



**Hinckley & Bosworth  
Borough Council**

Forward timetable of consultation and decision making

Scrutiny Commission                                      10 February 2022  
Council    22 February 2022

Wards affected:    All

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**2022/23 GENERAL FUND BUDGET**

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Report of Head of Finance

**1. Purpose of report**

1.1 To seek approval of the 2022/23 General Fund Revenue Budget.

1.2 The General Fund revenue budget has been prepared taking into consideration the capital programme and Housing Revenue Account (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 items a-d and consider:

- a) The General Fund budget for 2021/22 and 2022/23 shown in section 3.2
- b) The Special Expenses area budget for 2021/22 and 2022/23 shown in section 3.6
- c) The proposed one-off movement in the 2021/22 budget as shown in section 3.10
- d) The proposed movement in General Fund Reserves and balances for 2021/22 and 2022/23 shown in sections 3.16-3.23
- e) the officer modelled proposal at the foot of table 2 to increase the Garden waste charge to between £35 to £45 as noted at the foot table 1

### **3. Background to the report**

3.1 The General Fund Revenue budget for 2022/23 has been drawn up in accordance with the principles set out in the Budget Strategy. The key objectives of the budget can be summarised as follows:

- To align expenditure on services to the Council's Corporate Plan.
- To provide for reductions in government grant funding for 2022/23 and future years.
- To encourage identification of savings and income generation opportunities across the Council.
- To take decisions which will maintain acceptable and viable levels of General Fund balances and reserves to make provisions for known future funding and expenditure pressures.
- To maintain an acceptable and viable level of balances in the Special Expenses Area.
- To ensure that the Council has acceptable level of reserves for future pressures and development opportunities.

#### **Budget Summary**

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

- a £5 increase in Council Tax for 2022/23 (which should still leave us in the bottom 15 lowest charging District Councils in England)
- a potential increase of £5-£15 increase in Garden Waste, from £30 to £35/£45.
- No recurring supplementary requests on the general fund.

3.3 The original budget for the financial year 2021/22, along with the revised budget for 2021/22 and the proposed budget for 2022/23 are set out below. The change in the net service expenditure in 2021/22 is explained in section 3.9 below. Overall an additional £114,551 is budgeted to be transferred from balances in 2022/23. The S31 Collection Fund Support is additional income (mandated relief) that the government has given to set aside for future deficits they may arise as a result of the Covid-19 pandemic. In accordance with government guidance this will be set aside into a reserve to offset losses arising from the collection fund in future years. If this is excluded the general fund total service expenditure is budgeted to increase by £42,021, compared against the original 2020/21 budget. However, if you exclude statutory accounting adjustment which are reversed out, the impact on the general fund is £1,055,329.

Table 1	Original Estimate 2021/22	Revised Estimate 2021/22	Original Estimate 2022/23
	£	£	£
Support Services	80,700	404,511	125,810
Corporate Services	2,570,120	4,783,013	2,604,068
Community Services	2,757,520	3,306,664	2,647,469
Environment & Planning	8,496,901	9,017,770	8,688,380
Further (Savings) / growths	0	0	0
S31 Collection Fund Support	3,826,520	3,826,520	0
S31 Collection Fund Support *	0	(1,733,355)	1,724,767
Total service expenditure (Net)	17,731,761	19,605,123	15,790,494
Less:	0	0	0
Special Expenses	(706,360)	(717,360)	(719,800)
Capital Accounting Adjustment	(1,405,340)	(1,405,340)	(1,554,130)
Net external interest (received)/paid	185,200	316,000	(68,960)
IAS19 Adjustment	(1,585,970)	(1,585,970)	(488,620)
Carry forwards from prior year	0	(3,018,019)	(55,000)
Transfer to reserves	660,000	660,000	175,990
Transfer from reserves	(280,912)	(424,300)	(907,708)
Transfer to (from) Collection Fund Reserve *	(3,826,520)	(2,093,165)	(1,724,767)
Transfer to/(from) balances #	105,047	(460,063)	(174,115)
<b>HBBC Budget Requirement</b>	<b>10,876,906</b>	<b>10,876,906</b>	<b>10,273,384</b>

Notes:

# Based on officer modelling if a £45 garden waste charge was introduced the loss on the general fund would be reduced from £174,115, to a gain of £123,000, and bring in additional income of £300,000 in 2022/23 and ££0.9m over the next three years. This would help to reduce the need for service cut pressures on the Council. Members should consider this proposal to improve the finances of the Council.

