



Hinckley & Bosworth Borough Council

Forward timetable of consultation and decision making

Council 1 November 2022

Wards affected: All wards

2022/23 GENERAL FUND BUDGET UPDATE

Report of Section 151 Officer

1. Purpose of report

1.1 To update members on material changes to the general fund budget position.

2. Recommendation

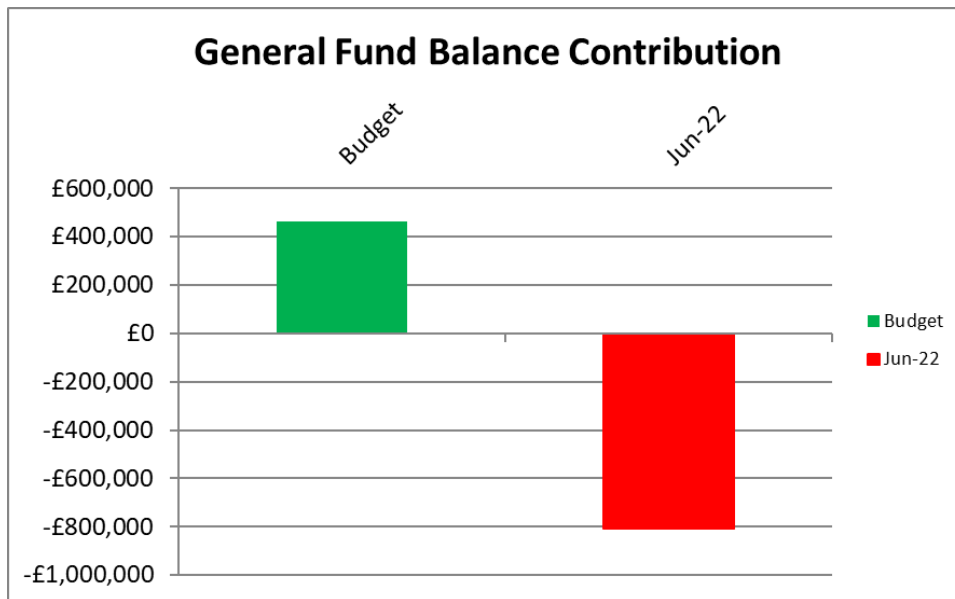
2.1 That Council members:

- a) note the General Fund Budget changes in the report
- b) approve the potential transfers from earmarked reserves of £1,209,000 to support the general fund position in 2022/23
- c) approve supplementary budget changes to the general fund as per Appendix A to cover the forecast year end position.

3. Background to the report

3.1 Since the General Fund Budget was prepared for agreement by Council on 22 February 2022 there have been significant economic changes and pressures caused by the pandemic and the Russian invasion of Ukraine increasing inflation to levels not seen since the 1970s. This has led to pressure on utility costs, fuel, materials, and staff pay demands. These costs were not in the original budget agreed for 2022/23.

3.2 The outturn for quarter 1 indicates that there is now a risk of over £1.26m of unbudgeted pressures on the Council for 2022/23, with the risk that it may go even higher. This would lead to a negative general fund position in year (Graph 1 below).



Staff costs

3.3 Staff costs are one of the single highest costs items for the Council as staff are key to delivering high quality services. For the 2021/22 financial year a 1.75% pay increase was agreed after an extended national negotiation. This percentage was used as guidance for 2022/23, with a further 0.5% for other contractual increments. Meaning the total expected staff cost increase was 2.25% for 2022/23. This led to overall staff costs being £13.7m.

3.4 In July there was a public announcement by unions that they are asking for an 11.1% pay raise for 2022/23 due to cost-of-living pressures. Since that date, the National Employers for Local Government Services have made a final pay offer to the unions for 2022/23, which gives all employees an increase of £1,925, as opposed to a percentage pay offer. The unions have not agreed this offer at the time of this report, but this does give a minimum pay pressure expected, which is significantly above the budgeted level.

3.5 The table below gives the increase in expected expenditure based on this offer, after adjusting for the director level reorganisation and the potential need to reinstate the Head of Planning post. If Unions reject this offer and are successful in achieving a better offer, then the costs will increase again.

