Appendix A

Hinckley & Bosworth Borough Council

A Borough to be proud of

MEDIUM TERM FINANCIAL STRATEGY

2016/17 to 2020/21

CONTENTS

APPENDICES

1. FOREWORD

This refresh of the MTFS builds on the position agreed at the February 2016 Council meeting and reflects on the new corporate objectives, and where the council stands in relation to delivering against its priorities.

In 2016 this Council faced a challenging time. Temporary Government grants to support reduced Council Tax had come to an end. Revenue Support Grant was continuing to diminish, falling from £1.26m in 2016/17 to zero by 2020/21.

Despite these challenges this Council made difficult decisions to agree the 2016/17 budget and to balance the budget for the life of the MTFS. Twelve months on there are still challenges ahead, but the Council is well placed to deliver its corporate priorities whilst maintaining further balanced budgets.

Despite a balanced budget forecast, 2016/17 has been a year in which there have been some unexpected challenges and costs to this Council. Brexit has played its part in both a slow down in the number of planning applications, and delays in the letting of business units in The Crescent. The failure of the former Hinckley Co-Op to find a commercial buyer prompted this council to intervene so that we could preserve Hinckley's traditional independent businesses. There has also been some positive news, with business rates and car park income increasing, savings on the demolition costs of the old leisure centre, and more people opting to continue with the garden waste collection service than responses to our consultation suggested.

At a national level the economy is still uncertain, following the vote to leave the EU, which has prompted Government to remove the need to bring the country out of budget deficit by 2020. The revised targets include:

- reduce public sector net borrowing to below 2% of GDP by 2020/21, which is considered a ‘much looser' target than set previously.
- a target for public sector net debt as a percentage of GDP to be falling in 2020/21.
- a revised welfare cap, the target is now for relevant welfare spending to be within the cap in 2021/22.

These measures still require a continued reduction in financial support from Government to the public sector, particularly local government. However following our submission of an efficiency plan to Government, proposed reductions in Revenue Support Grant for the next few years can be predicted with some certainty.

Government continues to emphasize the benefits of devolution and moving away from central control to more control at the local level. The setting up of combined authorities, health and wellbeing Boards, and a raft of newly locally announced economic programmes continues to have an impact on the accuracy of longer term forecasting. Councils will need to move towards having plans that make the most of opportunities and are able to become as financially self sufficient as possible.

These changes will mean that Council needs to have clear priorities to drive decisions on what services are delivered and how the costs of these services are managed and funded.

The council has now drafted a new statement of corporate objectives, as outlined in the table below.

Objective	Description
People	Helping people to stay healthy, active and protected from harm.
Places	Creating a clean and attractive place to live and work.
Prosper	Encouraging growth, attracting businesses and supporting regeneration.

These objectives must be underpinned by sound financial planning.

Our Corporate Plan document outlines why we have these priorities, and how we will deliver against them. This MTFS refresh outlines the financial plans and policies to support their delivery.

Last year Government modified the grant funding regime to local authorities, removing temporary incentives to keep council tax low, which had saved local residents over £0.69m in recent years. District Councils who charged among the lowest Council tax of all districts, including Hinckley and Bosworth Borough Council, were given the freedom to increase council tax by £5 per year without the need for a referendum. This was guaranteed for the next four years providing the council tax stays in the lowest quarter of all district councils.

In local government there continue to be plans towards a dramatic change in the way business rates are managed, with retention of all business rates expected early in the next parliament, subject to some redistributive safeguards. This change will bring greater benefits in areas where there is significant employment growth, but as Council will become more reliant on this source of income there will also be risks to the security of its income. The current uncertainty about the mechanism for retention and any possible redistribution mechanism makes forecasting these changes more difficult. Any future economic pressures faced by local businesses and any increase in business rates appeals have the potential to make business rates income far more volatile and more problematic in making robust forecasts. This MTFS puts in place safeguards to protect against these fluctuations.

Following Government consultation during 2016 New Homes Bonus is being reformed to "Sharpen the Incentive". As part of the annual settlement Government has made two changes that affect funding to this Council. The first change is a reduction to the matching period from 6 years to 4 years, first moving to a 5 year basis for 2017/18. Nationally this will provide additional money for adult social care funding. This change was expected and had been included in our MTFS last year.

