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Chief Executive

Date: **15 January 2016**

Hinckley & Bosworth
Borough Council
A Borough to be proud of

To: **Members of the Scrutiny Commission**

Mr MR Lay (Chairman)
Mr SL Bray (Vice-Chairman)
Mrs R Camamile (Vice-Chairman)
Mr RG Allen
Mr DC Bill MBE
Mr WJ Crooks
Mr KWP Lynch
Mr SL Rooney
Mr BE Sutton
Mr R Ward
Mr HG Williams

Copy to all other Members of the Council

(other recipients for information)

Dear Councillor,

Please see attached reports that were marked 'to follow' on the agenda for the meeting of the **SCRUTINY COMMISSION** on **THURSDAY, 21 JANUARY 2016**.

Yours sincerely

Rebecca Owen
Democratic Services Officer

12. MEDIUM TERM FINANCIAL STRATEGY (SUMMARY) 2016/17 - 2019/20 (Pages 1 - 24)

    Report of the Deputy Chief Executive (Corporate Direction) providing a review of the 2016/17 Medium Term Financial Strategy (MTFS) summary.

13. HRA BUSINESS PLAN (Pages 25 - 32)

    Report of the Deputy Chief Executive (Community Direction) advising of options for managing the impact of the 1% rent reduction and previous rent increase decisions on the Housing Revenue Account Business Plan and HRA Investment Strategy.

Hinckley & Bosworth Borough Council
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SCRUTINY COMMISSION – 21 JANUARY 2016

REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)

RE: MEDIUM TERM FINANCIAL STRATEGY (SUMMARY) 2016/17 - 2019/20

WARDS AFFECTED: ALL WARDS

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1. **PURPOSE OF REPORT**

1.1 To review the 2016/17 Medium Term Financial Strategy (MTFS) summary ahead of approval by Council.

1.2 The MTFS 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 Scrutiny Commission review the summary MTFS.

2.2 That Scrutiny Commission note that this summary of the MTFS contains the all the financial information that will appear in the MTFS based on the Provisional local government finance settlement published in December 2015 and is based on the most likely position faced for the period 2016/17 -2019/20.

2.3 That Scrutiny Commission note that a complete revision of the MTFS, along with full narrative commentary will be produced for the 18 February Council meeting.

2.4 That Scrutiny Commission is asked to consider the MTFS and the shortfall in achieving a balanced position over the period of the MTFS. Options for addressing the shortfall are given in section 4 of this report, and the Scrutiny Commission is asked to consider these options and make a recommendation for future action to be taken.

3. **BACKGROUND TO THE REPORT**

Introduction

3.1 The MTFS sets out the council's financial position for the years 2016/17 to 2019/20. The MTFS underpins the council's Corporate Plan and ensures that resources are allocated and used effectively to achieve corporate targets. At the same time, the MTFS is an integral element of the financial planning procedures of the Council and forecasts how the Council will remain financially resilient and sustainable as an organisation, whilst at the same time not placing an unreasonable burden on local taxpayers.

3.2 The purpose of the MTFS is to:

- Outline how the council wants to structure and manage its finances and to ensure it fits with and supports the direction of the council's objectives.
- Engage officers and members in "owning" the process by which Council finances are managed.

3.3 The following ten strategic financial objectives, as agreed by Council in previous iterations of the MTFS serve to deliver the council's corporate strategic objectives of; "delivering the council's MTFS with a sustained focus on the council's priorities whilst working to resolve the continuing pressure of service requirements in the context of available resources":

- The Council should allocate resources to services in line with the Corporate Aims and Ambitions
- Ensure regular monitoring of actual spend against budget to assess outcomes and inform the Performance Management Framework
- The Council must search for new sources of funding to support its activities and maximise opportunities from emerging economic initiatives such as City Deals and Local Growth Funds
- To review the scale of fees and charges at least annually
- To optimise the financial return on assets and ensure capital receipts are obtained where appropriate opportunities arise
- Capital expenditure is properly appraised
- When funding the Capital Programme, all funding options are considered
- To review levels and purpose of Reserves and Balances
- To maintain sustainable Council Tax increases
- To increase efficiency savings and generate funding through shared services and collaborative working

3.4 The MTFS is one of a suite of documents which inform the financial strategy of the Council. These include the Capital Programme, HRA Investment Strategy and Treasury Management Policy, all of which should be read in conjunction with this document.

Review of the MTFS

3.5 **Appendix 1** details the level of reserves and balances that the Council will hold at the end of each financial year of the MTFS for all scenarios. In addition this table shows any surplus/deficit on the General Fund balance after applying the Council's policy of holding 10% of the net budget requirement in balances at the end of each financial year. A summary of this information is presented below and shows 10% level being breached in 2018/19 and the General Fund being "overdrawn" in 2019/20. A summary of this information is shown below:

	2016/2017	**2017/18**	**2018/19**	**2019/20**
	Forecast	**Forecast**	**Forecast**	**Forecast**
	£	**£**	**£**	**£**
Closing General Fund Balance	1,278,187	1,153,113	330,940	-898,660
Percentage of net budget	12.5%	11.3%	3.4%	-9.6%
Closing Earmarked Reserves Balance	3,106,086	3,492.456	3,878,276	4,265,196
Total General Fund Reserves and Balances	4,384,273	4,645,570	4,209,766	3,366,536
General Fund Surplus/(Deficit)	254,333	130,988	-631,718	-1,830,509

3.6 **Appendix 2** contains the model used for the financial forecast for the next four years to 2019/20. The assumptions used in the forecast are detailed this report.

What is clear from **Appendix 1 and 2** is that the council has to identify further savings or income opportunities as the current position is not viable in the medium term and will effectively lead to the eradication of the General Fund and place the council in significant financial difficulties. It is suggested that Members may wish to consider taking early decisions, rather than await developments, in order to enable reserves to be built up for use later in the term of the Strategy, when service provision becomes more difficult to fund.

3.7 The previous version of the MTFS abbreviated (approved by Council in March 2015) showed that this council needed to achieve challenging targets on income levels for New Homes Bonus (NHB) and planning fees, both of which have been realised in 2015/2016. The council has forecast a scenario for 2016/17, which will retain sufficient balances and reserves for that year. The MTFS however, shows increasing pressures from 2017/18 which now requires action to address.

3.8 That said, the forecast scenario included significant pressures and is only achievable in 2016/17 through commitment to a number of targets and decisions. The table below gives the overall savings and pressures included in the 2016/17 budget, which were covered in the 2016/17 General Fund Budget report.