Salary costs	Pre-pay offer budget	Post-pay offer	Increase
General Fund	£11,426,974	£11,945,992	£519,018
HRA	£2,015,834	£2,121,368	£105,534
Capitalised	£320,817	£334,857	£14,040
Total	£13,763,625	£14,402,217	£638,592

3.6 There are further potential pressures on costs for the Council in relation to the staff employed in the Revenues and Benefits partnership, which will amount to

£57,959. This may not materialise as the partnership is currently underspent on staffing costs.

- 3.7 Therefore there is an unbudgeted pressure of £696,551, of which £576,977 falls on the general fund. The pay pressure is recurring and will increase as future pay awards are made. High levels of inflation are expected to continue, with the Bank of England not expecting to return to its target level of 2% for at least two years. This may mean next year's pay settlement is also higher than the historical average.

Other pressures

- 3.8 Other pressures are a forecast based on the position at the end of June, should current observations and expectations continue. By the year end it is expected there will be £1.875m of pressures and £0.613m of positive variances leading to the £1.262m adverse position by the year end. The table below gives the main negative pressures over £25,000 excluding the pay award noted above. Other pressures may occur before the end of the financial year in response to the volatile economic pressures currently being experienced.

	Q1	Y/E
Homelessness (B&B)	£60,000	£120,000
Leisure Centre <i>(Utility indexation clause, potentially this may go much higher, but we are waiting on confirmation following the Government's announcement of support for businesses.)</i>		£75,000
Markets (Income down)	£6,000	£25,000
Recovery of Benefits overpayments (Due to move to Universal Credit)	£43,000	£50,000
Rental down	£19,000	£25,000
Recycling and Refuse (Agency costs)	£30,000	£70,000
Recycling and Refuse (Fuel costs)	£33,000	£129,000
Building inspection income <i>(There is also a cost saving of £187k associated with this, giving a net of £75k)</i>	£27,000	£262,000
Car park income	£34,000	£130,000
Development control Appeals	£0	£50,000
Development control Agency costs	£49,000	£170,000
Potential Impact of Increased Utility and fuel Costs		£110,000
Total	£301,000	£1,216,000

3.9 There is also an amendment to the level of S31 compensation expected on business rates for 2022/23 of £0.3m lower than forecast. However, there was a higher recognition in 2021/22 of £0.2m which has been carried forward to offset this, and the S31 collection fund amendment for retail relief was higher than expected for 2022/23, leaving 0.23m extra in the reserve. This change to the reserves and S31 funding position was included in the July 2022/23 MTFS update with £269,000 being released from reserves. This has been updated for the Q1 position, to fully balance out the £0.3m variance.

3.10 The potential change of all these factors, before additional use of reserves, on the General fund position is given in Table 1 below.

Table 1	Original Estimate 2022/23	Q1 Forecast changes 2022/23	Revised Q1 Estimate 2022/23
	£	£	£
Support Services	125,810	-105,000	20,810
Corporate Services	2,604,068	201,401	2,805,469
Community Services	2,647,469	59,599	2,707,068
Environment & Planning	8,688,380	497,500	9,185,880
S31 Collection Fund Support *	1,724,767	0	1,724,767
Potential Impact of Pay Award		520,000	520,000
Potential Impact of Increased Utility and fuel Costs		110,000	110,000
Total service expenditure (Net)	15,790,494	1,283,500	17,073,994
Less:			
Expenses	-719,800	-11,000	-730,800
Capital Accounting Adjustment	-1,554,130	0	-1,554,130
Net external interest (received)/paid	-68,960	0	-68,960
IAS19 Adjustment	-488,620	0	-488,620
Carry forwards from prior year	-55,000	0	-55,000
Transfer to reserves	175,990	0	175,990
Transfer from reserves	-652,708	-87,365	-740,073
Transfer to (from) Collection Fund Reserve *	-1,724,767	-236,072	-1,960,839
Transfer to/(from) balances	464,625	-1,272,500	-807,875
HBBC Budget Requirement	11,167,124		10,843,687
General Fund balance (Target 15%)	12.95%		1.80%

Head of Planning post

3.11 As part of the recent Senior management restructure it is proposed that the Head of Planning post is put back into the establishment. This will provide capacity at the senior level, bring together the different parts of planning and enable the positive direction of travel for the service to continue.