The second change is to limit new homes bonus only to new building above a 0.4% baseline. This was not expected and is higher than the figure that the Government consulted upon (0.25%). As a result of these changes our income from NHB in 2017/18 will be £2.794 million compared to our previous forecast of £3.136 million, but will increase slightly to £2.630 million compared to our original forecast of £2.602 million in 2018/19 due to the timing of completions. Beyond 2017/18 there remains a risk that New Homes Bonus could be further reduced, or even be removed altogether beyond 2020/21. This MTFS therefore sets out a revised forecast for New Homes Bonus, and we also detail some assumptions that will be used to help with forecasts and financial planning going forward.

The future costs of delivering our core services will continue to present challenges, but these will be controlled through sound financial management and a constant drive towards greater efficiency. Where practical we will seek out opportunities to generate more commercial income to offset our costs, use technology to reduce costs and review service contracts to identify possible savings.

Our ability to fund capital projects, including new Council Housing, also remains constrained, with poor availability of Council owned land, delayed capital receipts and the inevitable reliance on making successful capital bids to the Leicester and Leicestershire Enterprise Partnership (LLEP). We are reviewing various capital projects and ways of managing our assets to ensure the council continues to deliver new housing and other community projects for the benefit of the whole borough.

Effective financial planning is particularly important in this period of national economic change and local financial uncertainty resulting from the unprecedented changes in the Local Government finance structure. By continuing to have well planned services that are suitably resourced to meet our corporate priorities, the Authority will be equipped to respond appropriately to future challenges.

The additional measures introduced through this MTFS refresh will ensure that short-term gains are not achieved at the expense of long-term sustainability. This MTFS sets out a fair approach to dealing with future financial changes through a drive to increase business rates income, reducing internal operating costs and maintaining small council tax increases.

This MTFS refresh demonstrates that Senior Management and Elected Members continue to work closely together to strike the right balance in decision making for the long term benefit of the local community and for the continued sustainability of the Authority.

Councillor Mike Hall

Executive Member for Finance

Ashley Wilson

Head of Finance

2. INTRODUCTION

The Medium Term Financial Strategy (MTFS / the Strategy) 2016/17- 2020/21 sets out the financial planning framework for Hinckley and Bosworth Borough Council (the Council) and shows how national, regional, sub-regional and local issues are taken into account in planning the resources available for service delivery. Financial planning is essential and enables the Council to set objectives and priorities, turn policy decisions into programmes of action, decide how to best allocate the resources available and review results so that learning feeds back into the decision-making process. This is a refresh of the MTFS agreed in February 2016.

There continues to be an emphasis on devolution to the local level, with more changes announced by government in local government financing mean that significant risks of funding of local services have been passed over by central government to local government through the changes to business rates retention (BRR) with a view to implement a 100% business rate retention for local government with as yet unknown redistribution mechanisms. The first round of pilots is expected to go-live in 2017-18 and to be expanded in 2018-19 (note that pilots are not operating in 2017-18 in two-tier areas). In a 100% retention situation to cover the funding from RSG and NHB, the Council would have retained a further £3.5m of business rates than the currently level.

New Homes Bonus (NHB) awarded has been reviewed and the time period NHB is awarded has been reduced to a 5 year period from the current 6 years currently in place. This has led to a forecast reduction of £0.34m for 2017/18. After 2017/18 the number of years for NHB is reduced to 4 years, which had been allowed for in this MTFS. There is no current indication that NHB will be reduced further after this parliament, so it has not been reduced in that year of the MTFS, but it remains a risk as the move to 100% rates retention takes place. If 2020/21 was based on a three year period, the loss of income to the Council would be £594,000.

There has also been a target introduced that new homes must be above 0.4% of the housing stock base as measured by the Council Tax Base information reported to central government. If it is below this then an element of the NHB is withheld. Also, there is consideration of withholding NHB in relation to new homes where applications for planning consent are initially rejected and then won on appeal.

These changes and the general move to local self reliance has meant the Council has to look for income from other sources and has had make difficult decisions in relation to the level of Council Tax it will charge. Key decisions in this area have been to accept the government's offer to increase the Council Tax by £5 each year for the period of the MTFS, as the Council is in the bottom quartile of charge levied in England and Wales, and levy a £24 garden waste charge which has been budgeted as constant for the duration of the MTFS, but is subject to annual confirmation as part of setting the fees and charges of the Council.