\*The S31 Collection Fund movement of £1.7m in the table above, is due to the accounting requirements of dealing with Collection Fund deficits until the next financial year in which they are created. HBBC had to give the retail relief to businesses and did not collect the business rates, this generated a deficit on the Collection Fund in 2021/22 to be recognised to 2022/23. HBBC Share being £1.7m, which was funded by Government in 2021/22 to keep the cash flow in order. This funding needs to be placed into a reserve to offset the deficit created in the Collection Fund to be recognised in future years. This means HBBC is neither worse nor better off in either year.

The major variations between the 2021/22 Original Estimate and the 2022-23 Original Estimate analysed by directorate are set out in the table below: -

Table 2 £000's	<u>Support Services</u>	<u>Corporate Services</u>	<u>Communit y Services</u>	<u>Environme nt and Planning</u>	<u>Total</u>
Increase in salary costs	108	16	96	405	625
Local Plan Expenditure				214	214
Depn and Capital Charges	131	-4	-10	41	158
Benefits Overpayments Recovery		70			70
B&B Costs and Prevention			60		60
Delay in Crematorium				58	58
Net increase in ICT Cost	36				36
Building Control Service				35	35
Universal Credit Changes		33			33
Audit Fees	26				26
Council Office Rent	25				25
Other variations	-15	21	10	9	25
Changes to recharges	10	-41	4	-34	-61
Additional Rent (Net)		-86			-86
Twycross Zoo Mgt		-100			-100
Repairs Overhead Recovery			-150		-150
<b>Sub-Total Expenditure pressure</b>	<b>321</b>	<b>-91</b>	<b>10</b>	<b>728</b>	<b>968</b>
<b>Decrease in pension cost (IAS 19 Adjustment)</b>	<b>-251</b>	<b>-20</b>	<b>-153</b>	<b>-502</b>	<b>-926</b>
<b>Total</b>	<b>70</b>	<b>-111</b>	<b>-143</b>	<b>226</b>	<b>42</b>

## Special Expense Area

- 3.4 This represents the cost of parks and cemeteries in the non-parished area of Hinckley. Whilst the cost will only fall on the residents of this area, the net expenditure is built into the service totals above and must be included in the Council's overall budget requirement for Council Tax purposes.
- 3.5 The key risks to the plans are that the level of Government support has been estimated and is therefore subject to change. Similarly, some estimates for other sources of funding, such as capital receipts, may also be subject to change over this timescale. For instance, anticipated asset sales may be postponed due to the poor condition of the property market.
- 3.6 The proposed budgets for the Special Expenses area have been compiled in accordance with an overall increase in the Borough Council Tax Base of 0.74%. Details of the council tax base are included in the Council Tax report. Due to the adequacy of balances there will be no increase in Council Tax for Special Expenses.

Table 3	Original Estimate 2021/22	Revised Estimate 2021/22	Original Estimate 2022/23
	£	£	£
Expenditure	706,360	717,360	719,800
Transfer to/(from) balances	(9,045)	(20,045)	(16,851)
Transfer to/(from) reserves	78,500	78,500	78,500
S106 Contributions	(25,816)	(25,816)	(25,816)
<b>Budget Requirement</b>	<b>749,999</b>	<b>749,999</b>	<b>755,633</b>

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

Table 4	£
<b>Balance on 1st April 2022</b>	<b>345,506</b>
Transfer to/(from) Balances 2021/22	(20,045)
Transfer to/(from) Balances 2022/23	(16,851)
<b>Estimated Balance on 31st March 2023</b>	<b>308,610</b>