3.12 The cost of the Head of planning post are (mid-point) £74,889, including oncosts. There are contributions that can be made to offset the cost:

- £32,671 from a reduction in hours of the Economic Regeneration officer
- £17,000 to cover other costs related to the previous Head of Planning post.
- Contribution from 106 monitoring fees (5% of DM hourly rate of Approx £5,000 a year). This leaves a shortfall of £20,000.

Department for Levelling Up Housing and Communities (DLUHC)

3.13 The Council has also successfully been awarded £90k from the Department for Levelling Up Housing and Communities (DLUHC) through their capacity and innovation fund. This is specifically to develop innovation and best practice in NSIP projects where collaboration between multiple local authority partners can be examined with a view to developing innovation to ensure effective delivery of engagement in the NSIP process. To enable this funding to be utilised, an income and expenditure budget needed to be put in place. Members are being briefed separately on how this may be utilised in relation to the Hinckley National Rail Freight Interchange (HNRFI)

MTFS Impact

3.14 Further work will be needed on the MTFS to assess the full impact, but based on the MTFS reported in July, the issues above give a significant concern. The table below gives the impact on the MTFS before releasing any further reserves.

MTFS FINANCIAL FORECAST	2022/23 Current Year £	2023/24 Forecast £	2024/25 Forecast £	2025/26 Forecast £
Savings needed	0	0	0	-1,821,000
NET Borough Budget Requirement	13,434,982	11,185,511	11,589,008	10,193,423
Pension adjustments	-488,620	-488,620	-488,620	-488,620
Reserves movements (net)	-2,525,485	-192,041	-1,063,293	-148,000
Contribution to/(from) Balances	422,810	201,980	-118,885	-64,055
NET BUDGET/FORECAST EXPENDITURE	10,843,687	10,706,829	9,918,210	9,492,748
Performance against target	12.95%	15.00%	15.00%	15.00%
General Fund Balance	1,404,544	1,606,524	1,487,639	1,423,584

MTFS (Revised before further reserve use) FINANCIAL FORECAST	2022/23 Current Year £	2023/24 Forecast £	2024/25 Forecast £	2025/26 Forecast £
Savings needed (As per current MTFS)	0	0	0	-1,821,000
NET Borough Budget Requirement	14,720,104	12,168,613	12,445,923	11,036,242
Pension adjustments	-488,620	-488,620	-488,620	-488,620
Reserves movements (net)	-2,525,485	1,000	-25,000	251,000
Contribution to/(from) Balances	-862,312	-974,163	-2,014,094	-1,305,874
NET BUDGET/FORECAST EXPENDITURE	10,843,687	10,706,829	9,918,210	9,492,748
Performance against target	1.29%	-7.79%	-28.71%	-43.76%
General Fund Balance	140,423	-833,741	-2,847,834	-4,153,709

3.15 This clearly demonstrates, based on current assumptions and information, that the Council will be in a deficit position in 2023/24 with income being insufficient to cover the costs of services delivered. Without action to remedy this, the position will continue to deteriorate and a S114 recommendation would become inevitable.

Short Term action

3.16 In order to bring the general fund performance back to 12.95% a further £1,209,000 will need to be used from reserves, being £454,000 from the Business rates equalization reserve and £755,000 from the Financial Support reserve. The Financial Support reserve will be reduced to zero by this use and leave none for future years pressures.

3.17 A further £769,415 would need to be used from the Business Equalisation Reserve in 2023/24 to achieve a performance of 11.14% against the General fund minimum balance target (See table below).