The council continues to minimise increases in fees and charges (e.g. car parking charges) to assist local residents and businesses means that the Council's budgets continue to be under pressure. The financial modelling and forecast contained in the MTFS have included these factors. In Leicestershire, the County Council's MTFS notes it has to make £58.8 million of savings over to the period ending 2019/20. In order to achieve these targets, pressures will be transferred to district councils in areas such as waste, children's services and older people services. For this Council, the direct impact of these changes has created an estimated budget pressure of up to £546,000 overall. The indirect impact of changes to funding made by the County Council, however, could increase this pressure by many thousands more. Therefore it is essential that we achieve the forecast MTFS for 2017/18:

The funding of the Capital Programme over the period of this Strategy will also be challenging as regional funding that this Council benefited from in the past is no longer available and the capital receipts reserve will be £1.8m by the end of 2020/21.

Capital funding will be channelled through sub-regional bodies such as Leicester and Leicestershire Economic Partnership (LLEP), Coventry and Warwickshire Local Economic Partnership (CWLEP) and it will be important for this Council to continue to strengthen its relationship with these sub-regional bodies in order to meet its ambitions for regeneration.

The government have decided that there will be a change in the level HRA rents that can be charged, with a 1% reduction in rent per year for the next 4 years 20 2019/20. This is due to Central Governments desire to reduce housing benefit costs means that less funds are available and the Council will have to take on additional debt to cover the £5m shortfall created over the next five years .

The Council needs to strike a balance between the desire to build new homes and increase our New Homes Bonus revenue and the need to expend some of the available resources on the Council's existing stock of housing in order to maintain the stock at decent homes standard. The HRA business case and Investment Plan that will set out these priorities is being updated and the implications of the choices is in the process of being completed and will be presented to Members in 2017/18.

The MTFS is one of a suite of strategic documents that forms the Corporate Planning Framework and sets out the national, regional and sub-regional factors affecting the financial planning and resource allocation of the Council linked to its corporate objectives.

The MTFS considers the services that the Council needs to invest in for the years ahead in order to meet the corporate objectives and long-term service ambitions and the implications of this spending on council tax levels, and on other sources of income. The budget strategy for each of the years of this strategy will similarly take into account the Authority's priority and non-priority services. As regards non-priority services, the Council needs to ensure that it meets minimum statutory requirements.

3. EXECUTIVE SUMMARY

This MTFS takes into account the Council's Corporate Plan objectives. It takes into consideration national and county-wide initiatives together with local pressures facing the Council.

The MTFS is prepared under a climate of continued national and local uncertainty, the vote to leave the EU has added to this and what this means for local government which was already facing large scale changes in the operation of local government finance. Many aspects of what the Council is striving to achieve during the MTFS period and the impact of various changes are difficult to quantify and will need to be continually refreshed. Nevertheless, it is important that this Strategy is refreshed to incorporate what is known but also to forecast what could occur in the future (both positively and negatively). By doing this the Strategy provides as clear a framework and direction as possible as to how resources can be used to support of the work of the Council over the three years.

This strategy has been compiled against the backdrop of the 2015 Comprehensive Spending Review (CSR15) announced by the Government in November 2015, the Autumn Statement of 2016 and the Provisional Financial Settlement announced in December 2016. The overriding objective of the CSR15 review was to eliminate the remaining national budget deficit over the life of this Parliament. This has now been amended and the Government now expects to return the public finances to balance as soon as possible in the next Parliament, with an interim objective of reducing the structural deficit to less than 2% of GDP, and for debt as a percentage of GDP to be falling by the end of this Parliament.

In order to support this objective, the total level of central government support to Local Government was forecast to drop by up 24% over the life of the review.

The Spending Review and Autumn Statement aims to deliver on the government's priority to provide security to working people at every stage of their lives.

Due to the pressure on the public finances, the government has chosen to focus discretionary support on highly-targeted investments to boost the productive capacity of the economy. This will, over the medium and long term, be the most important factor for continuing to raise living standards across the UK. Otherwise, the government is sticking to its overall spending plans set out in Spending Review 2015 and has reinforced its controls on welfare spending. All other new policies announced in Autumn Statement 2016 have been funded from savings or taxation.

One of the key aims of the government is to boost productivity to raise living standards for people across the UK.

A new National Productivity Investment Fund will add £23 billion in high-value investment from 2017-18 to 2021-22. The government will target this spending at areas that are critical for productivity: housing; research and development (R&D); and economic infrastructure.

