



Hinckley & Bosworth  
Borough Council

*A Borough to be proud of*

## FORWARD TIMETABLE OF CONSULTATION AND DECISION MAKING

FINANCE & PERFORMANCE SCRUTINY 30 JANUARY 2017  
COUNCIL 23 FEBRUARY 2017

WARDS AFFECTED: ALL WARDS

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## 2017/18 GENERAL FUND BUDGET

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### Report of Head of Finance

#### 1. PURPOSE OF REPORT

- 1.1 To seek approval of the 2017/18 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 2016/17 and 2017/18 shown in section 3.2
  - The Special Expenses area budget for 2016/17 and 2017/18 shown in section 3.4
  - The proposed movement in General Fund Reserves and balances for 2016/17 and 2017/18 shown in sections 3.16-3.22

#### 3. BACKGROUND TO THE REPORT

- 3.1 The General Fund Revenue budget for 2017/18 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 2017/18 and future years.
  - To encourage identification of savings and income generation opportunities across the Council.

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

### **Budget Summary**

3.2 The original budget for 2016/17, revised budget for 2016/17 (based on October 2016 outturn) and the proposed budget for 2017/18, are set out below. The Budget Summary has been charged to reflect the Council's new corporate structure. Further details of services within each area are contained within the Capital and Revenue Estimates Book which is available from the members' room. Total service expenditure is budgeted to decrease by £170,608 (1.45%) and net budget requirement decrease by £846.

	<b>Original Estimate 2016/17</b>	<b>Revised Estimate 2016/17</b>	<b>Original Estimate 2017/18</b>
	£	£	£
<b>Support Services</b>	115,045	189,865	173,370
<b>Corporate Services</b>	2,135,936	2,486,473	2,742,559
<b>Community Services</b>	2,259,147	2,832,704	2,258,384
<b>Environment &amp; Planning</b>	6,671,827	6,485,575	6,446,696
<b>Further Savings in Year</b>	0	(203,000)	0
Total service expenditure	<b>11,181,955</b>	<b>11,791,617</b>	<b>11,621,009</b>
Less:			
<b>Special Expenses</b>	(629,907)	(629,907)	(588,870)
<b>Capital Accounting Adjustment</b>	(936,739)	(936,739)	(1,751,250)
<b>Net external interest (received)/paid</b>	335,380	335,380	315,320
<b>IAS19 Adjustment</b>	(396,620)	(396,620)	(473,330)
<b>Carry forwards from prior year</b>	0	(204,949)	0
<b>Transfer to reserves</b>	1,202,534	2,228,290	1,479,120
<b>Transfer from reserves</b>	(393,440)	(1,441,023)	(462,246)
<b>Transfer from unapplied grants</b>	(2,915)	(665,014) *	
<b>Transfer to/(from) pensions reserves</b>	3,880	3,880	3,880
<b>Transfer to/(from) balances</b>	(115,934)	163,279	103,715
HBBC Budget Requirement	<b>10,248,194</b>	<b>10,248,194</b>	<b>10,247,348</b>

*\* at the July 2016 Council meeting it was agreed that £662,099 of grant funding that has been allocated but not spent as at 31st March 2016 would be transferred to "unapplied grants and contributions", to be spend during 2016/17. These Funds and approved have been released and hence expenditure in the revised budget is higher than the original budget.*

The table below summaries service expenditure based on the previous budget book format.