## Total Council Budget for 2022/23.

3.8 The total overall budget for 2022/23 in the direct control of the Council is therefore:

Table 5	Original Estimate 2021/22	Revised Estimate 2021/22	Original Estimate 2022/23
	£	£	£
HBBC Budget Requirement	10,876,906	10,876,906	10,273,384
Special Expenses Budget Requirement	749,999	749,999	755,633
<b>Total Budget Requirement</b>	<b>11,626,905</b>	<b>11,626,905</b>	<b>11,029,017</b>

3.9 The original budget for 2021/22 has, in accordance with the Council's Financial Procedures, been revised during the year to take account of approved supplementary budgets and virements. These budget changes are summarised below: -

Table 6	Outturn variance s £000	Explanation
Additional budgets	89	To take into account latest contractual commitments
Prior Yr. Carry forwards	3,241	Prior contractual commitments (includes £2.6m for ARG Covid grants paid in 2022/23)
Forecast Outturn Movement	194	Estimated forecast variance from services
External Interest	132	Reduction in borrowing costs and additional investment income
Use of Reserves	(143)	Use of Reserves
Carry Forwards	(3,018)	Movements in Carry forwards.
<b>Change in Outturn</b>	<b>495</b>	<b>Additional amount to be taken from General Fund balances</b>

Explanations for variances against both profiled budget and estimated outturn have been detailed in the monthly outturn sent to FAP. The main service variations in year have been summarised as follows:

Table 7 Service	Description	£000 Pressure (Saving)
	<b>Covid 19 Related</b>	
Homelessness	Net additional pressure on prevention and Bed and Breakfast	66
Leisure Services	Leisure Centre management fees and support Payments (before allocation of fee compensation)	325
Corporate Management	Covid 19 New Burdens funding	(669)
Corporate Management	Covid 19 Fees and Charges Compensation Support	(125)
Car Parks	Shortfall in pay and display income/season Tickets	156
Parks	Impact of re-phasing crematorium project	105
Recycling	Net Overspend due higher agency costs	39
	<b>Net impact of Covid 19 related variations</b>	<b>(103)</b>
	<b>Non Covid 19 related</b>	
Markets	Reduction in market income	25
Benefits Fraud and Rent Allowances	Reduction in Income from Benefits Overpayments due to Universal Credit	40
Industrial Estates	Additional NNDR incurred on Vacant Industrial Units	25
Misc. Property	Invoices written off - relating to Crescent for 2020/21	123
Legal Services	Net additional agency costs to cover vacant posts and to meet capacity issues	54
Refuse	Additional Agency Costs	34
Street Cleansing	Under recovery of income	28
Building Inspection	Shortfall in inspection income due to lower demand	30
Development Control	Net Additional Planning Income	(72)
Planning Policy	Delay in Local Development Framework	(80)
General Fund	Net other variation	34
	<b>Net impact of Non Covid 19 related variations</b>	<b>241</b>

### 3.10 Changes not covered by reporting in year due to timing for 2021/22

#### Homelessness

There has been a substantial increase in the use of the temporary accommodation. The primary reasons are: -

- Additional people in Temporary Accommodation due to the Government's "Everyone In" directive.
- Lack of social housing voids to move people onto and delays in voids being ready to let.
- Withdrawal of private landlords and increased demand for private rented properties
- Complexity of need of applicants resulting in difficulties in finding suitable accommodation

This increase has had a significant impact on budgets which has led to an increase of £339,000. Officers have tried to ensure that this can be managed. To adhere with the financial procedure rules the following budget virement changes are requested: -

Table 8 Amount £	Virements
100,000	Additional housing benefit
11,400	Cold weather grant funding
47,293	Prevention savings*
48,879	Additional flexible homeless grant
40,000	Contain funding contribution
16,138	Prevention budget saving
<b>263,710</b>	<b>Total</b>
-329,710	Overall budget Pressure
<b>66,000</b>	<b>Remaining pressure for 2012/22</b>

\*Additional contributions of £47,293 are expected as part of the Vulnerable Renters Support Scheme. This will be used to replace the existing prevention support budget. Therefore, the following supplementary expenditure and income budgets will also be required