Therefore affordable housing is a key area of the Government's plans and will be a key delivery for Local Authorities.

This Spending Review prioritises housing by doubling the housing budget from 2018-19. It is said to be the most ambitious plan since the 1970s to build homes that support working people in their aim to buy their own home.

This Spending Review sets out a Five Point Plan for housing to:

- Deliver 400,000 affordable housing starts by 2020-21, focussed on low cost home ownership.

- Deliver the government's manifesto commitment to extend the Right to Buy to Housing Association tenants.

- Accelerate housing supply and get more homes built by: bringing forward further reforms to the planning system, including establishing a new delivery test on local authorities, to ensure delivery against the number of homes set out in Local Plans and supporting the availability of appropriate land for housing, including by releasing public sector land

- Extend the Help to Buy: Equity Loan scheme to 2021.

- Higher rates of Stamp Duty Land Tax (SDLT) to be charged on purchases of additional residential properties, such as buy to let properties and second homes, with effect from 1 April 2016.

In order to address the ongoing financial pressures in the sector, local government will continue to have to seek efficiencies and transform service delivery. By pre-empting these pressures in the past, this Council has put itself in a position where it has managed the pressures so far without any large scale reductions in expenditure. That said the cumulative effect of grant reductions, the economic climate and County Council cutbacks does create a situation where larger changes are required. Inevitably these will include continuing staff restructures and changes to non statutory services which are detailed in the Strategy.

3.1 Budget Assumptions

As outlined above, the future of spending and funding for this Council is volatile and heavily dependant on factors such as Government policy and the financial stability of businesses, local citizens and partners. In order to effectively plan for the medium term, this Strategy sets out the most likely forecast around a range of assumptions for income streams, expenditure requirements and funding settlements, all of which could have a material impact of the financial standing of this Council. By considering these pressures the Council is able to effectively quantify the potential impact which may occur.

Factor	Assumption
Basis of budget	The 2017/2018 base budget is to be based on the 2016/2017 original budget, adjusted for known changes based on actual income and expenditure in year to date, and then ensuring all one-off items in the 2016/2017 original budget are removed and full year effects of part year reductions in 2016/2017 implemented. It will also take into account the outturn position for 2015/16 to inform the final budget position for 2017/18.
Growths	Consideration will be given to requests where additional resources are required to cover additional expenditure arising from additional statutory requirements or changes in the economic climate. Requests will need to be supported by both the relevant members of SLT and must be accompanied by an explanation as to why the costs cannot be met from existing resources. Growths that are required to meet corporate priorities will be considered subject to normal approval requirements. Where pressures have arising due to withdrawal of funding, officers should look to include a corresponding reduction in expenditure.
Savings/additional income – officer targets	All officer targets included in the MTFS detailed in section 3.5 above will be built into the Budget.
Savings/additional income – member decisions	The following decisions have been made by the administration and will be factored into the Budget as such: • An average £5 increase in council tax • The continuation of the green waste charge at £24.00.
Pay increase	1% (This does not include spinal point increases due to performance reviews). The introduction of the living wage due for 2019/20 will also be taken into the MTFS.
National Insurance	HMRC rate (not yet confirmed). These costs will also take into account the impact of NI due to the end of "contracting out" scheme
Employers Pension Contributions	An Employers Contribution rate (21.3% including ill health insurance). The increased costs have been included in the MTFS.
Vacancy Factor	A net salary/vacancy saving of 5% will be applied (5% in previous years). This will be across all service areas with the exception of senior management posts. This is a key element of our efficiency plan. Where there are vacant posts not filled for an extended period (six months), and where not covered by agency placements, then the continued inclusion of posts in the budgets will need to be reconsidered and will potentially be removed.
Supplies and Services – Non contract	0% increase