MTFS (Revised after further reserve use) FINANCIAL FORECAST	2022/23 Current Year £	2023/24 Forecast £	2024/25 Forecast £	2025/26 Forecast £
Savings needed (As per current MTFS)	0	0	0	-1,821,000
NET Borough Budget Requirement	14,720,104	12,168,613	12,445,923	11,036,242
Pension adjustments	-488,620	-488,620	-488,620	-488,620
Reserves movements (net)	-3,788,922	-768,415	-25,000	251,000
Contribution to/(from) Balances	401,125	-204,748	-2,014,094	-1,305,874
NET BUDGET/FORECAST EXPENDITURE	10,843,687	10,706,829	9,918,210	9,492,748
Performance against target	12.95%	11.20%	-8.22%	-22.34%
General Fund Balance	1,403,859	1,199,111	-814,983	-2,120,857

3.18 Reserves can only be used once to put off necessary action. The above use will leave £1,250,000 in the business equalisation reserve, this is for unforeseen impacts on business rates, such as loss of a major business or large appeal. Hence the use of reserves to artistically prop up the general fund performance cannot be continued, and action will be needed to address the underlying deficit. The table below gives a revised target for new savings or income required.

MTFS (Revised after further reserve use and revised savings) FINANCIAL FORECAST	2022/23 Current Year £	2023/24 Forecast £	2024/25 Forecast £	2025/26 Forecast £
Savings needed	0	0	-2,303,000	-760,000
NET Borough Budget Requirement	14,720,104	12,168,613	10,142,923	9,794,242
Pension adjustments	-488,620	-488,620	-488,620	-488,620
Reserves movements (net)	-3,788,922	-768,415	-25,000	251,000
Contribution to/(from) Balances	401,125	-204,748	288,906	-63,874
NET BUDGET/FORECAST EXPENDITURE	10,843,687	10,706,829	9,918,210	9,492,748
Performance against target	12.95%	11.20%	15.00%	15.00%
General Fund Balance	1,403,859	1,199,111	1,488,017	1,424,143

3.19 No announcement has been made by the UK government on any additional funding to help with staff cost pressure in England currently. There is the potential, depending on any announcements from the new Prime Minister, that the National Insurance increase will not be implemented. This will ease the pressure by approximately £100,000 should this be the case. There may also be further announcements on support packages in relation to the cost-of-living crisis.

3.20 Further work will be needed to reassess the medium-term impact, as there are other issues to consider for the next MTFS, but a shortfall in the budget of £2m-£3m by 2024/25 is possible without significant new income or savings being identified. There are still some reserves that could be repurposed, as the overall reserve position is as below, but notes some reserves have not yet been allocated to potential pressures. However, the reserve may allow some further support to help smooth the path to identify new income or saving streams.

Reserve	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26
Special Expenses Reserve	£286,285	£187,585	£127,585	£127,585	£127,585
Local Plan Procedure	£683,514	£409,806	£385,806	£385,806	£385,806
Business Rates Equalisation Reserve	£2,560,780	£2,019,415	£1,250,000	£1,250,000	£1,250,000
Financial support reserve	£1,080,000	£0	£0	£0	£0
Collection Fund reserve	£1,960,839	£0	£0	£0	£0
Year End Carry Forwards	£135,760	£0	£0	£0	£0

Reserve	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26
Maint Fund - Green Towers	£45,000	£50,000	£50,000	£0	£0
ICT Reserve	£74,750	£15,000	£0	£0	£0
Waste Management Reserve	£130,260	£252,000	£237,000	£237,000	£463,000
Asset Management Reserve	£400,000	£400,000	£400,000	£400,000	£400,000
Election Reserve	£25,005	£50,005	£75,005	£100,005	£125,005
Grounds Maintenance	£30,000	£30,000	£30,000	£30,000	£30,000
Enforcement and Planning Appeals	£230,000	£230,000	£230,000	£230,000	£230,000
Building Maintenance costs	£588,120	£588,120	£588,120	£588,120	£588,120
Minor Capital Projects	£0	£0	£0	£0	£0
Hinckley Community Development Fund	£350,000	£350,000	£350,000	£350,000	£350,000
Enterprise Zone - Covid	£295,911	£0	£0	£0	£0
S31 Ctax Hardship Support	£42,797	£0	£0	£0	£0
Developing Communities Fund	£704,809	£704,809	£704,809	£704,809	£704,809
Environmental Action Reserve	£62,051	£62,051	£62,051	£62,051	£62,051
Crematorium Reserve	£500,000	£500,000	£0	£0	£0
Total	£10,185,882	£5,848,792	£4,490,377	£4,465,377	£4,716,377