	<b>Original Estimate 2016/17</b>	<b>Revised Estimate 2016/17</b>	<b>Original Estimate 2017/18</b>
	£	£	£
<b>Central Services</b>	2,922,192	3,254,413	3,556,032
<b>Leisure and Environment</b>	6,117,159	5,915,095	5,622,521
<b>Housing (General Fund)</b>	977,380	1,368,756	1,016,053
<b>Planning</b>	1,194,096	1,478,705	1,310,603
<b>Direct Service Organisations</b>	(28,872)	(22,352)	115,800
<b>Further Savings in Year</b>	0	(203,000)	0
Total service expenditure	<b>11,181,955</b>	<b>11,791,617</b>	<b>11,621,009*</b>
Less:			
<b>Special Expenses</b>	(629,907)	(629,907)	(588,870)
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<b>Transfer from reserves</b>	(393,440)	(1,441,023)	(462,246)
<b>Transfer from unapplied grants</b>	(2,915)	(665,014)**	0
<b>Transfer to/(from) pensions reserves</b>	3,880	3,880	3,880
<b>Transfer to/(from) balances</b>	(115,934)	163,279	103,715
HBBC Budget Requirement	<b>10,248,194</b>	<b>10,248,194</b>	<b>10,247,348</b>

*\*The £11.621million is made up of gross expenditure of £51.142m and gross income of £39.521million. A detailed analysis is included in Appendix 2.*

*\*\* at the July 2016 Council meeting it was agreed that £662,099 of grant funding that has been allocated but not spent as at 31st March 2016 would be transferred to "unapplied grants and contributions", to be spend during 2016/17. These Funds and approved have been released and hence expenditure in the revised budget is higher than the original budget.*

### Special Expense Area

- 3.3 This represents the cost of parks and cemeteries in the non-parished area of Hinckley. Whilst the cost will only fall on the residents of this area, the net expenditure is built into the service totals above and must be included in the Council's overall budget requirement for Council Tax purposes.
- 3.4 The proposed budgets for the Special Expenses area have been compiled in accordance with the approved Budget Strategy and the taking advantage of the £5 Council Tax rise under the 2016/17 settlement available to councils that have historically kept been in a low taxing position. A budget report was presented to the Hinckley Area Committee on the 23<sup>rd</sup> January 2017.

	<b>Original Estimate 2016/17 £</b>	<b>Revised Estimate 2016/17 £</b>	<b>Original Estimate 2017/18 £</b>
Expenditure	629,907	629,907	588,870
<i>Transfer to/(from) balances</i>	0	0	65,693
<i>Transfer to/(from) reserves</i>	(3,590)	(3,590)	20,000
<b>S106 Contributions</b>	(13,365)	(13,365)	(18,860)
<b>Budget Requirement</b>	612,952	612,952	655,703

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

	<b>£</b>
Balance at 1st April 2017	70,444
Transfer to/(from) Balances 2016/17	0
Transfer to/(from) Balances 2017/18	65,693
Estimated Balance at 31st March 2018	136,137

#### Total Council Budget for 2017/18

3.6 The total overall budget for 2017/18 in the direct control of the Council is therefore:

	<b>Original Estimate 2016/17 £</b>	<b>Revised Estimate 2016/17 £</b>	<b>Original Estimate 2017/18 £</b>
HBBC Budget Requirement	10,248,194	10,248,194	10,247,348
Special Expenses Budget Requirement	612,952	612,952	655,703
<b>Total Council Controlled Budget Requirement</b>	<b>10,861,146</b>	<b>10,861,146</b>	<b>10,903,051</b>

### **Revised Budget 2016/17**

- 3.7 The original budget for 2016/17 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 £1,034,000 (net) has been identified to October 2016. The key movements leading to this variance have been detailed below:

	<b>Saving/(Over Spend) £</b>
"Section 31 grant" income, designed to reimburse for changes in Business Rates. The level of this grant that may be retained by the Council will not be known until year end and therefore this grant has been placed in the Business Rates pooling reserve until this point **.	557,000
Additional income from charging for garden waste	303,000
Additional trade waste and bulky waste income.	83,000
Forecast loss in planning income due to development downturn.	(147,000)
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 £89,000 will be used in later periods	89,000
Car Parking – Additional income from pay and display	83,000
Forecast impact from under recovery of rent and service charges from Block C (Crescent Development)	(163,000)
Estimated Year end salary (over)/under spend	203,000

\*\* It should be noted that these amounts will be offset against additional levy payment and movements in business rates and any net balance placed in business rates reserve. £546k has been allowed for in 2016/17 when setting the reserve.