Supplies and Services – Contract	It is anticipated that the average rate of RPI will be added to the Council's payments. As such a rate of 2.1% will be applied to 2016/2017 contractual costs which is in line with the most recent release (August 2016). Where budget holders have knowledge of price rises that differ, adjustments can be made to these budgets to reflect actual price changes. This rate will be reviewed in subsequent months, but where possible increases will be restricted to 2.1%, however, recent forecasts suggest it might be as high as 3% on average over the life of the MTFS.
Fees and Charges	Where an inflationary increase is called for, it has been directed that an increase RPI. The rate of RPI at 31st August 2016 of 2.1% will be applied. If there is a material change in this rate by 31st December 2016 then the budgets will be adjusted accordingly.
Investment income/expenditure	The Bank of England base rate is currently 0.25%. There is some prospect of a downward movement by fifteen basis point in 2016/17 Therefore a rate of 0.10% will be assumed.
Housing Revenue Account	All assumptions regarding expenditure and fees and charges will be set in line with the Strategy. The exception to this is in relation to rent setting which, in accordance with Government guidelines will be reduced by 1%. A 2% void loss will continue to be applied to these levels.
NHB income	The financial settlement confirmed that income will be provided on new homes back dated over 5 years during 2017/18 as opposed to 6 years, and then on a 4 year basis from 2018/19.
Retained Business Rates	The budget will include baseline funding and growth off set by potential loss of income due to appeals. NNDR growths will be budgeted for based on the December 2016 forecast.

Review of the key changes of the MTFS refresh

3.2 The key change in the MTFS is the improvement in the short term financial position of the Council's general fund up to 2019/20, mainly due to improved Business rates growth. The table below excludes 2020/21 as not forecast in the prior MTFS.

Table 2	2016/2017	2017/2018	2018/2019	2019/20	2020/21
Original MTFS	**£**	**£**	**£**	**£**	**£**
General Fund Balances	1,024,819	1,030,279	973,685	942,875	n/a
	10.87%	**15.40%**	**15.19%**	**10.00%**	
Revised MTFS	**£**	**£**	**£**	**£**	**£**
General Fund Balances	1,607,255	1,710,970	1,555,533	1,419,704	1,125,510
	15.68%	**16.58%**	**15.16%**	**13.83%**	**11.45%**
Net increase	582,435	680,691	581,848	476,829	n/a

Notes:

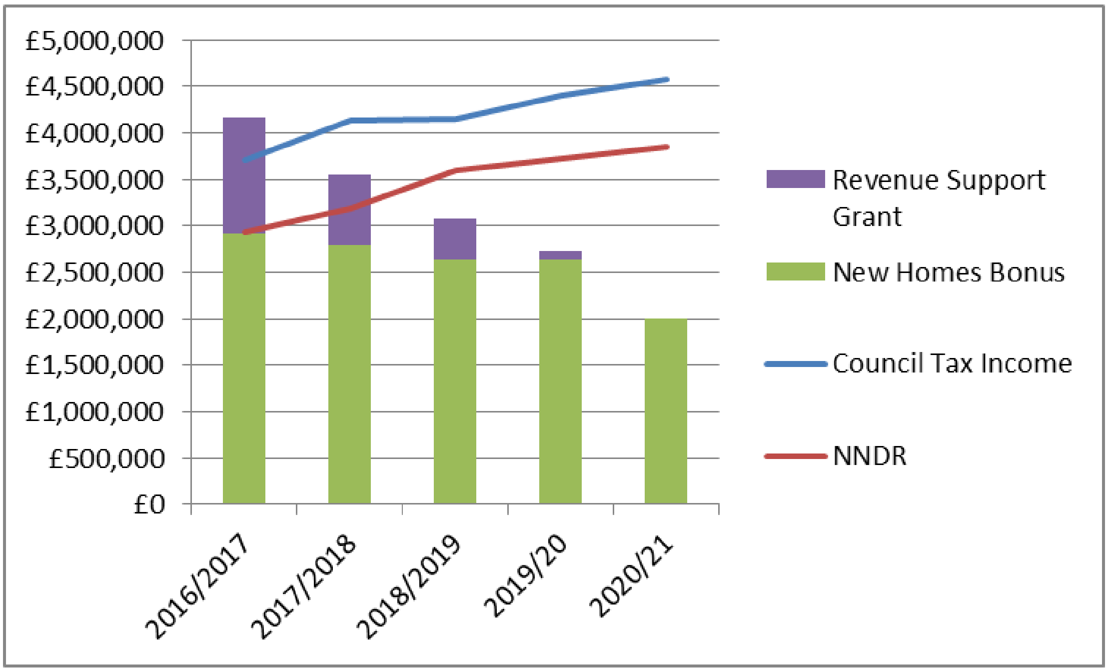
13,The Developing Communities Fund has been increased from £535,000 to £0.95m in 2016/;17 and to £1.4 by 2018/19 in this MTFS refresh, due to improved overall income streams, and revising the level of transfers provided into other earmarked reserves

3.3 Although the improved position is to welcomed it demonstrates the move by Central Government from more fixed income to more risky business rates funding streams to cover our net expenditure position.