Table 9 Amount £	Comment
<b>47,293</b>	Prevention support budget
<b>(47,293)</b>	Vulnerable Rental Support Grant



## Planning Services

The Council has experienced a sudden loss of staff from the Development Management Team on top of existing vacancies in the enforcement team. Despite a number of recruitment campaigns there remain vacant posts. Agency staff and consultants have been used to cover the vacancies and to address the backlog of applications that existed due to high numbers of new applications at the start of 2021, which have been made worse by the staff turnover. However, these come at a significant cost to the Council often twice or three times as expensive as permanent staff. There has also been an increase in application income and the Council has been successful in securing PPA income to mitigate costs. There is an estimated £90,000 additional expenditure but to compensate an estimated additional income of £160,000 included as a variation. Therefore, an additional one off £70,000 saving has been included as a variation in 2021/22 budget.

### Forecast Budget 2022/23 – assumptions and process

- 3.11 The original budget for 2021/22 has, in accordance with the Council's Financial Procedures, been revised during the year to take account of approved supplementary budgets and virements. The 2022/23 General Fund revenue budget has been prepared following a robust budget process outlined in the 2022/23 Budget Strategy. The table below gives the overall savings and pressures included in the 2022/23 budget

Table 10	Pressures	Income/ Savings	Net	Description
	£	£	£	
Homelessness	100,000	(50,000)	50,000	B&B Costs and Prevention
Internal Audit	19,110	0	19,110	Pressure of new internal audit contract
Building Control	35,000	0	35,000	Set up costs for new building control service
Industrial Units	15,000	0	15,000	NNDR payments for empty properties
ICT	39,000	0	39,000	Additional Telephony costs
Local Plan	214,200	0	214,200	Reprofile of local plan expenditure
Industrial Units	20,000	(20,000)	0	Additional service costs to be recovered from tenants
Election	5,000	0	5,000	Phasing out of IER Grant
Insurance	10,000	0	10,000	Inflationary increase on insurance contract
Corporate Support Team	0	(17,000)	(17,000)	Lower support and equipment maintenance costs
Estates and Asset Management	0	(10,000)	(10,000)	Reduction in costs to run commercial estates

Table 10	Pressures	Income/ Savings	Net	Description
Estates and Asset Management	0	(53,450)	(53,450)	Increase in commercial rents
Elections	0	(13,250)	(13,250)	Savings of Deputy Returning Officer Fees
Corporate Costs	0	(20,000)	(20,000)	Savings from removal of Severance Pay Budget
Housing Repairs		(95,470)	(95,470)	Revision of Schedule of rates for Housing Repairs
Corporate Costs	50,000	(150,000)	(100,000)	Net Impact of Twycross Management Fee
Green Waste		(157,500)	(157,500)	Increase in Garden waste Income to £35
Green Waste	126,000		126,000	One off refund for Garden Waste
Parks and Open Spaces	58,000		58,000	Crematorium project rephasing
Housing	33,000		33,000	Reduction in Universal Credit
<b>Total</b>	<b>724,310</b>	<b>(586,670)</b>	<b>137,640</b>	

3.12 The budget has been created with clear links to the Council's strategic and service objectives. Clarity of priorities has enabled cross-party members through the Scrutiny and Executive functions to prioritise the projects included in the Capital Programme. Although the Capital Programme is the subject of a separate report, it is important to note that there are links between capital and revenue (e.g. interest from capital receipts, interest on borrowing, staffing costs etc.).

3.13 In order to drive efficiency savings within the cost of supplies and services, a rate of 0% has been applied to non-contract related expenditure. As the Retail Price Index (RPI) has stood around 2% in year, the application of 0% represents an effective saving on running costs. For contracts, an inflation rate of 3.1% has been used, unless otherwise specified within the terms of the specific contract.

3.14 The salaries and wages budget are the most significant element of the revenue budget. For pay costs, the 2022/23 estimates have been based on the latest pension valuation and a provisionally agreed pay structure. The Council operates a disciplined process of challenging recruitment and filling of posts and therefore a salary saving rate of 5% (General Fund and HRA) has been applied to posts to reflect the savings which will result from this challenge. This rate is unchanged from that used in 2021/22.

