income streams and expenditure levels. The most significant of these savings are:

- £336,421 (net) from Leisure Centre rentals to be received in 2016/17.
- £351,779 rental income due to the Council in 2015/16 from the units owned on the Crescent development (Block C)
- £154,000 increase in trade waste and recycling income
- £143,000 savings from the planned removal of Local Council Tax Support Funding to parishes.
- £15,000 additional growth in the income budget for planning fees. This reflects the ongoing increase in applications made to this service
- £129,000 of Planning Site allocation savings from previous year to be realized in 2016/17.
- £119,000 related to a potential VAT liability that was set aside in relation to the Greenfield site, as note in the 2015/16 general fund budget report, but has not been required.

3.15 The Leicestershire Pension Fund was re-valued as at 31 March 2015 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 £468,000 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 2016/17 – 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 2015/16 this would determine a need for £966,834 of General Fund balances and £1,024,819 based on the 2016/17 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 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

3.18 The projected movement of the General Fund Balances is detailed below and indicates that sufficient balances are forecast as at 31st March 2016, with a slight shortfall forecast as at the 31 March 2017. Excess balances for 2015/16 will be confirmed at year end and considered as part of the outturn review of reserves.

	Total	General Fund	Special Expenses
	£'000	£'000	£'000
Balances at 1 April 2015	1,148,444	1,078,000	70,444
Amount Taken to /(from) Balances 2015/16	151,824	151,824	0
Balances at 31 March 2016	1,300,268	1,229,824	70,444
Amount Taken to/(from)Balances 2016/17	-115,934	-115,934	0
Balances at 31 March 2017	1,184,334	1,113,890	70,444
Net Budget Requirement	10,861,146	10,248,194	612,952
Minimum Balance requirement	1,086,114	1,024,819	61,295
Balance surplus /(requirement)	98,220	89,071	9,149

Earmarked Reserves

3.19 Appendix 1 provides a summary of earmarked General Fund reserves together with estimated movements during 2015/16 and 2016/17.

3.20 The following uses of reserves for revenue purposes require approval by Council for 2016/17. Use of reserves for capital purposes are detailed in the Capital Programme.

Reserve	Transfer from £	Use
Local Plan Reserve	252,500	All costs associated with production of Local Plan documents are funded from a dedicated reserve set up for this purpose.
Transformation	£100,000	To underpin the any additional costs from restructure or staff changes.
Planning Delivery Grant Reserve	10,940	Annual contribution towards salary costs of planning officer.
Appeals	30,000	The cost of defending planning appeals

3.21 The following transfers to reserves require approval by Council:

Reserve	Transfer to 2016/17 £	Transfer to 2017/18 £	Use
The Special Purpose Reserve	535,534	0	To support projects or activity aimed at improving efficiency and invest to save schemes
Hub Future Rental Management Reserve	100,000	250,000	The 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.
Local Plan *	180,000	152,000	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	107,000	107,000	As outlined in section 3.26, this Council would need to lose £178,377 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.
Waste Management Reserve	75,000	75,000	The Waste Management service has been experiencing a number of pressures on its resources particularly in respect of the need to recycle more and conduct additional rounds. This reserve has been set up using under spends to provide resources to address the pressures ahead for this high priority service area.
Elections Reserve	25,000	25,000	Annual contribution to fund the cost of future elections, rather than a more significant single year allocation.
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).
Grounds Maintenance	25,000	0	This reserve has been established from the savings in rental charges following the initial purchase of new machinery to allow for its replacement at the end of its useful life.
ICT	50,000	59,000	Reserve set aside to fund future ICT development costs the Council.
Maintenance Fund - Green Towers	5,000	0	Reserve set aside to fund future costs at Green Towers

3.22 Based on these calculations, it is estimated that the Council will hold £3,541,620, in earmarked reserves as at 31st March 2016 and £ 3,886,990 at 31st March 2017. 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 2016 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 2016/17 Local Government Finance Settlement, along with additional elements of financing are detailed below:

	2015/16	2016/17	Mvt	Mvt
	£	£	£	%
			Inc/(Dec)	Inc/(Dec)
Revenue Support Grant	1,120,574	1,257,386	136,812	12.21%
Council Tax Support Grant	544,764	0	-544,764	-100.00%
National Non Domestic Rates	2,294,404	2,378,358	83,954	3.66%
Council Tax Freeze Grant	230,746	0	-230,746	-100.00%
Core Funding	4,190,488	3,635,744	-554,744	-13.24%
New Homes Bonus	1,974,742	2,910,378	935,636	47.38%
Collection Fund Surplus	86,971	53,112	-33,859	-38.93%
Council Tax payer	3,416,138	3,648,960	232,822	6.82%
Total Financing	9,668,339	10,248,194	579,855	6.00%