	£
Service Pressures	2,599,014
Savings	-2,287,418
Net pressures	311,596

3.9 In order to drive efficiency savings within the cost of supplies and services, a rate of 0% has been applied to non-contract related expenditure. As the Retail Price Index (RPI) has stood between 2-3% in year, the application of 0% represents an effective saving on running costs. For contracts, an inflation rate of 1.1% has been used, unless otherwise specified within the terms of the specific contract.

3.10 The salaries and wages budget is the most significant element of the revenue budget. For pay costs, the 2016/17 estimates includes the agreed 1% pay award, agreed nationally. The council operates a disciplined process of challenging recruitment and filling of posts and therefore a salary saving rate of 5% (General Fund and HRA) has been applied to posts to reflect the savings which will result from this challenge. This rate is unchanged from that used in 2015/16.

3.11 Service pressures totaling £2,599,014, endorsed by the Strategic Leadership Board, have been included in the budget. Of this amount:

- £459,000 relates to staff cost resulting from pay inflation, pay increments, pension and NI costs. Pension and NI changes account for £246,000 of this increase and are outside of the council's control.
- £298,100 relates to additional costs incurred under the recycling contract.
- £108,970 relates to asset management costs for Block C, but is completely off set by associated income.
- £157,000 relates to additional interest in relation to funding the capital programme.
- £174,041 impact from the Tin Hat Partnership loan which ended in 2015/16.
- £30,200 relates to a net increase in the budget for restructuring costs that may arise in year.

3.12 In comparison, service managers and the Corporate Operations Board (COB) have identified £2,287,418 savings through review of income streams and expenditure levels. The most significant of these savings are:

- £336,421 (net) from Leisure Centre rentals to be received in 2016/17.

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

3.13 The table below cover the savings and pressures that have been included in future years based on our current forecast. Each year the council completes an exercise to identify potential savings and pressures. Therefore there is the potential that in future year further savings and pressures will be identified, and forecasting to 2019/20 increases the level of uncertainty in the achievement of the figures given due to unforeseen circumstances. The forecast is considered the most likely based on our current knowledge and assumptions. In the table below, negative (-) amounts relate to savings/additional income; positive amounts refer to additional pressures.

	2017/2018 Forecast	**2018/2019 Forecast**	**2019/20 Forecast**	
Description	**£**	**£**	**£**	**Assumptions**
Block C Rentals	-119,833	-26,201	0	Assumed 90% then 95% occupancy
Leisure Centre income	-71,946	-499,180	-108,200	Mgt fee doubles in 2018/19
Inflationary increases Fees and Charges	-67,856	-68,534	-69,220	1% on Fees and charges
Defending planning appeals	-50000	0	0	Assumed savings targets
Hub savings (VCS) income	-35000			Assumed savings targets
Channel Shift savings	-31902	-18714	-19202	Channel shift savings 10% but staggered between years 2-5 on various elements
Support service savings	-25000	-25000	-25000	Assumed savings targets
Development control income	-16,387	-16,714	0	Assumed 2% growth for 17/18 onward, 16/17 includes known growths
Car parks	-7,980	-8,139	-9,102	10% reduction from impact of Sainsbury's, 2% increase after 16/17
Building Control	-3,989	-4,069	0	Assumed 2% growth for 17/18 onward, 16/17 includes known growths
Dry Recycling contract	0	470,000	0	Dry recycling tonnages reducing. Assumed reduction will be offset by inflationary increases in credit rate paid by LCC

Admin support grant changes	10000	10000	10000	Expecting reductions assumed £10k in future years based on historical movements.
Additional interest payable/(receivable)	18,300	-10,200	-10,200	0.75% base rate for 2016/17 and 1% for 2017/18 and 2018/19
Discretionary Housing Payments	25000	0	0	Assumed increases based on historical trend
Restructure costs	40,000	0	0	To cover potential restructure costs
Inflationary increases	111,744	112,861	113,990	1% on contracts, 0% on supplies & services
Capital Financing	172,000	-8,000	20,000	MRP implications of Capital Expenditure
Pay cost increases (all elements, NI, Pensions and increments)	192,400	194,324	196,267	This is to cover the costs of pay pressures based on 1% pay inflation

Local Governing Funding

3.14 Each year the council receives a significant amount of financial support from central government in the form of grants. The allocations to the council are determined by Government carrying out Comprehensive Spending Reviews (CSR) which enables it to decide how much it can afford to spend, what its priorities are and targets for improvements to be funded by additional resources.

3.15 The last full review was undertaken in 2015 (CSR15) following the General Election in May 2015 and covered the four years following. The spending targets set in this review were significantly influenced by the Government's desire to remove the deficit and move into surplus by 2019/20.

3.16 The spending review and Autumn Statement had some key points that impact on the Council and included:

- There will be an overall reduction of 24% in central government funding for local government in the period up to and including 2019/20.
- Councils will be able to use capital receipts for revenue purposes, subject to specific conditions not yet published. This council's ability to realise significant capital receipts is, however, very low.
- The proposal to allow local authorities to retain 100% of business rates income is positive, but details on the allocation (between District and Counties in the two-tier area) and redistribution (to enable low-growth areas to have a degree of protection - called 'damping') have yet to be announced.
- Balanced against the Business Rates proposal will be the withdrawal (over the same period - to 2019/20) of Revenue Sport Grant.
- A continuation of average public sector pay awards of 1% for four years from 2016/17 and a 'reining in' of excessive senior salaries and there will be a consultation on appropriate action to limit public sector exit payments.
- NHB - Current commitments will be honored for their six-year terms. However, the government will consult on responses for the future, including a reduction in the term of the payments - to four years from six years, which is their preferred option.

3.17 The specific allocations of funding for all local councils is announced in the annual "Autumn Statement" and published in Local Government Finance Settlement. The provisional Finance Settlement published December 2015 outlines the funding that has been provided to this Council. As outlined below, total core funding for this Council since 2011/12 has decreased by £2,441,952 (40%) to 2016/17. Our forecast indicates this will continue to fall, particularly as Revenue Support Grant is being phased out. The expected reduction in Core funding to 2019/20 is £3,271,732 (54%).