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

Table 11 Other pressures and savings 2022/23		Costs	Savings	Description
Statutory Accounting Adjustment Capital	158,000			Impact of Depreciation & REFCUS reversed below the line so no impact on balances
Inflationary increases	147,000			Contractual inflation (Net)
Pay cost	624,000			Includes set aside for 21/2 and 22/23 pay award.
MRP	9,290			Revenue cost of Capital financing via borrowing.
Interest				£5.3k Increase in interest cost based on latest investment rates and borrowing and £254k additional from EZ Loan*.
<b>Total budget pressure</b>	<b>938,290</b>			
<b>Statutory Accounting Adjustment Pensions (Non-budget)</b>			- 1,097,000	Pensions (reversed below line so no impact of balances)

\* The EZ loan had not been finalised yet so this interest figure is subject to change

3.15 The Leicestershire Pension Fund is re-valued in accordance with statutory requirements. There is currently an actuarial deficit (i.e. the assets of the fund were less than those required to meet the long-term liabilities in terms of benefits due to members). Whilst action is needed to remedy this position, the timescales involved mean that there is sufficient time to recover the position in a phased manner over a number of years and valuations. An Employers Contribution rate of 18.2% will be used with an additional 1% being included for Ill Health retirement insurance. In addition, a lump sum value of £777,890 (General Fund Element) is payable to the Local Government Pension Scheme which is contained in a corporate budget.

### **Original Budget 2022/23 – summary of key issues and considerations**

3.16 In addition to service priorities, there are a number of wider issues, identified in the Budget Strategy and previously in the Medium-Term Financial Strategy. A summary of these items and how they have been addressed in the budget is provided below.

## Balances

- 3.17 The Council has a current policy of maintaining a general fund balance of 15% of the net budget requirement. Historically, the Council's income from Central Government has been relatively fixed (i.e. the financial settlement set the amount of RSG, Business Rates Income and New Homes Bonus). The method of funding local government services has changed and continues to change. The New Homes Bonus income has also dramatically reduced due to new homes not being delivered as hoped. Business Rates funding is a variable source of income.
- 3.18 The Council therefore has the following policies relating to levels of balances and reserves for 2022/23:
- To maintain an average general balance (non-earmarked) at a minimum of 15% of Hinckley & Bosworth Borough Council's budget requirement in 2022/23. Based on the forecast position for 2022/23 this would determine a need for £1,532,000 of General Fund balances. The same discipline is also applied to the Special Expense Area.
  - Where possible, all actual service under-spends, and excess balances should be transferred to earmarked reserves to plan for specific future costs or financial risks.
  - There should be no direct contribution from revenue to capital except for specific identified projects.
  - Any additional notional surplus/deficit earned/incurred by the Direct Service Organisations will be transferred to/from General Fund balances. Any such balance on the Housing Repairs DSO account is transferred to/from the Housing Repairs Account held within the Housing Revenue Account
- 3.19 The projected movement of the General Fund Balances is detailed in the table below and indicates that sufficient balances are forecast as at 31<sup>st</sup> March 2022 and 31<sup>st</sup> March 2023. Other movement in balances for 2021/22 will be confirmed at year end and considered as part of future review of reserves.

<b>Table 12</b>	<b>Total</b>	<b>General Fund</b>	<b>Special Expenses</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balances at 1 April 2021	1,900	1,554	346
Amount Taken to /(from) Balances 2021/22	(480)	(460)	(20)
<b>Balances at 31 March 2022</b>	<b>1,420</b>	<b>1,094</b>	<b>326</b>
Amount Taken to/(from)Balances 2022/23	(191)	(174)	(17)
<b>Balances at 31 March 2023</b>	<b>1,229</b>	<b>920</b>	<b>309</b>

Net Budget Requirement	11,029	10,273	756
Minimum Balance requirement (15%)	1,654	1,541	113
Surplus Balance	(425)	(621)	196

### Earmarked Reserves

3.20 Appendix 1 provides a summary of earmarked General Fund reserves together with estimated movements during 2021/22 and 2022/23. The tables below summarise the changes required to the current approved budget for 2021/22 and lists the approvals required in 2022/23.