### **Original Budget 2017/18 – assumptions and process**

- 3.8 The 2017/18 General Fund revenue budget has been prepared following a robust budget process outlined in the 2017/18 Budget Strategy. The table below gives the overall savings and pressures included in the 2017/18 budget.

	<b>£</b>
Service Pressures and capital financing	1,224,753
Savings	(1,592,896)
Net Savings	(368,143)
MTFS Savings Feb 16	(168,496)
Additional Net Saving	(199,647)

- 3.9 The budget has been created with clear links to the Council's strategic and service objectives. Clarity of priorities has enabled cross-party members through the Scrutiny

and Executive functions to prioritise the projects included in the Capital Programme. Although the Capital Programme is the subject of a separate report, it is important to note that there are links between capital and revenue (e.g. interest from capital receipts, interest on borrowing, staffing costs etc).

- 3.10 In order to drive efficiency savings within the cost of supplies and services, a rate of 0% has been applied to non-contract related expenditure. As the Retail Price Index (RPI) has stood between 2-3% in year, the application of 0% represents an effective saving on running costs. For contracts, an inflation rate of 2.1% has been used, unless otherwise specified within the terms of the specific contract.
- 3.11 The salaries and wages budget is the most significant element of the revenue budget. For pay costs, the 2017/18 estimates include an updated pension cost figure of 23% based on the latest pension valuation and an agreed 1% pay award. 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 2016/17.
- 3.12 Pressures totalling £1,224,753 have been included in the budget. Of this amount £366,280 is contractually committed expenditure as noted below:
- £165,000 relates to staff cost resulting from pay inflation, pay increments, pension and NI costs.
  - Pension and NI changes account for £81,000 of this increase and are outside of the council's control.
  - £40,800 Additional costs arising from increase in fuel prices.
  - £44,500 Additional costs due to increase in Business Rates for General Fund Properties.
  - £34,980 Additional costs arising from the apprentice levy.

Other major services and capital financing pressures include:

- £299,571 of capital financing pressure (includes Leisure Centre and the former Co-Op site).
  - £75,000 Additional VCS and Town Centre Support.
  - £83,810 Castle Car Park.
  - £25,000 Reduction in contribution from Special Expenses Area.
  - £90,000 Included for changes in capacity (to be taken to Council in February 2017).
- 3.13 In comparison, the service savings and additional income of £1,592,829 have been included. The most significant of these savings are:
- £531,130 (net) from Leisure Centre rentals to be received in 2017/18.
  - £130,000 Reduction in Planning Policy; site allocation and local plan expenditure.
  - £93,000 Increase Car Parking income.
  - £209,654 Saving arising from the Corporate Restructure.
  - £133,048 Net additional income from charging for Garden Waste.
  - £55,890 Additional income from trade waste and bulky collections and dry recycling.
  - £129,000 of Planning Site allocation savings from previous year to be realized in 2017/18.
  - £119,000 related to a potential VAT liability that was set aside in relation to the Greenfield site, as note in the 2016/17 general fund budget report, but has not been

required.

- 3.14 The Leicestershire Pension Fund was re-valued as at 31 March 2016 and a tri annual valuation completed in accordance with statutory requirements. There is currently an actuarial deficit (i.e. the assets of the fund were less than those required to meet the long term liabilities in terms of benefits due to members). Whilst action is needed to remedy this position the timescales involved mean that there is sufficient time to recover the position in a phased manner over a number of years and valuations. An Employers Contribution rate of 20.3% will be used with an additional 0.9% being included for Ill Health retirement insurance. In addition a lump sum value of £181,000 (£226,000 including HRA) is payable to the Local Government Pension Scheme which is contained in a corporate budget.