	Actual	Actual	Actual	Actual	Actual	Provisional	Forecast	Forecast	Forecast
	2011/12	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
Revenue Support Grant*	1,410,200	102,163	2,992,354	1,949,297	1,120,574	1,257,386	753,927	437,461	83,975
Local Council Tax Support Grant	0	0	0	544,764	544,764	0	0	0	0
National Non Domestic Rates	4,562,237	5,270,283	1,990,732	2,251,383	2,294,404	2,378,358	2,478,817	2,602,758	2,797,965
Rates Cap	0	0	0	24,570	0	0	0	0	0
Council Tax Freeze Grant	105,260	105,810	147,511	189,239	230,686	0	0	0	0
Total Core Funding	**6,077,697**	**5,478,256**	**5,130,597**	**4,959,253**	**4,190,428**	**3,635,744**	**3,232,744**	**3,040,219**	**2,881,940**

**All actuals as funding is being removed and the provisional settlement gave full details up to 2018/19.*

3.18 In addition to this core funding, the council's financing is supported by the receipt of NHB. NHB was introduced in February 2011 and is designed to encourage housing growth by providing a financial incentive for councils and local people to accept new housing. For each additional new home built local authorities 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. In addition a £350 payment is granted per year for each affordable home, as well as traveler sites in public ownership.

3.19 The Government is commencing consultation on the future NHB funding, and has set out proposals for reductions in the number of years for which the bonus is paid from the current 6 years to 4 years. The consultation considers mechanisms by which the changes could be calculated and provides exemplifications to show how the changes would work in practice alongside indications of the total cost. The changes are only proposed to take affect from 2017-18 onwards.

3.20 The award of NHB is driven by the housing market and is therefore difficult to predict with any significant degree of accuracy. We have assumed the consultation option will be implemented and included a 6 year basis for 216/17 and 2017/18, with a 4 year basis in the following two years. This is the Government's preferred option, but it is considering whether to move further and reduce payments to 3 or 2 years. We have also used the proposed build trajectory provided from planning, which is based on build information provided by house builders in the area to planning. However, as this is not always fully delivered, or varies in accuracy, we have used a 70% realisation rate to that information. The table below gives forecast NHB over the MTFS period.

	2016/2017 Forecast £	2017/2018 Forecast £	2018/2019 Forecast £	2019/20 Forecast £
New Homes Bonus	2,910,378	3,063,833	2,421,610	2,023,661

3.21 The future of NHB following this Government term is currently unknown. However what is clear is the reliance on district councils on this stream of income in sustaining General Fund balances and delivering discretionary services. The forthcoming complete MTFS will reflect any future scheme that is introduced.

Council Tax

3.22 The amount of council tax an authority needs to raise is the difference between its budget requirement (the Council's planned spending less any funding from reserves and income, excluding income from the Government and council tax) and the funding it will receive from the Government. The level of council tax and any increase is approved by Council annually.

3.23 The proposed financial settlement, published 17 December 2015, had a clear break with the prior position of requiring council's to seek to set a zero increase in council tax where possible for the years of the Spending Review of 2010. On this basis Freeze Grants are no longer offered to incentivise councils to not increase their tax levels. For 2016/17 the financial settlement offers the ability to councils that have been prudent in council tax increments and find themselves in the bottom quartile for the level of council tax charged, to level a £5 increase for a four year period. This equates to an increase of £100,395 for this Council above the 2% increase planned (including Special Expenses).and will be confirmed following approval of Council Tax levels at this meeting.

Other Factors

3.24 In addition to those risks relating to financing detailed above, this MTFS highlights a number of other key factors that will impact on the financial positon of this Council over the next three financial years. These include, but are not limited to:

- **Business Rates -** The Business Rates Retention Scheme (BRR) commenced on 1st April 2013. Under the scheme, the council can retain a proportion of locally generated business rates over a set baseline where growth occurs. Whilst this financing regime provides the opportunity to financially reward the council, the volatility of the market makes it difficult to budget for. In addition to "standard" business rates collected, the creation of the Enterprise Zone at MIRA Technology Park will also generate business rates uplifts estimated at over £14million for the first ten years of operation. In order to stimulate such growth, these uplifts are not subject to business rate retention rules. The council is currently in negotiation with the Leicester and Leicester Local Enterprise Partnership (LLEP) to identify what element of this uplift will be retained by the Council directly. In order to be prudent, this income has not been included in this version of the MTFS.

- **Capital Programme -** The council's capital investment plans are outlined annually in the Capital Programme (the "Programme") which is approved at the same time as the revenue budget. The Capital Programme for 2015/16 – 2018/9 forecasts spend of over £21.7million, and is concentrated around the achievement of three capital projects: build of the new leisure centre, the Crescent development and redevelopment of the current leisure centre site. Although capital expenditure is clearly separated from revenue spend within the council's budget, the use of capital resources has an impact on revenue in the following ways:-

- The use of capital resources will result in a corresponding reduction in investment income.

- Any borrowing will incur interest payments and minimum revenue provision which is charged as a “cost” to the Council’s revenue budget

- The creation of new assets will require running costs that will have to be funded from revenue sources.

- **Income Levels -** A significant proportion of council expenditure is financed from income from fees and charges. A number of these income streams are extremely volatile and depend on external factors such as take up, demand and local economic conditions. On this basis, it is important that this MTFS forecasts varying levels income to consider the financial impact of fluctuations that may occur. The most significant and sensitive changes in income levels include:

    - Planning fees - Whilst the council has seen a large increase in planning fees in the last two to three financial years, this income stream is highly dependent on both the housing and commercial market and therefore large “windfalls” often occur in times of prosperity. In addition to income received for planning fees, the council has seen significant costs for appeals against decisions taken by Planning Committee. In order to prudently budget for future costs, scenarios for appeal costs have also been considered in this Strategy.

    - Car Parking - Going forwards, the level of income received from parking will be affected by the development in the town centre.

    - Refuse and Recycling Income - The council continues to charge for a number of refuse and recycling services such as trade waste and bulky waste.

    - The Council is considering charges for green waste in 2016/17, but to date this has not been agreed

    - Rental Income - In addition to the council’s current portfolio of industrial units, the MTFS considers the most likely income due from Block C within the new town centre development.

- **Efficiencies -** In order to manage the council’s financial position and to ensure ongoing resilience and value for money, the MTFS includes a number of initiatives such as centralisation of budgets, review of support services, and implementation of Channel Shift and utilisation of offices buildings which may aid this position. That said, staff costs continue to be the largest single expenditure type for this Council and therefore the possibility of future restructuring cannot be ruled out. The MTFS assumes that a net cost in 2016/17 of £30,200 and £40,000 of redundancy costs will be incurred.

- **Local Housing Company – T**he council is currently considering setting up a wholly owned company for delivery of new housing schemes. With the exception of a budget for £100,000 (funded from reserves) to fund the costs associated with set up of this arrangement, this MTFS version does not present any further financial implications of the company structure. It is expected that the business case for the company will be completed in 2016/17, however there is currently insufficient financial detail to determine potential returns to the council and the timing of such returns. It is therefore prudent to not include any income or additional costs in this MTFS.