Table 3	2016/2017	2017/2018	2018/2019	2019/20	Total	2020/21
	£	£	£	£	£	£
Council Tax Income	3,702,072	4,128,670	4,147,429	4,397,136	16,375,306	4,574,780
NNDR (Inc S31 and Loss on Collection Fund)	2,935,358	3,180,030	3,592,969	3,718,956	13,427,314	3,849,502
New Homes Bonus	2,910,378	2,793,740	2,639,757	2,641,547	10,985,423	2,000,400
Revenue Support Grant	1,257,386	753,927	437,461	83,975	2,532,749	0
Total	10,805,194	10,856,368	10,817,616	10,841,614	43,320,792	10,424,682
	2016/2017	**2017/2018**	**2018/2019**	**2019/20**		**2019/20**
Council Tax Income	34.26%	38.03%	38.34%	40.56%		43.88%
NNDR	27.17%	29.29%	33.21%	34.30%		36.93%
New Homes Bonus	26.93%	25.73%	24.40%	24.36%		19.19%
Revenue Support Grant	11.64%	6.94%	4.04%	0.77%		0.00%

3.4 This is seen more clearly in the following graphs. This demonstrates that the more constant reliable sources of central funding are being replaced with locally raised taxation. Business rates are an increasing part of this move and represent a far more risky source of income due to potential volatility from changes in the local economy, business closure or relocation and the level of appeals, and the ability to accurately forecast growth. Under the refreshed MTFS HBBC are losing £1.7m of NHB and RSG, and gaining £2.2m of Council Tax and Business rate. However, the Business Rates income is less reliable as a forecast past 2017/18 as the 2017 valuation process may bring in more appeals, and growth may be less than the average of 3.5% used in the MTFS model, also appeals could be settled earlier that expected and this would lead to loss of income. Alternatively growth may be higher if larger business can be encouraged to locate in the Hinckley area.

Graph 1: Income supporting net expenditure position.



3.5 The financial year 2020/21 is difficult to forecast with any certainty, the current four year settlement ends in 2019/20, but this only protects the current level of RSG funding which is expected to be nil in 2020/21. The allocation of NHB may be further reduced, but it has been assumed that the four year basis for NHB will continue. In the pilot areas for 100% business rates retention this has been the case. However, this may not be continued when the scheme is rolled out further. If NHB were further reduced to, say, a three year basis, then the Council would lose £594,000 of funding in the 2020/21 year and the general fund balance would be at 7.8% of net expenditure. If all NHB funding was removed, the business rate income needed via growth would need to be £2m, which is twice the growth level noted for 2017/18 following significant investment by the Council is local capital schemes.

3.6 The MTFS also assumes that there will be further need to increase the provision for Business Rate appeals following the 2017 changes to the Rateable Value Listing nationally. The DCLG have indicated at the October Council Tax Forum meeting that the multiplier applied to the rateable value included a 4.5% allowance for future appeals, advising that "prudent" local authorities deal with this risk by setting aside income to cover these future losses. This means an increase in the provision for 2017/18 of £1.7m, the Council share of this being 40% (0.7m) that we have HBBC are part of a business rates pool and following discussions of Section 151 officers, this is in line with the level of increase for almost all members of the pool.

3.7 The period following a revaluation sees a peak of ratepayers appealing their bills. However, this is based on the level of historical claims made and may not reflect the actual position the new appeals process. Therefore is may be considerably higher than this or lead to further losses in future years being reflected in the Collection Fund. The previous 2010 listing had built up appeal of £8.4m included back dated elements of claims since it was introduced, the council share being £3.4m. Therefore the final level of claims could be higher, but steps are being taken to make speculative claims harder.