### **Original Budget 2017/18 – key issues and considerations**

- 3.15 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**

- 3.16 The Council has previously maintained a general fund balance of 10% of the general fund budget requirement. Historically, the Council's income from Central Government has been relatively fixed. (i.e. the financial settlement set the amount of RSG, Business Rates Income and New Homes Bonus). The method of funding local government services has changed and continues to change. RSG is reducing, the Councils element of New Homes Bonus income is also reducing and the amount of Business Rates funding is becoming more variable. To manage this risk it is recommended that 15% of the Council's Budget is set aside as a balance. The change will not impact on service delivery and the MTFS will demonstrate that the Council ensures service delivery and financial stability over next 5 years.
- 3.17 The Council therefore has the following policies relating to levels of balances and reserves for 2017/18:
- To maintain an average general balances (non-earmarked) at a minimum of 15% of Hinckley & Bosworth Borough Council's budget requirement over the life of the MTFS. Based on the forecast position for 2017/18 this would determine a need for £1,547,565 of General Fund balances (This is an increase from 10%). 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 31<sup>st</sup> March 2017 and 31<sup>st</sup> March 2018. Other movement in balances for 2016/17 will be confirmed at year end and considered as part of future 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 2016	1,514,420	1,443,976	70,444
Amount Taken to /(from) Balances 2016/17	163,279	163,279	0
Balances at 31 March 2017	1,677,699	1,607,255	70,444
Amount Taken to/(from)Balances 2017/18	169,408	103,715	65,693
<b>Balances at 31 March 2018</b>	<b>1,847,107</b>	<b>1,710,970</b>	<b>136,137</b>
Net Budget Requirement	10,903,051	10,247,348	655,703
Minimum Balance requirement	1,635,457	1,537,102	98,355
Surplus Balance	211,650	173,868	37,782

### Earmarked Reserves

3.19 Appendix 1 provides a summary of earmarked General Fund reserves together with estimated movements during 2016/17 and 2017/18.

3.20 The following uses of reserves for revenue purposes require approval by Council for revised 2016/17 budget and Original 2017/18 budget. As part of the reserves review in 2016/17 officers have requested that reserves with minor balances that are not required are removed. Officers have also agreed that the Planning Capacity Reserve is not required. Therefore it is recommended that the following reserves totalling £162,774 are removed and therefore allocated back to the General Fund.

<b>Reserve</b>	<b>Transfer from 2016/17 £</b>	<b>Use</b>
Car Parking Income	25,000	Reserve not required.
Market Income	15,000	Reserve not required.
Commutation & Feasibly	26,774	Reserve not required.
Planning Capacity	83,000	Reserve not required.
Workforce Strategy	13,000	Reserve not required.



Contributions from Reserves to General Fund expenditure are summarised below:

<b>Reserve</b>	<b>Transfer from 2016/17 £</b>	<b>Transfer from 2017/18 £</b>	<b>Use</b>
Local Plan Reserve	299,799	182,000	All costs associated with production of Local Plan documents are funded from a dedicated reserve set up for this purpose.
Business Rates Reserve	96,000	69,754	Use to pay for estimated deficit on the collection fund. Funds have already been set aside from prior year grants to fund this. The £96k is the net impact in year; 2016/17 year saw an increase in the reserve due to £557k of S31 funding which was used to cover a collection fund loss of £546k.
Relocation Reserve	0	51,132	Current level of balance not required.
Carry Forward 2016/17	204,959	0	Reserve to fund committed expenditure which was not spent in the prior year.
Pension Reserve	0	53,800	Use to offset additional costs arising from the pension liability.
Transformation	100,000	94,620	£100k to cover future transformation changes on operations. £94.6k reduction in reserve requirement.
Waste Management Reserve	100,000	0	Cover additional cost of recycling
Planning Delivery Grant Reserve	10,940	10,940	Annual contribution towards salary costs of planning officer.
Appeals	221,500	0	£30k for the cost defending appeals. £156.2k to be moved to the Enforcement & Appeals Reserve. Balance of £5.2k not required.