3.25 In addition to this, the following general assumptions will be used for all forecasts:

- RSG levels as outlined in the Spending Review, but expected to continue to reduce with zero allocation by 2020/21.
- Increased levels of surplus on Collection Fund based on Local Council Tax Scheme.
- Pay increase 1% for 2016/17 and 1% thereafter.
- 5% vacancy factor each year.
- 0.75% base rate for 2016/17 and 1% for 2017/18 and 2018/19.
- Retail Price Index of 1.1% for 2016/17 and 2% for 2017/18 and 2018/19.

4. Options for consideration to address the shortfall

4.1 The council has significant pressures in 2017/18 and action must be taken to address the shortfall, so that the Council acts, and is seen to act, in accordance with sound financial planning principles and in a prudent public service manner.

	2016/2017 Forecast	**2017/18 Forecast**	**2018/19 Forecast**	**2019/20 Forecast**
Closing General Fund Balance	1,278,187	1,153,113	330,940	-898,660
Percentage of net budget	12.48%	11.28%	3.44%	-9.60%
General Fund Surplus/(Deficit)	254,333	130,988	-631,718	-1,830,509

This table clearly shows that the General Fund Balances will be below minimum levels by 2017/18.

Option 1 - Introduction of a Green Waste Charge

Prior to the Government's proposal to allow low Council Tax councils to increase the Council Tax charge by £5, the Council considered the introduction of a £35 Green waste charge. At £35 this would generate net additional income of £475,620 in year one and additional savings of £133,048 from year two. The General Fund Surplus/ (Deficit) is the difference between the general fund balance and the minimum balance requirement.

If this charge was introduced in 2016/17 the position would be:

	2016/2017 Forecast	**2017/18 Forecast**	**2018/19 Forecast**	**2019/20 Forecast**
Closing General Fund Balance	1,753,828	2,237,443	2,023,959	1,403,048
Percentage of net budget	17.13%	21.89%	21.02%	15.06%
General Fund Surplus/(Deficit)	729,974	1,215,318	1,061,301	471,199

If this charge was introduced in 2017/18 the position would be:

	2016/2017 Forecast	2017/18 Forecast	2018/19 Forecast	2019/20 Forecast
Closing General Fund Balance	1,278,187	1,628,754	1,415,270	794,359
Percentage of net budget	12.48%	15.93%	14.70%	8.52%
General Fund Surplus/(Deficit)	254,333	606,629	452,612	-137,490

If this charge was introduced in 2018/19 the position would be:

	2016/2017 Forecast	2017/18 Forecast	2018/19 Forecast	2019/20 Forecast
Closing General Fund Balance	1,278,187	1,153,113	806,581	185,670
Percentage of net budget	12.48%	11.28%	8.38%	1.99%
General Fund Surplus/(Deficit)	254,333	130,988	-156,077	-746,179

The charge could be introduced at a lower rate, but take up is expected to increase the lower the rate of charge.

Option 2 - Speed up the analysis and review of the wholly owned development company

The analysis of business plans for the company and the requirements of the council still have to be analysed for reasonableness and realistic timings of cash flows. From the time of agreement to houses being built would take time. For the purpose of comparison, an assumption has been made that a net £250,000 may be possible in 2018/19 and a further £250,000 in 2019/20. If that were possible then the position would be as given below. Any higher projection at this point would be purely speculative and has not been included here.

	2016/2017 Forecast	2017/18 Forecast	2018/19 Forecast	2019/20 Forecast
Closing General Fund Balance	1,278,187	1,153,113	580,940	-148,660
Percentage of net budget	12.48%	11.28%	6.03%	-1.60%
General Fund Surplus/(Deficit)	254,333	130,988	-381,718	-1,080,509

The table above still demonstrates a level of balances below minimum levels.

Option 3 - Review the assumptions included in the forecast of the NHB.

As noted in this report we have assumed the consultation option will be implemented and have included a six year basis for 2016/17 and 2017/18, with a four year basis in the following two years. This is the Government's preferred option, which we have combined with our 70% realisation rate on completion forecasts. This gives the forecast as noted below.

	2016/2017	2017/2018	2018/2019	2019/20
	Forecast	**Forecast**	**Forecast**	**Forecast**
	£	**£**	**£**	**£**
New Homes Bonus	2,910,378	3,063,833	2,421,610	2,023,661

If we change the assumption of a move to a four year agreement on settlement before 2019/20, with six year settlements in each year, this would improve the finances of the councils as noted below, but not remove the need for further savings or income to be identified

	2016/2017	2017/2018	2018/2019	2019/20
	Forecast	**Forecast**	**Forecast**	**Forecast**
	£	**£**	**£**	**£**
New Homes Bonus	2,910,378	3,063,833	3,104,425	2,975,144

	2016/2017 Forecast	2017/18 Forecast	2018/19 Forecast	2019/20 Forecast
Closing General Fund Balance	1,278,187	1,153,113	1,013,755	735,637
Percentage of net budget	12.48%	11.28%	9.83%	7.16%
General Fund Surplus/(Deficit)	254,333	130,988	-17,185	-291,360

5. FINANCIAL IMPLICATIONS [AW]

5.1 Contained in the body of the report.

6 LEGAL IMPLICATIONS [MR]

6.1 The MTFS provides the foundations to allow the Council to meet its statutory obligations in accordance with Section 32 of the Local Government Finance Act 1992 and section 25 of the Local Government Act 2003. Council has a statutory requirement to set a budget for each financial year and approve the MTFS, including a three year capital programme.

7. CORPORATE PLAN IMPLICATIONS

7.1 A robust MTFS 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 All members of the Strategic Leadership Board, Corporate Operations Board and the Executive have been consulted in preparing this Strategy.

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. The budget is scrutinised on an ongoing basis to ensure that assumptions are robust and reflective of financial performance. Sufficient levels of reserves and balances have been maintained for 2016/17, and 2017/18, further action is needed for 298/19 and 2019/20 to ensure financial resilience	Deputy Chief Executive (Corporate Direction)

10. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

The budget process will impact on all areas of the Borough and all groups within the population.