Table 13 Reserve	Transfer to 2021/22 £	Transfer to 2022/23 £	Use
<b>Special Expenses Reserve</b>	0	(110,000)	<b>Set aside to fund future Heritage Action Zone capital costs</b>
<b>ICT Reserve</b>	0	(9,250)	<b>Set aside to fund future costs</b>
<b>Maintenance Fund - Green Towers</b>	0	(5,000)	<b>Set aside to fund future maintenance costs</b>
<b>Waste Management Reserve</b>		(136,740)	<b>Set aside funds for future vehicle replacements</b>
<b>Elections</b>		(25,000)	<b>Set aside to fund future costs</b>
<b>New Reserves</b>			
<b>S31 Collection Fund Reserve</b>	(1,733,355)		<b>Set aside central govt funding for future collection fund deficits</b>
<b>Total</b>	<b>(1,733,355)</b>	<b>(285,990)</b>	

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

Table 13 Reserve	Transfer from 2021/22 £	Transfer from 2022/23 £	Use
Local Plan Procedure	(80,000)	273,708	Re-profiling of expenditure for use on local plan
Special Expenses Reserve	0	31,500	To fund Free Car Parking
ICT Reserve	0	54,000	used to fund in year ICT costs
Financial Support Reserve	0	580,000	Used to support in year pressures.

S31 Collection Fund	0	1,724,767	Write out collection fund grant to fund the in-year deficit.
<b>Total</b>	<b>(80,000)</b>	<b>2,663,975</b>	

3.22 Based on these calculations, it is estimated that excluding £1.891m for the S31 collection fund the Council will hold £7.41 million in earmarked reserves as at 31<sup>st</sup> March 2022 and £6.684 million at 31<sup>st</sup> March 2023. 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. Funding announced in the 2022/23 Local Government Finance Settlement, along with additional elements of financing are detailed below:

Table 14	2021/22 Original Budget	2022/23 Original Budget	Mvt Inc/(Dec)
	£	£	£
National Non-Domestic Rates	2,684,594	2,684,122	(472)
<b>Business Rates Growth</b>	1,638,272	1,656,959	18,687
<b>Lower Tier Support Grant</b>	429,409	288,785	(140,614)
<b>Services Grant 2022/23 only</b>	0	179,153	179,153
<b>New Homes Bonus</b>	892,004	528,875	(363,129)
<b>Net Collection Fund Surplus / (Deficit)</b>	567,087	39,837	(527,250)
<b>Council Taxpayer</b>	4,665,540	4,895,643	230,103
<b>Total Financing</b>	<b>10,876,906</b>	<b>10,273,384</b>	<b>(603,522)</b>

3.24 The following points should be noted:

- The reset of business rates has been delayed a further year, and
- A reduction in New Homes Bonus Income of £0.36m mainly caused by a fall in the funding basis by Government due to the removal of legacy payments,

### Business Rates Retention and Pooling

3.25 Leicestershire will remain in the pool for now, as the level of income fall due to Covid- 19 is not expected to be great enough to require the pool to be suspended for 2022/23, but will be kept under review.

3.26 The Council’s NNDR1 form forecasts the level of Business Rates expected to be collected by the Council in year, after taking into account discounts, collection rates and appeals estimates. For 2022/23 HBBC will have a 40% tier

which is approximately £13.7m, the table above gives the element retained once Tariff and Levy charges have been made.