3.21 The following transfers to reserves require approval by Council:

<b>Reserve</b>	<b>Transfer to 2016/17 £</b>	<b>Transfer to 2017/18 £</b>	<b>Use</b>
Building Maintenance Reserve	0	388,120	<b>New reserve</b> to set aside funds for future maintenance costs as significant pressures have been identified in the stock condition survey.
Earl Shilton Toilets	100,000	0	<b>New reserve</b> to set aside potential funding of new public toilets in Earl Shilton
Enforcement & Appeals	156,290	0	Set aside for future enforcement, and appeals issues.  This reserve has combined Appeals and Enforcement into one reserve.
Developing Communities Fund	950,000	301,000	To support projects or activity aimed at improving efficiency and invest to save schemes.
Hub Future Rental Management Reserve	100,000	250,000	In July 2015 Council endorsed that this reserve should be reinstated in future years as a contingency for any fluctuations in rental costs/income at the Hinckley Hub.
Local Plan *	180,000	0	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	409,465	To build the reserve up to fund and additional pressures arising from Business Rates and uncertainties in future income fluctuations
Waste Management Reserve	0	66,535	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.
Transformation Reserve	100,000	0	This reserve is in place to fund any “spend to save” schemes and initiatives that the Council may introduce going forward
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	5,000	Reserve set aside to fund future costs at Green Towers.

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

- 3.22 Based on these calculations, it is estimated that the Council will hold £3,973,785, in earmarked reserves as at 31<sup>st</sup> March 2017 and £4,166,859 at 31<sup>st</sup> March 2018. 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 2017/18 Local Government Finance Settlement, along with additional elements of financing are detailed on the next page:

	2016/17	2017/18	Mvt
	£	£	£
			Inc/(Dec)
Revenue Support Grant	1,257,386	753,927	(503,459)
National Non Domestic Rates	2,378,358	2,426,915	48,557
<b>Core Funding</b>	<b>3,635,744</b>	<b>3,180,842</b>	<b>(454,902)</b>
Additional Business Rates Growth (excluding S31 grant)	0	514,788	514,788
New Homes Bonus	2,910,378	2,793,740	(116,638)
Net Collection Fund Surplus / (Deficit)	53,112	(147,845)	(200,957)
Council Tax payer	3,648,960	3,905,823	256,863
<b>Total Financing</b>	<b>10,248,194</b>	<b>10,247,348</b>	<b>(846)</b>

3.24 The following points should be noted:

- The reduction in core funding for the Council is £454,902 (12.5%). The previous year's MTFS assumed core funding of £3,232,744 for 2017/18. This therefore represents a reduction of £51,902 compared against the MTFS.
- The Settlement for the RSG element is in line with four year settlement which is based on the Councils efficiency plan.
- New Homes Bonus has moved to a four year settlement, which means as predicted the council will 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 2017/18 Local Government Finance Settlement (£9,062,975). Any growth over a set baseline (£2,426,915) is subject to a "levy" payment which is paid using the same proportions indicated above. The settlement announced that a safety net threshold for all Councils of 7.5%. On this basis, this Council would need to lose £2,244,896 of Business Rates before a safety net payment will be made.

3.27 The NNDR1 form for this Council will be approved by Head of Finance (S151 officer) before the deadline of 31<sup>st</sup> January 2017.

- 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 3.5% growth in retained business rates has been included in the budget for 2017/18 which is in line with the government baseline.
- 3.29 The Local Government Finance Bill allows local authorities to form pools for the purposes of business rate retention. Practically, this 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 Budgeting for business rates is extremely difficult, given the level of volatility in the market and delays in processing of appeals and applications for relief. Ongoing monitoring will be performed of the position in year and reported to the Finance and Performance Committee quarterly. Significant levels of appeals have been lodged with the Valuation Office Agency (VOA), which if successful would have a significant impact on the Council.