3.24 The following points should be noted:

- The reduction in core funding for the Council is 13.24%.
- The MTFS previously included a projection for a reduction of 5.1%, but some funding such as the freeze grant and Council Tax support grant has been removed from core funding, and other areas of funding such as New Homes Bonus is higher than expected. This means that Core funding is lower than expected and moving forward less of our overall funding is from a fixed more predictable source.
- For 2016/17, the Council Tax Freeze grant has been subsumed into baseline funding and is not separately identified.
- The settlement for 2016/17 does not separately identify the Council Tax Support Grant.

- Once the Settlement is taken into account with other funding streams, the Council's funding requirement has increased by 6.0%.
- The Settlement in previous years also included a provisional allocation for the forthcoming year. This detail for 2016/17 has included a four year proposal for RSG which will reduce by £0.5m in 2017/18 and £0.3m the year after, with a final payment of £80,000 in 2019/20. There is also consultation underway on moving to a four year settlement in relation to the New Homes Bonus funding which indicates that the council would face reducing levels of income from this source.

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 2016/17 Local Government Finance Settlement (£9,041,986). Any growth over a set baseline (£2,378,358) 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 £178,377 of Business Rates before a safety net payment will be made.
- 3.27 The NNDR1 form for this Council was approved by Interim Head of Finance (Deputy S151 officer) before the deadline of 31st January 2016.
- 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. Due to the volatility of the economy and continual changes in guidance in this area, only 2.5% growth in retained business rates has been included in the budget for 2016/17.
- 3.29 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)
- 3.30 In 2013/2014, 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). In accordance with a legal agreement drawn up between all parties, any surplus made on the pool would be transferred to the Leicester and Leicestershire Enterprise Partnership (LLEP) for distribution to schemes in the County.
- 3.31 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 and 2015/16 means that any levy payments due from this Council will be made directly to Central Government.
- 3.32 On 7th January 2016, the Leicestershire Treasurers Association (LTA) unanimously agreed that the pool should be reinstated for 2016/17. As Members will see below, it is forecast that the pool will make a surplus of £4,182,147. This increase is due to large levels of development and growth in Boroughs such as Hinckley, Charnwood and North West Leicestershire. However, there are also large appeals being lodged with the Valuation Office Agency (VOA) that could impact on the Council's expected income.

	Levy	Safety Net
	£	£
Blaby	724,419	0
Charnwood	133,803	0
Harborough	1,117,499	0
Hinckley & Bosworth	1,034,577	0
Melton	321,699	0
North West Leicestershire	795,784	0
Oadby & Wigston	54,366	0
Total	4,182,147	0
Surplus (Deficit)	4,182,147	

- 3.33 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, Audit 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 Scheme (LCTS)

- 3.34 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 income reduced by £318,617 as a result of the introduction of an 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 the previous year.
- 3.35 The scheme has remained unchanged for 2016/17 and persons of working age are required to pay a minimum of 12% of their council tax liability.

New Homes Bonus

- 3.36 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 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.
- 3.37 Based on the number of new properties brought into council tax in the 2014/15 period this Council has been allocated £2,910,378 in New Homes Bonus for 2016/17. This includes the element of funding from previous allocations. As outlined below, this allocation is £467,008 more than “planned” in the previous Medium Term Financial Strategy. This can be attributed to the results of a higher number of properties being completed and coming into use.
- 3.38 It should be noted that there continues to be considerable uncertainty over New Homes Bonus (NHB). 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. Consultation is being proposed to move from a 6 year basis to a four year basis, or less, for funding from NHB. 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.

Income Increases and Reductions

3.39 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 2016/17 budget. These include:

- £ 262,150 (net) will be generated from the introduction of the Green waste charge.
- £150,000 additional growth in the income budget for planning fee income. This reflects the ongoing increase in applications made to this service.
- £351,779 rental income due to the Council in 2016/17 from the units owned on the Crescent development (Block C).
- £336,421(net) rental income due to the Council in 2016/17 from the Leisure Centre,
- An increase in income received from Building Control services of £25,000. This continues to reflect that officers are no longer shared with Oadby and Wigston Borough Council and therefore will be able to attract additional income for this service.
- The continuing success of trade waste and recycling has led to income budgets being increased by £154,000 for 2016/17.
- 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 fallen by £66,412 mainly due to the loss of the use of two car parks since development has started in the town centre, and loss of LCC Car Park Season tickets, and
- Market income has been adversely affected in 2015/16 due to a decrease in street trading. The 2016/17 budget includes a reduction in income of £22,010 to reflect this downturn.