3.8 The level of successful appeals, as well as leading to refunds of Business Rates also reduces the level of income received going forward. Also the speed of appeal success and income loss may be earlier or later than forecast. Therefore, future Business rates income is less certain than the income it is replacing. This, together with changes future levels of growth, makes the level of collection fund losses are difficult to forecast and such losses have not been included in the MTFS. . This is being dealt with via the creation of a £1.23m Business Rate Equalisation (Formerly the Business Rate Pooling Reserve) Reserve over the life of the MTFS, as agreed in the MTFS presented at Council 18 February 2016. The level of £1.23m is based on the level of average collection losses for a four year period. Losses fall on the following financial year of being included on the NNDR returns

	2013/14	2014/15	2015/16	2016/17	Average
Collection fund loss	86,547	392,073	546,253	300,934	331,452

4. HBBC FINANCES

4.1 Business Rates

The Collection of Business Rates is a key area of change for local authorities. Under the current arrangements billing authorities are paid over 50% of collected business rates to the DCLG to be returned as Revenue Support Grant (RSG). The remaining 50% is split between the billing authority (80%) and the precepting authorities (20%). The new scheme will see the phasing out of the RSG grant. This is hoped to give extra incentive to Local Authorities to encourage development in their area and increase business rate income.

Under the current system, the retained business rates of billing authorities are subject to a tariff. Any growth in business rates over a set baseline is subject to a “levy” payment of 50%, with the remaining half retained by the host council. Correspondingly, if a Council loses 7.5% of their set threshold, a “safety net” payment will be triggered to compensate for the loss.

There has been consultation on a move towards 100% of business rates being retained, 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 finalised and is likely to be introduced in the next parliament. The new proposals have yet to be agreed to how a new “safety net” arrangement is yet to be confirmed.

The purpose of the changes to date and the proposed changes going forward is to ensure that growth is retained at a local level and therefore there is an incentive for local Councils to promote business growth. That said the government has also looked to encourage businesses back into town centres through the introduction of reliefs for retail premises and extension of small business rate relief.

The national revaluation of business rates is currently underway and a new valuation list will come into effect from 1 April 2017. Revaluation is intended to be financially neutral as far as local authorities are concerned, and the scheme will need to be recalibrated for 2017/18, an exercise that DCLG recognise is extremely complex. Tariffs and top ups will be revised in the 2017/18 Local Government Finance Settlement, but baseline funding will not be revisited until reset of the system in 2020. Combined with the complexity, the valuation list will continue to be changed until April 2017, and there will be considerable uncertainty about the estimated 2017/18 position.

For this Council, the baseline funding level and growth figures are provided below;

	2016/2017	2017/2018	2018/2019	2019/20	2020/21
	Budget	Forecast	Forecast	Forecast	Forecast
	£	£	£	£	£
National Non Domestic Rates	2,378,358	2,426,915	2,504,995	2,594,098	2,686,448
Growth - not including S31		514,784	531,360	550,276	569,866
Section 31 funding	577,000	539,265	556,615	574,582	593,189
Collection fund Deficit NNDR	-546,000	-300,934	0	0*	0*
Total	**2,409,358**	**3,180,030**	**3,592,970**	**3,718,957**	**3,849,503**

*** The Collection Fund Deficit has not been forecast for 2019/20 -2020/21, this is due to the high level of uncertainty and unknown factors, such as level of growth, the level of appeals and the impact of the new 2017 RV listing being finalised. If losses continued at the rate made since 2013/14, then extra losses of £0.6-£0.8m may occur over those years. However, increased growth is likely, but not guaranteed, to off set these losses.**

This allows for a loss of income due to appeals via the forecast of the loss on the collection fund. The provision for appeals is currently £2.8m against total appeals of £8.4m, the council's share being £3.4m and £1.12m under the current system for sharing income from rate. The 2017 listing is still draft, but is highly likely to lead to an increase in appeals, and the need for an even higher appeals provision, The forecast use an expected increase of £1,761,177 gross for the pool, £704,710 for the council. This is a figure that is difficult to forecast and may be understated or over stated in the longer term. There has been a consideration by the DCLG at the in consultation with Society of County Treasurers Technical Support Team that indicates that a figure of as much as 4.5% of gross rates after the multiplier has been applied can be expected. However, historically for appeals that cover a one year period this has not been the level required. Therefore this income is more volatile and less certain than other forms of funding received directly from central Government.

The 2020/21 financial year is under significant pressure if appeal losses increase. There may also be additional business rate growth that would off set such losses. Due to the uncertainty in relation to the level of business rates, a Business Rate Equalisation reserve is included in the MTFS, which will have a balance of £1.23 m at the end of 2019/20, which will help protect the council's financial position.