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

- 3.31 From a financing point of view, the introduction of the LCTS had the result of reducing the council tax base for the Council, as income is only received for a proportion of those properties previously in receipt of Council Tax Benefit. LCC have requested that the scheme is reviewed. A report was presented as Executive Brief where members have indicated that this will remain unchanged so persons of working age are required to pay a minimum of 12% of their council tax liability.

#### New Homes Bonus

- 3.32 New Homes Bonus was introduced in February 2011 and was designed to encourage housing growth by providing financial incentive for Councils and local people to accept new housing. The first awards were made in April 2011. For each additional new home built local authority currently receive six years of grant based on the council tax. This will increase in amount each year as more new housing comes on stream. The scheme applies to new housing and empty properties brought back into use.
- 3.33 It should be noted that there continues to be considerable uncertainty over New Homes Bonus (NHB). In 2017/18 the government has moved from a 6 year basis to a 5 year basis. Compared against the February 2016 MTFS forecast, the estimated impact of this is £340,000 and has been allowed for in the 2017/18 budget. Withdrawal of any element of New Homes Bonus is a considerable risk to this Council and will be monitored and planned for in each annual update of the MTFS.

#### Future Income Increases

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

	2017/18	2018/19	2019/20	2020/21
Year	1	2	3	4
<b>Management Fee £</b>	907,547	1,015,747	1,012,647	935,809

3.35 The 2017/18 budget should be read in conjunction with the Council's Fees and Charges book for 2017/18 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 2017/18:

- The Car Park Season Tickets:
  - Replacement/Amendment season tickets
  - Cancellation of PCN where permit incorrectly displayed
- Reprinting of an Animal Licence
- Breach of Public Spaces Protection Order, under the Anti-social Behaviour, Crime and Policing Act 2014
- Fly Tipping S33(1)(a) Environmental Protection Act 1990
- Building Control Charges:
  - Completion application for a closed application (reactivation of application and 1 inspection)
  - Additional inspections on a reactivated application (per inspection)
  - Building Control Surveyor attendance at emergency incident/enforcement (per hour)
  - Preparation and posting of documentation in relation to an emergency/enforcement incident or dangerous structure (per document)

#### Leicestershire Revenues and Benefits Partnership

3.36 The budget for the Leicestershire Revenues and Benefits Partnership (the Partnership) will be approved by the Partnership Joint Committee on 26<sup>th</sup> January 2017. 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 draft contributions for 2017/18 are detailed below. The contribution for this Council has been included within the General Fund budget and reflects a saving compared to 2016/17 of £18,300:

	<b>Total £</b>	<b>HBBC £</b>	<b>HDC £</b>	<b>NWLDC £</b>
2017/18 Contribution	3,429,650	1,288,520	984,310	1,156,820
2016/17 Contribution	3,472,850	1,306,820	995,710	1,170,320
Difference – Increase/(Decrease)	(43,200)	(18,300)	(11,400)	(13,500)

#### Investment (Income/Costs)

3.37 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.

- 3.38 The Base Rate is currently 0.25%, this level has been assumed in the 2017/18 budget to ensure that a prudent level of investment income is assumed.
- 3.39 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.
- 3.40 Net interest cost for this Council have been estimated at £335,380 and is based on a detailed cash flow and borrowing forecast.

#### Major Projects

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

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

#### Council Tax

- 3.42 The proposed financial settlement, published December 2015, had a clear break with the prior position of requiring Councils to seek to set a zero increase in council tax where possible for the years of the Spending Review of 2010. On this basis Freeze Grants are no longer offered to incentivize Councils to not increase their tax levels. For 2017/18 the financial settlement offers the ability to Councils that have been prudent in council tax increments and find themselves in the bottom quartile for the level of council tax charged, to continue to levy a £5 increase.