The retained business rates of this Council are subject to a tariff of £9.6m as set out in the 2022/23 Local Government Finance Settlement. Any growth over a set baseline (£2.7m) is subject to a “levy” payment of £1.5m, which is paid to the business rates pool. The settlement announced that a safety net threshold for all Councils of 7.5%. On this basis, this Council would need to lose £2.5m of Business Rates before a safety net payment will be made

- 3.27 The NNDR1 form which set out the final budgeted position for this Council will be approved by the Head of Finance (S151 officer) on 31 January 2022.
- 3.28 The accuracy of these forecasts will be monitored on a regular basis and will be validated only at year end as part of the completion of the NNDR3 form.
- 3.29 Budgeting for business rates is difficult, given the level of volatility in the market and delays in processing of appeals and applications for relief. Ongoing monitoring will be performed of the position in year and reported to the Finance and Performance Committee quarterly. Significant levels of appeals have been lodged with the Valuation Office Agency (VOA), which if successful would have a significant impact on the Council.

### **New Homes Bonus**

- 3.30 New Homes Bonus (NHB) was introduced in February 2011 and was designed to encourage housing growth by providing financial incentive for Councils and local people to accept new housing.
- 3.31 The Financial settlement since 2016/17 have seen the continued reduction of NHB funding from £2.9m in 2016/17 to £0.52m for 2022/23. The 2022/23 year is expected to be the last year payments will be made under the current procedures. The Government have noted they wish to introduce a more targeted funding to replace the current NHB scheme but have not yet released any details of how this will operate. Any replacement is expected to be at a much-reduced level on that received historically.

### **Leisure Centre Income**

- 3.32 From 2016/17, the Council has been in receipt of Management Fees from the provider of the new leisure contract. The table below summarises the management fee. Due to the Covid-19 no management fee was received in 2020/21. This is in line with legal clauses relating to forced closures and potential losses on the contract that the provider faces. Of the £936k income loss in 2020/21 approximately £655k was recovered via MHCLG’s fees and charges compensation scheme for local authorities. For 2021/22 the compensation scheme finished in June 2021 so only around £122,000 will be recovered in the current financial year.



- 3.33 For 2022/23 the contractual Management fee prior to the impact of Covid was £972,000, as Places (the leisure centre operator) consider the contractual clause to still be applicable due to the on-going effect of the government's Covid-19 restriction, they have offered £885,000 for the 2022/23 year with the potential to gain more from any future profit shares to cover any shortfalls or deficits from the impact of Covid in future years, should such profits arise. For Budgetary purposes this lower figure of £885,000 has been used, which is £87,000 lower than expected and £35,000 lower than the 2021/22 year's budget. The risk remains on the future profitability of the leisure centres, like all businesses, depends on how successful the Government's actions to bring the pandemic under control, and if any further restrictions are required in the future.

Table 15	2021/22	2021/22 rev	2022/23
Net Management Fee £	920,860	0	885,000

- 3.34 The 2022/23 budget should be read in conjunction with the Council's Fees and Charges book for 2022/23, which is also agreed by Council. This document reflects the annual review of all Council income streams and any variations in charging regimes. Major Fee changes are summarised in the Fees and Charges report.

### Leicestershire Revenues and Benefits Partnership

- 3.35 The budget for the Leicestershire Revenues and Benefits Partnership (the Partnership) is split between Hinckley and Bosworth Borough Council, Harborough District Council and North West Leicestershire District Council based on a percentage rate which reflects the case load dealt with by the Partnership. The resulting estimated contributions for 2022/23 are detailed below. The contribution for this Council has been included within the General Fund budget and reflects an increase of £145,480, if possible, compared to 2021/22:

	HBBC £
<b>2022/23 Contribution (draft to be finalised)</b>	1,443,650
<b>2021/22 Contribution</b>	1,298,170
<b>Difference – Increase/(Decrease)</b>	145,480

### Investment (Income/Costs)

- 3.36 In recent years the country has faced unprecedented levels of public sector borrowing which had reached a peak in 2019/20 and has led the Public Works Loan Board (PWLB) to increase rates by 1% in 2020. Although this rate was subsequently dropped by 1% there was a rate rise in December 2021 and further rises are anticipated. The government continues to emphasise a need to reduce borrowing which consequently impacts the level of resources available to the sector.