3.40 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 gross 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:

	2016/17	2017/18	2018/19	2019/20	2020/21
Year	1	2	3	4	5
Management Fee £	408,367	907,547	1,015,747	1,012,647	935,809
Capital Financing	416,997	416,997	416,997	416,997	416,997
Net	-8,630	490,550	598,750	595,650	518,812

3.41 The 2016/17 budget should be read in conjunction with the Council's Fees and Charges book for 2016/17 which is also agreed by Council. This document reflects the annual review of all Council income streams and any variations in charging regimes. The following new charges are to be introduced for 2016/17:

- Clearance of overgrown plot
- Strimming of plot
- Rotavation of plot
- Application of weed killer to plot
- Daily Consent for rival markets
- Pest control - Rats
- Collection each additional white good and bulky item above 5 items

- Junior Fitness Class
- Gym membership
- Holiday Activities
- Adventure Play Party (per person)
- Market Bosworth Neighbourhood Plan
- Strategic Housing Market Assessment

Leicestershire Revenues and Benefits Partnership

3.42 The budget for the Leicestershire Revenues and Benefits Partnership (the Partnership) was approved by the Partnership Joint Committee on 28th January 2016. 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 2016/17 are detailed below. The contribution for this Council has been included within the General Fund budget and reflects a cost pressure compared to 2015/16 of £24,629:

	Total £	HBBC £	HDC £	NWLDC £
2016/17 Contribution	3,472,850	1,306,820	995,710	1,170,320
2015/16 Contribution	3,414,027	1,282,191	979,744	1,152,092
Difference – Increase/(Decrease)	58,823	24,629	15,966	18,228

Investment (Income/Costs)

3.43 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 emphasize a need to reduce borrowing which consequently impacts the level of resources available to the sector.

3.44 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 2016/17 budget to ensure that a prudent level of investment income is assumed.

3.45 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.

3.46 Net interest cost for this Council have been estimated at £335,380 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

3.47 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)

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

Council Tax

- 3.48 The proposed financial settlement, published 17th December 2015, had a clear break with the prior position of requiring Council's 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 2016/17 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 level a £5 increase for a four year period. This equates to an increase of £100,395 for this Council above the 2% increase planned (including Special Expenses) or £181,993 in relation to the prior year.
- 3.49 That said the pressure from Government is to avoid large levels of council tax increases where possible. It should be noted that this Council has at present the joint 8th lowest Council Tax level nationally and has accepted the freeze grant from government for the last 5 years. This has effectively created a loss of income by 31 March 2016 of £691,009; thereby exacerbating the Council's financial position. The assumption for this strategy is that the increase for 2016/17 will be a £5 increase at average Band D. This £5 increase is part of the four year deal offered under the financial settlement and the council will have to produce an efficiency plan as part of accepting the four year deal.

Medium Term Financial Strategy

- 3.50 This Council's previous Medium Term Financial Strategy (abbreviated) 2014/2015 – 2017/2018 (MTFS) was approved by Council in March 2015. The current budget proposed for 2016/17 has managed to achieve a budget position that is better than forecast due to the identification of savings and income being higher than expected. However, given the significant changes in Local Government Financing and locally for the Council since this time, the 2016/17 budget should be considered in light of the MTFS, which indicates that the next three years after 2016/17 are significantly pressured due to changes in Government financing. As a consequence, Members are advised strongly to take steps to mitigate those pressures as early as possible – starting in 2016/17, 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. Failure to set a balanced MTFS that maintains the financial position of the Council could lead to our auditors qualifying the VFM conclusion.

4. FINANCIAL IMPLICATIONS (AW)

- 4.1 As contained in the report

5. LEGAL IMPLICATIONS (MR)

- 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 to the Council on the robustness of the estimates made for the purposes of the budget calculations and on the adequacy of the proposed financial reserves.

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.	Strategic Leadership Board
	The budget is scrutinised on an ongoing basis to ensure that assumptions are robust and reflective of financial performance.	Strategic Leadership Board
That decisions made for 2016/17 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
That the Council rejects the introduction of a green waste charge for 2016/17, resulting in a shortfall of income over the MTFS	That the Council makes the decision to implement the green waste charge from 2016/17	Council

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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