#### Medium Term Financial Strategy

- 3.43 This Council's previous Medium Term Financial Strategy 2016/2017 – 2019/20 (MTFS) was approved by Council in February 2016. The current budget proposed for 2017/18 has managed to achieve a budget position that is better than forecast due to the identification of savings and income being higher than expected, particularly for retained business rates growth. However, given the significant changes in Local Government Financing and locally for the Council since this time, the 2017/18 budget should be considered in light of the MTFS, which indicates that the next three years after 2017/18 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 2017/18, 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. EXEMPTIONS IN ACCORDANCE WITH THE ACCESS TO INFORMATION PROCEDURE RULES

- 4.1 Report to be taken in open session.

5. FINANCIAL IMPLICATIONS (IB)

5.1 Contained within the body of the report.

6. LEGAL IMPLICATIONS (AR)

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

7. CORPORATE PLAN IMPLICATIONS

7.1 A robust General Fund Budget is required to ensure that resources are effectively allocated in order to ensure delivery of all of the aims, outcomes and targets included in the Council's Corporate Plan.

8. CONSULTATION

8.1 None

9. RISK IMPLICATIONS

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

9.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision/project have been identified, assessed and that controls are in place to manage them effectively.

9.3 The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
That the Council has insufficient resources to meet its aspirations and cannot set a balanced budget	A budget strategy is produced to ensure that the objectives of the budget exercise are known throughout the organisation.	Strategic Leadership Team
	The budget is scrutinised on an ongoing basis to ensure that assumptions are robust and reflective of financial performance.	Strategic Leadership Team
That decisions made for 2017/18 are made in isolation from the Medium Term Financial Strategy and the pressures set out in that strategy.	Decisions are made which provide costed reassurance that sufficient levels of reserves and balances are maintained to ensure financial resilience over the period of the MTFS	Council
That the MTFS has no robust and costed plan to ensure	Decisions are made which provide costed reassurance that sufficient	Council



sustainability, resulting in public criticism on value for money from the internal and external auditors	levels of reserves and balances are maintained to ensure financial resilience over the period of the MTFS	
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## 10. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

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

## 11. CORPORATE IMPLICATIONS

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

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Procurement implications
- Human Resources implications
- Planning implications
- Data Protection implications
- Voluntary Sector