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
- Human Resources implications
- Planning Implications
- Voluntary Sector
- Data Protection Implications
- Procurement Implications

Contact Officer : Ashley Wilson, Interim Head of Finance, ext. 5609
Executive Member : Cllr M Surtees

Appendix 1 Reserves and balances

	2016/2017	2017/18	2018/19	2018/19
	Budget £	Forecast £	Forecast £	Forecast £
Working Balances Position (Excluding Special Expenses)				
Opening General Fund Balance 1st April	1,078,000	1,278,187	1,153,113	330,940
Transfer to /from Balances	200,187	-125,074	-822,173	-1,229,600
Closing General Fund Balance 31st March	**1,278,187**	**1,153,113**	**330,940**	**-898,660**
Earmarked Reserves Position (Excluding Special Expenses)				
Opening Earmarked Reserve Balances 1st April	3,469,396	3,106,086	3,492,456	3,878,826
Transfer to Reserves	667,000	809,000	809,000	809,000
Use of Reserves	-1,030,310	-422,630	-422,630	-422,630
Closing Earmarked Reserves Balance 31st March	**3,106,086**	**3,492,456**	**3,878,826**	**4,265,196**
Total General Fund Reserves and Balances	4,384,273	4,645,569	4,209,766	3,366,536
Net Budget Requirement	10,238,542	10,221,249	9,626,584	9,318,490
Minimum Balance Requirement	1,023,854	1,022,125	962,658	931,849
General Fund Surplus/Deficit*	**254,333**	**130,988**	**-631,718**	**-1,830,509**

*this is the difference between the general fund balance and the minimum balance requirement.

The transfers and use of earmarked reserves is to be confirmed, the table contains an estimate of use and assumes 2018/19 movements are repeated in 2018/19.

Appendix 2 Reserves and balances

MEDIUM TERM FINANCIAL STRATEGY
2015/16 - 2019/20
FINANCIAL FORECAST

	2015/2016	**2016/2017**	**2017/2018**	**2018/2019**	**2019/20**
	Budget	**Forecast**	**Forecast**	**Forecast**	**Forecast**
	£	**£**	**£**	**£**	**£**
Net Service Expenditure	9,741,435	9,775,473	10,160,450	10,300,003	10,402,437
Budget movements					
Additional legal costs and overpayments recovered	-23,000				
Fuel Savings	15,000	-36,000			
Channel Shift savings			-31901.5	-18713.5	-19202
Pressure on Homelessness Bonds	-15,000				
Fluctuations in subsidy income	-43,000	69,650			
Discretionary Housing Payments			25000		
Telephone rebate	-7,000				
Increase in legal fees	-38,000				
Spend to save reviews - R&B	-48,000				
Legal locum support	-20,000				
Middlefield Lane Parking Right	-10,000				
Building Control		-7,000	-3,989	-4,069	0
Development control income	-18,870	-150,000	-16,387	-16,714	0
Asset Management	-10,000	108,970			

	2015/2016	2016/2017	2017/2018	2018/2019	2019/20
	Budget	Forecast	Forecast	Forecast	Forecast
	£	£	£	£	£
Service charges HUB		23,350			
Hub savings (VCS) income		-12,330	-35000		
Additional salary savings					
Neighbourhood action underspend as the setup costs		25,000			
Neighbourhood planning - no expenses expected		-25,000			
Severn Trent - extra charges					
Corporate Project support		24,000			
S106 Maintenance		16,110			
Economic Development - consultancy fees		-48,000			
Support service savings			-25000	-25000	-25000
Computer support		-50,000			
Corp Mgt - VAT on Greenfields		-119,000			
Additional income -Council and Private Tenants		-30,000			
Development Control income	260,000				
Recycling savings and additional income	87,000				
Efficiency savings from refuse collection and street cleansing	57,500	-49,000			
Printing and postage savings	16,080	15,101			
Revenue Contribution to Capital	-24,500				
Car parks		66,412	-7,980	-8,139	-9,102
Rental income fluctuations	-10,000				

	2015/2016	2016/2017	2017/2018	2018/2019	2019/20
	Budget	**Forecast**	**Forecast**	**Forecast**	**Forecast**
	£	**£**	**£**	**£**	**£**
Small Business Rates Relief	-104,117				
Local Plan		10,000			
Local Development Framework expenditure	-112,000				
Additional Recycling Contract costs	100,000	298,890			
Finance restructure and agency wages					
Private Sector leasing		-35,040			
Private Sector housing					
overtime and agency wages - savings		-18,000			
Rev and Bens - Restructure		-40,621			
Approved Supplementary Budgets					
Admin support grant changes		14,000	10000	10000	10000
Unapplied grants and contributions C/F					
Dry Recycling contract council				470,000	
Wholly owed Company					
Defending planning appeals	-76,780	30,000	-50000		
use of reserves Carry forwards					
Elections and related costs		-86,910			
Increase in salary budget -increase in chief officer salary					
Audit Fees	-57,090				

	2015/2016	2016/2017	2017/2018	2018/2019	2019/20
	Budget	**Forecast**	**Forecast**	**Forecast**	**Forecast**
	£	**£**	**£**	**£**	**£**
Planning staffing pressures					
Car parks					
Agency and contractor costs					
Empty Homes Review					
Additional Internet Bank Charges		12,000			
Increased cost of land charges and EIR services Blaby District Council		27,500			
Savings in respect of shared arrangement with District Council Network for Chief Executive		-11,250			
approved finance restructure					
Reduction in grant income		121,910			
HB determination grant changes		61,190			
Movement in Special Expenses budget					
Contributions to Revenues and Benefits Partnership	-53,700	-23,310			
Revenues and Benefits Partnership Redundancy Costs	82,719				
Reduction in Market Income	15,000	22,010			
Shared Archeology and Geology Service	12,000				
Members allowances	34,120	-20,120			
New Homes Bonus to Parishes	-343,711				
LCTS support paid to parishes		-143,000			
Green and Dry Waste Cuts	345,792				
Trade waste and recycling		-154,000			

	2015/2016	2016/2017	2017/2018	2018/2019	2019/20
	Budget	**Forecast**	**Forecast**	**Forecast**	**Forecast**
	£	**£**	**£**	**£**	**£**
Introduction of charges for new/replacement bins	-53,000	35,000			
Introduction of charging for green waste					
Pre Application Advice Domestic	-16,500				
NNDR Reductions for car parks	-12,000				
Utility savings		-19,332			
Children and Young People grant funding reduction	15,000				
County Council Cuts	100,000				
Enforcement costs for Mallory Park	-60,000				
Contribution to Cov and Warks City Deals	-16,290				
Restructure costs	125,600	30,200	40,000		
Rentals on industrial units		-45,000			
Block C Rentals	-92,000	-351,779	-119,833	-26,201	0
Leisure Centre income	-40,323	-336,421	-71,946	-499,180	-108,200
Cost of election	58,150				
loss of income insurance element		20,000			
Cost of Combined Authority		20,000			
Planning Site allocation savings from previous year		-129,000			
Expected additional contribution to reserves	104,117				
Other small movements (less then £10k)	33,268	-12,795			
Pay cost increases (all elements, NI, Pensions and increments)	154800	459,000	192,400	194,324	196,267
Inflationary increases	159,527	-104,208	111,744	112,861	113,990