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

4.1 Report taken in open session.

5. Financial implications [AW]

5.1 Contained in the body of the report

6. Legal implications [MR]

6.1 The Local Government Act 2003 places a duty on the S151 Officer to report to members on the budget setting process and comment on the adequacy of the reserves allowed for.

7. Corporate Plan implications

7.1 The budget and MTFs contribute to all objectives of the 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 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	Risk Description	Owner
That the Council has insufficient resources to meet its aspirations and cannot set a balanced budget	That the Council has insufficient resources to meet its aspirations and cannot set a balanced budget	A Wilson J Kenny

10. Knowing your community – equality and rural implications

- 10.1 There are no direct implications arising from this report

11. Climate implications

- 11.1 The Council need to publish on the Web by June 2023 a financial strategy to deliver its vision of making Hinckley & Bosworth Borough Council carbon neutral by 2030 for direct council emissions. There will be significant pressure on the council's ability to do this with the current financial pressures noted in this report. For Example, the waste fleet replacement and using a gas-powered cremator are two key decision areas that may come under pressure if carbon neutral alternatives are required.

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

Contact officer: Ashley Wilson, Head of Finance
Executive member: Cllr K Lynch

Appendix A

Forecasted year end variations	Forecast Year End Costs	Forecast Year End Savings
	£000's	£000's
Community Services	(238)	100
Homelessness		
Bed & Breakfast overspend to date	(120)	
Additional homeless grant from DLUP		6
Income shortfall to date from Housing Benefits & B&B contributions	(10)	
Leisure Centre		
Estimated impact of Increased Utilities costs due under Management Contract	(75)	
Highways Miscellaneous		
Additional income from Street Name Plates		21
Markets		
Reduction in Market Income	(25)	
Additional casual wages costs arising out of the cover for sickness	(8)	
Directorate Salary Variation	0	73
Corporate Services	(108)	5
Benefits Fraud and Rent Allowances		
Reduction in Income from Benefits Overpayments due to Universal Credit	(50)	
No NNDR payable on public toilets		5
Rental Income lower than anticipated at the Atkins & Crescent	(25)	
Directorate Salary Variation	(33)	
Support Services	(10)	95
Finance Support		
Additional Agency costs to cover vacant post	(5)	
Legal Services		
Additional Agency costs to cover vacant posts and to meet capacity issues	(5)	0
Directorate Salary Variation	0	95
Environment and Planning	(889)	413
DSO Grounds Maintenance		
Agency overspend due to vacant posts	(12)	
Additional fuel charges due to price increase	(7)	
Recycling		
Agency Overspend	(35)	

Forecasted year end variations	Forecast Year End Costs	Forecast Year End Savings
Fuel Overspend	(77)	
Insurance underspend		8
Leasing underspend to date		0
Minor variations		0
Refuse		
Agency Overspend	(35)	0
Additional Trade Waste income	0	50
Fuel Overspend	(52)	
Insurance overspends	(5)	
Building Inspection		
Income shortfall due to reduction in demand (income to be transferred to building Control Partnership)	(262)	0
Supplies & Services savings		22
Building Control Partnership contribution savings		56
Car Parks		
Shortfall in pay and display income	(90)	
Reduced Season Ticket income	(40)	
Penalty Notices accrual		10
NNDR underspend		0
Miscellaneous income		4
Other	(630)	
Potential Impact of Pay Award - All Committees	(520)	
Potential Impact of Increased Utility and fuel Costs - All Committees	(110)	0
Forecasted (overspend) saving	(1,875)	613
Reinstatement of head of planning	(75)	55
DLUHC funding and expenditure	(90)	90
Remedial work Tara House (Covered from Planning Enforcement reserve)	(70)	
Total adjustment	(2110)	758