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Background papers: None

Contact Officer: Ilyas Bham, Accountancy Manager ext 5624

Executive Member: Cllr M. Hall

## General Fund Earmarked Reserves

## Appendix 1

	Closing Balance 31st March 2016	Revenue orig budget	Revenue orig budget	Capital spend orig budget	Supplemen- tary Revenue	Supplemen- tary Capital	Closing Balance 31st March 2017	Revenue orig budget	Revenue orig budget	Capital spend orig budget	Closing Balance 31st March 2018
		To Reserves	From Reserves	From Reserves	To/From Reserves	From Reserves		To Reserves	From Reserve s	From Reserves	
	£	£	£	£	£	£	£	£	£	£	£
Car Parking Income Reserve	(25,000)				25,000		0				0
Market Income Reserve	(15,000)				15,000		0				0
Commutation & Feasibility Reserve	(26,774)				26,774		0				0
Benefits Reserve	(58,549)						(58,549)				(58,549)
Hub Future Rental Management Reserve	0	(100,000)					(100,000)	(250,000)			(350,000)
Special Expenses Reserve	(146,514)		3,590	20,980		(15,495)	(137,439)	(20,000)		15,000	(142,439)
Local Plan Procedure	(675,952)	(180,000)	252,500		47,299		(556,153)		182,000		(374,153)
Business Rates Pooling/ Business Rates Equalisation Reserve	(671,460)	(107,000)			96,000		(682,460)	(409,465)	69,754		(1,022,171)
Relocation Reserve	(101,132)						(101,132)		51,132		(50,000)
Leisure	(250,000)					250,000	0				0
Year End Carry Forwards 2016/17	(204,959)				204,959		0				0
Maint Fund - Green Towers	(10,000)	(5,000)			(5,000)		(20,000)	(5,000)			(25,000)
Pensions Contribution	(161,411)						(161,411)		53,800		(107,611)
ICT Reserve	(180,534)	(50,000)		15,000		42,874	(172,660)	(59,000)		15,000	(216,660)
Waste Management Reserve	(273,725)			106,980	100,000	19,480	(47,265)	(66,535)		113,800	(0)
Project Management Master Plan Reserve-Asset Management Reserve	(1,261,552)			650,000		421,478	(190,074)				(190,074)
Planning Delivery Grant Reserve	(39,663)		10,940				(28,723)		10,940		(17,783)
Workforce Strategy Reserve	(13,000)				13,000		0				0
Election Reserve	(122,005)						(122,005)				(122,005)
Grounds Maintenance	(108,295)	(25,000)					(133,295)				(133,295)
Transformation	(164,620)	(100,000)	100,000			22,000	(142,620)		94,620		(48,000)
Appeals	(221,500)		30,000		191,500		0				0
Enforcement Enforcement and Appeals	(113,710)				(156,290)		(270,000)				(270,000)
Planning Capacity	(83,000)				83,000		0				0
Earl Shilton Toilets	0				(100,000)		(100,000)				(100,000)
Building Maintenance costs	0						0	(388,120)			(388,120)
Developing Communities Fund	0	(535,534)			(414,466)		(950,000)	(301,000)		700,000	(551,000)
<b>Total</b>	<b>(4,928,354)</b>	<b>(1,102,534)</b>	<b>397,030</b>	<b>792,960</b>	<b>126,776</b>	<b>740,337</b>	<b>(3,973,785)</b>	<b>(1,499,120)</b>	<b>462,246</b>	<b>843,800</b>	<b>(4,166,859)</b>

# **Analysis of Gross Service Budgets**

## **Appendix 2**

	Original	Original	Original		Revised	Revised	Revised		Original	Original	Original
	Estimate (Income)	Estimate (Expenditure)	Estimate (Net)		Estimate (Income)	Estimate (Expenditure)	Estimate (Net)		Estimate (Income)	Estimate (Expenditure)	Estimate (Net)
	2016/17	2016/17	2016/17		2016/17	2016/17	2016/17		2017/18	2017/18	2017/18
Central Services	(9,968,900)	12,891,092	<b>2,922,192</b>		(10,659,917)	13,914,330	<b>3,254,413</b>		(10,263,160)	13,819,192	<b>3,556,032</b>
Leisure and Environment	(2,632,983)	8,756,142	<b>6,123,159</b>		(3,055,526)	8,970,621	<b>5,915,095</b>		(3,468,600)	9,091,121	<b>5,622,521</b>
Housing (General Fund)	(19,632,520)	20,609,900	<b>977,380</b>		(19,639,040)	21,007,796	<b>1,368,756</b>		(19,523,771)	20,539,824	<b>1,016,053</b>
Planning	(3,586,190)	4,774,286	<b>1,188,096</b>		(3,406,690)	4,885,395	<b>1,478,705</b>		(3,571,593)	4,882,196	<b>1,310,603</b>
Direct Service Organisations	(2,691,856)	2,662,984	<b>(28,872)</b>		(2,691,856)	2,669,504	<b>(22,352)</b>		(2,693,550)	2,809,350	<b>115,800</b>
Further Savings in Year	0	0	<b>0</b>		0	(203,000)	<b>(203,000)</b>		0	0	<b>0</b>
<b>Total service expenditure</b>	<b>(38,512,449)</b>	<b>49,694,404</b>	<b>11,181,955</b>		<b>(39,453,029)</b>	<b>51,244,646</b>	<b>11,791,617</b>		<b>(39,520,674)</b>	<b>51,141,683</b>	<b>11,621,009</b>