	2015/2016	2016/2017	2017/2018	2018/2019	2019/20
	Budget	**Forecast**	**Forecast**	**Forecast**	**Forecast**
	£	**£**	**£**	**£**	**£**
Inflationary increases Fees and Charges	-166,372	132,780	-67,856	-68,534	-69,220
LCC Pension Lump Sum		79,156			
Ill health Insurance		-23,620			
Car allowances		11,034			
C/F					
Capital Financing	-112,982	424,101	172,000	-8,000	20,000
Additional interest payable/(receivable)	-53,940	157,239	18,300	-10,200	-10,200
Tin Hat investment ended 2015/16		174,041			
ICT contract additional (£20k) savings		-22,930			
NET Borough Budget Requirement	**9,878,933**	**10,160,450**	**10,300,003**	**10,402,437**	**10,501,770**
Pension adjustments	-126,100	-392,740	-392,740	-392,740	-392,740
Contribution to Reserves	667,000	667,000	768,000	768,000	768,000
Contribution from Reserves	-890,951	-393,440	-328,940	-328,940	-328,940
Transfer from unapplied grants		-2915			
Additional contributions to/from reserves		0			
Contribution to/(from) Balances	139,456	200,187	-125,074	-822,173	-1,229,600
NET BUDGET/FORECAST EXPENDITURE	**9,668,339**	**10,238,542**	**10,221,249**	**9,626,584**	**9,318,490**
% Increase in Net Budget Forecast/Expenditure	-0.65%	12.48%	11.28%	3.44%	-9.64%
GF balance	1,078,000	1,278,187	1,153,113	330,940	-898,660

	2015/2016	2016/2017	2017/2018	2018/2019	2019/20
	Budget	**Forecast**	**Forecast**	**Forecast**	**Forecast**
	£	**£**	**£**	**£**	**£**
	2015/2016	**2016/2017**	**2017/2018**	**2018/2019**	**2019/20**
	Budget	**Forecast**	**Forecast**	**Forecast**	**Forecast**
	£	**£**	**£**	**£**	**£**
	9,668,339	**10,238,542**	**10,221,249**	**9,626,584**	**9,318,490**
Revenue Support Grant	1,120,574	1,257,386	753,927	437,461	83,975
Council Tax Support Grant	544,764				
National Non Domestic Rates	2,294,404	2,378,358	2,478,817	2,602,758	2,797,965
Freeze Grant	230,746				
New Homes Bonus	1,974,742	2,910,378	3,063,833	2,421,610	2,023,661
Collection Fund Surplus	86,971	43,460	43,460	43,460	43,460
Council Tax Income	3,416,138	3,648,960	3,881,212	4,121,295	4,369,428
Estimated Tax base	35,599.6	36,398.6	37,126.6	37,869.1	38,626.5
Estimated Band D Council Tax	**£95.96**	**£100.25**	**£104.54**	**£108.83**	**£113.12**
Year on Year Increase in Council Tax					
(i) Amount	**£0.00**	**£4.29**	**£4.29**	**£4.29**	**£4.29**
('ii) Percentage	**0.00%**	**4.47%**	**4.28%**	**4.10%**	**3.94%**

	2015/2016	2016/2017	2017/2018	2018/2019	2019/20
	Budget	**Forecast**	**Forecast**	**Forecast**	**Forecast**
	£	**£**	**£**	**£**	**£**
SPECIAL EXPENSES					
Net Budget Requirement B/Fwd	560,064	574,221	612,952	651,571	691,489
New Homes Bonus	127,343				
Contribution to car parking income					
Inflationary increase	17,878	25,843	26,360	26,887	27,425
Revenue impact of salaries previously capitalised					
Wykin Community Centre					
Voluntary grants contribution					
Minor variances	-30,881	16478	15849	16621	17420
Contribution to/(from) Reserves	-100,183	-3,590	-3,590	-3,590	-3,590
Contribution to/(from) Balances	0	0			
Net Budget Requirement	574,221	612,952	651,571	691,489	732,744
	0	0	0	0	0
NET BUDGET/FORECAST EXPENDITURE-Special Expenses	**574,221**	**612,952**	**651,571**	**691,489**	**732,744**
Estimated Taxbase	35,599.6	36,398.6	37,126.6	37,869.1	37,869.1
Special Expenses Council Tax	**16.13**	**16.84**	**17.55**	**18.26**	**18.97**
Year on year increase in Special Expenses Council Tax					
(I) Amount	**0.00**	**0.71**	**0.71**	**0.71**	**0.71**
(ii) Percentage	**0.00%**	**4.40%**	**4.22%**	**8.43%**	**8.09%**

	2015/2016	2016/2017	2017/2018	2018/2019	2019/20
	Budget	**Forecast**	**Forecast**	**Forecast**	**Forecast**
	£	**£**	**£**	**£**	**£**
Total Net Budget Requirement	10,242,560	10,851,494	10,872,820	10,318,073	10,051,234
% increase in Total Net Budget Requirement	-0.48%	5.95%	0.20%	-4.92%	-7.56%
Taxbase	35,599.6	36,398.6	37,126.6	37,869.1	38,626.5
Council Wide Council Tax	£112.09	£117.09	£122.09	£127.09	£132.09
Percentage Increase	0.00%	4.46%	4.27%	8.54%	8.19%

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SCRUTINY COMMISSION – 21 JANUARY 2016

HRA BUSINESS PLAN
REPORT OF DEPUTY CHIEF EXECUTIVE (COMMUNITY DIRECTION)

WARDS AFFECTED: ALL

Hinckley & Bosworth Borough Council
A Borough to be proud of

1. PURPOSE OF REPORT

1.1 To advise members of the options for managing the impact of the 1% rent reduction and previous rent increase decisions on the Housing Revenue Account (HRA) Business Plan and HRA Investment Strategy.

2. RECOMMENDATION

2.1 The Scrutiny Commission reviews the options for managing the changes necessary to the HRA Business Plan, arising from previous rent decisions and the one percent rent reduction going forward and identify any comments that they would wish to raise to Council.

3. BACKGROUND TO THE REPORT

3.1 In 2013 the financing regime for council housing changed from the subsidy system to one of self financing, where councils could keep rent raised to support services and for reinvestment. The last rent guidance issued by the government in 2013 gave some certainty in terms of rent rises (CPI + 1%) and these rent increases were built into, and underpin, HRA Business Plans and Investment Strategies.