- 3.37 The Base Rate is currently 0.25%; this level has been assumed in the 2022/23 budget to ensure that a prudent level of investment income is assumed. Conversely, the Council is able to borrow from the PWLB to fund the Capital Programme. Loans are acquired at preferential rates from this source which reduces the level of interest payable from the General Fund.
- 3.38 Net interest has been estimated at £68,960 income and is based on a cash flow and borrowing forecast. This allows for a net increase in income of £5,370 and additional income from the Enterprise Zone of £248,790. This increase in from the Enterprise Zone loan will only be achieved once agreement is reached to invest. The final legal agreement has not yet been agreed, so there is some risk that this may not be realised.

### **Major Projects**

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

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

### **Council Tax**

- 3.40 For 2022/23 the financial settlement offered the ability to councils that have been prudent in council tax increments and find themselves in the bottom quartile for the level of council tax charged, to level a £5 increase. The General Fund budget is based on a £5 average band D increase, with no increase specific allocation of this to the special expenses area.

### **Summary of the overall 2022/23 budget position**

- 3.41 The budget proposed for 2022/23 is achieving 11.2% general fund balance in relation to net expenditure against a target of 15% (£1.5m). This target is in place to leave a buffer for unexpected or unplanned pressures. Savings of £391,000 would be needed to be made in 2022/23 to achieve 15%. To achieve the 11.2% forecast £580,000 of earmarked reserve are being released to the general fund to support cost pressures. Without the use of the earmarked reserve, the target would have fallen to 5.55% (£0.56m), which is considered too low a safety margin.
- 3.42 The budget proposed for 2022/23 is achieving 11.2% general fund balance in relation to net expenditure against a target of 15% (£1.5m). This target is in place to leave a buffer for unexpected or unplanned pressures. Savings of £391,000 would be needed to be made in 2022/23 to achieve 15%. To achieve the 11.2% forecast £580,000 of earmarked reserve are being released to the general fund to support cost pressures. Without the use of the earmarked reserve, the target would have fallen to 5.55% (£0.56m), which is considered too low a safety margin.

3.43 Earmarked reserves are expected to fall from £9.3m to £6.4m by 31 March 2023. The general fund balance is forecast to be £1.1m by this date. Therefore, the Council can achieve its financial targets for the 2022/23. However, given the significant changes in Local Government Financing, the 2022/23 budget should be considered in light of the MTFs, which will be reported in May 2022. Initial indications are that years after 2022/23 will be subject significant pressures due to the long-awaited fair funding review and business rates reset. Members should note, failure to set a balanced MTFs that maintains the financial position of the Council could lead to our auditors qualifying the VFM conclusion, as part of their VFM.

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

4.1 Report taken in open session.

#### **5. Financial implications [IB]**

5.1 Contained in the body of the report

#### **6. Legal implications [MR]**

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

#### **7. Corporate Plan implications**

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

#### **8. Consultation**

8.1 None

#### **9. Risk implications**

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

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

The following significant risks associated with these 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
That decisions made for 2022/23 are made in isolation from the Medium-Term Financial Strategy and the pressures set out in that strategy.	The budget is scrutinised on an ongoing basis to ensure that assumptions are robust and reflective of financial performance.	Strategic Leadership Team
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
	Decisions are made which provide costed reassurance that sufficient levels of reserves and balances are maintained to ensure financial resilience over the period of the MTFS	Council

## 10. Knowing your community – equality and rural implications

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

## 11. Climate implications

- 11.1 There are no direct implications arising from this report. However financial planning is a key tool for delivering the Corporate priorities of the Council. Included in those priorities are the Climate change considerations for services. The budget decisions made by members in relation to issues such as Council tax, fees and charges, and in the longer-term asset investment directly affect the council's abilities to invest in climate change priorities.
- 11.2 The council currently wish to reduce the carbon emissions by a range of key initiatives as set out in the adopted Climate Change Strategy, including the program of installing electric charging points to car parks and increase biodiversity through management of our green spaces. The Council also has

funds ring fenced to support voluntary and community sector organisations and consider environmental impact as key criteria of where these funds are used.

- 11.3 The pressure that is in the budget for 2022/23 pose risks for all the council's activities, including these areas.

## **12. Corporate implications**

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

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

Background papers: None

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