3.2 The Council considered the national consultation on whether Housing authorities wanted to continue with the Housing Subsidy System (which was costing this Council £4.1m per year and would have increased by inflation in future years) or to buy out of the subsidy system. Following specialist external advice from Tribal, Capita and the Chartered Institute of Housing, the Council unanimously agreed to buy out of the Subsidy System. The cost of the one-off buy out was determined by the Government to be £67,652m.

3.3 The HRA Investment Strategy 2013 – 2018 was approved by Council on 16 July 2013 and a detailed financial model was aligned to the Plan, which allowed for investment in stock enhancements, service improvements and council house new build and acquisition. These priorities were agreed by Council following consultation with tenants and the financial model was based on the self financing settlement, which enabled the council to cover the debt borrowed over a 25 year period, whilst also providing a budget for capital investment.

3.4 This financial model assumed that rents would be increased by the guidance figure over the time of the business plan, providing a surplus which formed a regeneration reserve to finance the additional enhancement to properties and the council house new build and acquisition programme.

CURRENT INVESTMENT PROGRAMME.

3.5 Within the current approved capital programme £10.0m has been set aside for affordable housing, £0.062m for additional enhancements to the existing stock and £11.29m for programmed repairs to housing stock between 2015/16 and 2017/18. The additional investment has been used to finance an enhanced kitchen and bathroom programme (£0.62m) and to start the council house new build and acquisition programme (£10m).

3.6 In terms of council house new build and acquisition, work is taking place in the following areas:

Scheme	Units	Indicative cost
Southfield Road, Hinckley	30	£3.2m
Martinshaw Lane, Groby	9	£1.7m
Ambion Court, Market Bosworth	Refurbishment/extension	£1.9m
5 year development plan	Smaller sites providing approximately 60 units	Feasibility currently underway.

GOVERNMENT ANNOUNCEMENTS ON SOCIAL HOUSING RENT INCREASES.

3.7 Contrary to the original commitments and more recent guarantees, the Chancellor announced in his Summer Budget of 2015 that from 2016/17 rent increases for social housing properties would not be allowed and, in addition, social housing landlords would be required to reduce rents by 1% over the following four years.

3.8 A refresh of the HRA Business Plan has been undertaken, therefore, to inform our investment strategy going forward and to incorporate the government announcement of the 1% rent reduction for social rents for four years from 2016/17. The impact of this reduction on the HRA Business Plan is £5.089m over 5 years.

3.9 The HRA Business Plan has also been impacted on by previous rent increase decisions taken by the Council, which have been below the increases included in the Business Plan. The rent increase in 2015/16 was 6.5 per cent. The rent convergence was 9.76 per cent. The amount below rent convergence was 3.26%. After allowing for void losses this equates to £0.389m in 2015/16. If this loss is projected to 2034/35 this equates to £9.218m.

3.10 As a result, the overall impact on the HRA Business Plan of both previous rent increase decisions and the 1% rent reduction from 2015/16 to 2019/20 will be £7.133m.

3.11 The Business Plan has been updated to reflect the latest information available for future revenue and capital repairs to the housing stock. This includes any additional stock enhancements based on the current condition of the Housing Stock following a thorough cleanse and review of the data held, which identified an element of "catch up" work required.

3.12 Decisions now need to be taken on how to manage the reduction in income in the Business Plan resulting from the rent decrease over the next four years and the previous rent increase decisions, both of which have a continuing and cumulative impact over the length of the 30 year Business Plan. The issue will not therefore simply be confined to the next four years.

The options are as follows:

3.13 Option 1 – rescheduling of the debt with the aim of covering the shortfall in income to enable the continuation of the current investment programme.

3.14 Option 2 – Re-borrowing to meet the shortfall in income to enable the continuation of the current investment programme.

3.15 Option 3 – Re-borrowing to continue with current schemes only – This would reduce the council house new build and acquisition programme by £2.235m. This option would mean that all committed schemes are completed, but the balance of the £10m will not be spent. From the original £10.0m the following schemes would be completed.

Southfields Road	£3.2m
Ambion Court	£1.9m
Martinshaw Lane	£1.7m
Dwelling Purchases	£0.55m (complete)
Dragons Lane	£0.41m (complete)
Total	£7.765m

3.16 Option 4 – Continue with current schemes only, with repairs programme reprofiling of £1.8m.

This assumes that the Southfield Road, Martinshaw Lane and Ambion Court schemes continue (as option 3) but also that additional service reductions of £300,000 per year are achieved for six years. The costing assumes that these reductions can be achieved by extending the assumed lifetime of certain components. For example, the lifetime of a kitchen would be extended from 20 to 24 years and roof structures from 70 to 120 years.

This option would impact on decency of the housing stock and furthermore we would be at risk of not being able to satisfy our statutory requirements of the Housing Health and Safety Rating System to ensure that our tenants are safe in and around their homes.

OTHER CONSIDERATIONS

3.17 The plan currently does not allow for the potential costs of having to sell high value void properties. This requirement is contained in the Housing and Planning Bill 2015. Details of both the definition of high value homes and the mechanism by which the government will calculate the amount owed by the council in anticipation of the sale of such voids will be published by the Government in due course. Once the detail and requirement is known, the HRA Business Plan will be refreshed and implications reported in accordance with financial procedure rules.

4. FINANCIAL IMPLICATIONS [IB]

Background

4.1 The rent increase in 2015/16 was 6.5 per cent. The amount below rent convergence was 3.26%. After allowing for void losses this equates to £0.389m in 2015/16. If this loss is projected to 2034/35 the impact is £9.218m.

4.2 Implications arising from the options 1 to 4 are summarised below. Current re-borrowing and interest costs are summarised in Appendix 1. At the time of any re-borrowing (if agreed) officers would ensure that the most cost effective options available at that time are undertaken. Although re-borrowing rates may change the options below are based on current rates and include an assumption of rates increasing in the medium and long term.

Option 1 – Rescheduling the debt

4.3 If the loans were replaced with new loans, this option would still be unaffordable. Having discussed various rescheduling options with Capita (External Treasury advisors), there are two underlying reasons for this:

1: The costs of redemption for existing loans are very high and would outweigh the lower replacement loan costs. For the four oldest loans, redemption costs would be £531,214 per loan.

2: To redeem short term loans we would be using up cash backing up our reserves and may be left with insufficient day to day cash resources.

4.4 Option 2 – Re-borrowing (no reductions)

If the current new build programme was to continue and future programmed repairs and HRA budgets continue, re-borrowing would need to be incurred from 2019/20 onwards. Until 2019/20, reserves would be available to fund the impact of the reductions in rental income, but would not be available beyond that date. Overall, up to 2034/35 the total additional interest cost is estimated at £13.095m.

The key risk for this option would be that there would be no headroom for future growths in expenditure. If further, unforeseen pressures were to arise, compensating savings would need to be realised to ensure the debt cap is not breached.

4.5 Option 3 – Re-borrowing (continue with current schemes only)

This option would mean the reduction in the capital programme of £2.235m from the £10.0m programme. Compared against the ‘no reduction’ option, this option would reduce the borrowing requirement by £3.537m and would result in an interest reduction of £1.749m up to 2034/35.

This option would also result in £3.5m of headroom for any future pressures.

4.6 Option 4 – Continue with current schemes only, with repairs programme reprofiling of £1.8m

This would mean a short term saving of £300,000 per year for six years, but would have the effect only of shifting the work to subsequent years – the work will still be necessary and may be more costly, because of the delay Compared against the ‘no reduction’ option this would reduce the borrowing requirement by £5.874m and would result in interest savings of £2.867m up to 2034/35.

This option would also result in £5.8m of headroom for any future pressures.

Other Factors

4.7 If the council house new build programme is reduced, based on current estimates the amount of right to buy receipts from one for one replacements that will need to be returned to the CLG is estimated to be £174,082. Additionally an interest penalty of estimated at £20,890 would also be incurred.

4.8 The estimated New Homes Bonus from 39 units (section 3.6 above) is £43,910. The estimated council tax based on a band B average for 39 dwellings is £3,178. If the dwellings were built the New Homes Bonus and council tax income would be included within the general fund.

4.9 The current business plan does not allow for implications from the sale of high value voids. Once CLG has published its guidance these costs will need to be approved in accordance with financial procedure rules. These costs will also need to be reflected in the HRA Business Plan.

5. LEGAL IMPLICATIONS [MR]

5.1 Set out in the report.

6. CORPORATE PLAN IMPLICATIONS

6.1 This report and its outcomes contribute to all of the corporate aims.

7. CONSULTATION

7.1 None to date. At an appropriate point consultation with Together for Tenants will take place on the HRA Business Plan.

8. RISK IMPLICATIONS

8.1 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 this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
Sale of High Value Voids and Future changes	Ensure additional service efficiencies are identified to ensure that the future debt cap is not breached	Chief Officer – Housing and Partnerships]/ Chief Officer (Corporate Governance and Housing Repairs)
Changes in Interest and Inflation Rates	Ensure Treasury Advisors are consulted to ensure latest assumptions are built into the Investment Plan. Any changes with corrective actions are reported to members.	Accountancy Manager
Maintaining the decency within the housing stock and ensuring health and safety requirements are met	Continuing stock condition surveys and only extending the life of components not presenting significant risk	Chief Officer (Corporate Governance and Housing Repairs)
Insufficient headroom for future (currently unknown) pressures.	Compensating savings would need to be realised to ensure the debt cap is not breached	Chief Officer – Housing and Partnerships]/ Chief Officer (Corporate Governance and Housing

		Repairs)

9. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

9.1 All council tenants will be affected by decisions made in relation to the HRA.

10. CORPORATE IMPLICATIONS

10.1 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: Sharon Stacey/Ilyas Bham
Executive Member: Councillor Chris Boothby

Appendix 1

Interest Cost Summary

		Option 2	Option 3	Option 4
		Includes New build budget of £10m No reduction in Programme	**Reduction of £2.7m (Assumes current commitment of £7.3m new build)**	**Reduction of £2.7m (Assumes current commitment of £7.3m new build) £1.8M Service reduction**
Yr 1	2015/16	0	0	0
Yr 2	2016/17	0	0	0
Yr 3	2017/18	0	0	0
Yr 4	2018/19	0	0	0
Yr 5	2019/20	96,828	10,227	10,227
Yr 6	2020/21	229,746	141,795	82,593
Yr 7	2021/22	345,889	254,743	193,529
Yr 8	2022/23	448,795	354,338	290,901
Yr 9	2023/24	556,052	458,164	392,423
Yr 10	2024/25	679,293	577,703	509,475
Yr 11	2025/26	787,851	694,478	623,497
Yr 12	2026/27	889,045	779,171	705,323
Yr 13	2027/28	994,687	880,507	803,676
Yr 14	2028/29	1,076,117	957,324	877,389
Yr 15	2029/30	1,163,275	1,039,683	956,520
Yr 16	2030/31	1,163,275	1,039,683	956,520
Yr 17	2031/32	1,163,275	1,039,683	956,520
Yr 18	2032/33	1,167,024	1,039,683	956,520
Yr 19	2033/34	1,167,024	1,039,683	956,520
Yr 20	2034/35	1,167,024	1,039,683	956,520
Interest Cost		£13,095,203	£11,346,549	£10,228,156
Interest Reduction			£1,748,654	£2,867,047

Appendix 1

Reborrowing Requirement

		Option 2	Option 3	Option 4
		Includes New build budget of £10m No reduction in Programme	**Reduction of £2.7m (Assumes current commitment of £7.3m new build)**	**Reduction of £2.7m (Assumes current commitment of £7.3m new build) £1.8M Service reduction**
Yr 1	2015/16	0	0	0
Yr 2	2016/17	0	0	0
Yr 3	2017/18	0	0	0
Yr 4	2018/19	0	0	0
Yr 5	2019/20	2,689,675	284,078	0
Yr 6	2020/21	3,692,164	3,654,684	2,294,259
Yr 7	2021/22	3,226,198	3,137,427	3,081,553
Yr 8	2022/23	2,858,489	2,766,530	2,704,768
Yr 9	2023/24	2,979,367	2,884,068	2,820,065
Yr 10	2024/25	3,423,352	3,320,512	3,251,446
Yr 11	2025/26	3,015,503	3,243,744	3,167,276
Yr 12	2026/27	2,810,944	2,352,586	2,272,940
Yr 13	2027/28	2,934,511	2,814,886	2,732,023
Yr 14	2028/29	2,261,932	2,133,805	2,047,595
Yr 15	2029/30	2,421,072	2,287,777	2,198,084
Yr 16	2030/31	0	0	0
Yr 17	2031/32	0	0	0
Yr 18	2032/33	104,139	0	0
Yr 19	2033/34	0	0	0
Yr 20	2034/35	0	0	0
Reborrowing Requirement		£32,417,345	£28,880,096	£26,570,009
Reborrowing Requirement Change			£3,537,248	£5,847,336