However, the loss due to appeals is not the only potential need for this reserve. There are currently £8.5m of appeals lodged relating to the 2010 revaluation list, more are likely to arrive in relation to the new 2017 listing. Of the £8.5m, £3.4m would be HBBC share under the current rules of retention. We have a provision for these appeals of £2.8m. This may not be sufficient in a worse case scenario and the reserve would also be required to cover any shortfall. The provision needs to be increased further for the 2017 listing; the current MTFS has losses of income due to collection fund losses up to 2017/18. These losses are so volatile it is difficult to forecast with accuracy, but if the average loss was applied it would lead to a further drop in income of £1m, over the years 2018/19 to 2020/21, bring the general fund balance to 3.4%. However, this may be compensated for by additional growth. Therefore a breakeven position has been used.

Due to the reduction in more certain income streams such as RSG, and the move to more changeable income streams from business rates, the level of general fund minimum balances has been set 15% over the life of the MTFS in 2017/18 refresh. The MTFS in this report has a five year average to 2020/21 of 14.1%, with 11.4% held in the 2020/21 year. However the income streams are less certain and care needs to be taken not to over commit the general fund in early years. Also, other pressures and service improvements, such as the need to replace the waste fleet, have not been included as a reserve at this stage, as the decisions to purchase versus lease has not yet been taken. This does not mean that a range of 10% to 15% in any one year is problematic, but that the longer term average should have a target level of 15%.

The actual general fund balance is 16.6% of net expenditure for 2017/18; this represents a smaller safety net when measured against gross expenditure. After adjusting gross for expenditure for housing services, the underlying expenditure of the Council on payroll, contract and non-contract services is in the region of £25m. Our current minimum balances are in the region of £1.6m, which is only 6.4% of that level of expenditure. This is a change in Council Policy and requires approval of the Council. At the end of the MTFS period in 2020/21, the general fund balance reported is 11.45% of the revised net expenditure, which compares to 10% to the figure reported in the February 2016 MTFS. Also, there been an increase in earmarked reserves from £3.8m to £4.2m by 2020/21(Excluding Special Expenses), the increase is relative small at £0.4m. The timing of the use of some of the reserves is still to be finalised so the overall increase may be lower once this has been set.

Table 1	2016/2017	2017/18	2018/19	2019/20	2020/21
Forecast	**£**	**£**	**£**	**£**	**£**
Closing General Fund Balance	1,607,255	1,710,970	1,555,533	1,419,704	1,125,510
Percentage of net budget	15.68%	16.58%	15.16%	13.83%	11.45%
Closing Earmarked Reserves Balance	3,782,546	4,040,374	3,960,678	4,190,678	4,195,678
Total General Fund Reserves and Balances	5,389,801	5,751,344	5,516,211	5,610,382	5,321,188
General Fund Surplus/(Deficit)	163,279	103,715	-155,437	-135,829	-294,194

The NNDR reforms also allowed local authorities to form pools for the purposes of business rate retention. Practically, pooling means that any levy payments (50% of growth) are made into a local pool rather then paid to central government. Correspondingly, losses will be funded from the pool.

Under pooling, levy and safety net thresholds are then set at the pool level (i.e. the total of all individual thresholds). The Leicestershire business rates pool which was formed in 2013/2014 and the future of any such pool will continue to be monitored and considered over the period of this Strategy to see how proposed changes impact on these arrangements. For 2017/18 the HBBC have agreed to continue being in the pool for a further year.

In addition to “standard” business rates collected, the creation of the Enterprise Zone at MIRA Technology Park, which the Council has played a significant facilitating role, will also generate significant business rates growth. 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 Strategy. HBBC have written to the LEPP to indicate that the council wants to move to a position of 50% of growth being retained for investment locally by the Council; this is intended as from 1 April 2017. This is still being discussed by the Council and the LEPP, so the growth has not been factored into the MTFS, but would be significant if the EZ continues to deliver growth...

4.2 Council Tax

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.

For the purpose of this MTFS the council tax levels going forward have been detailed in the table below:

Average Band B Property	2016/17	2017/18	2018/19	2019/20	2020/21
Increase in prior year	**£5**	**£5**	**£5**	**£5**	**2%***
Hinckley & Bosworth Council	£100.25	£104.54	£108.83	£113.12	£115.38
Special Expenses	£16.84	£17.55	£18.26	£18.97	£19.35
Borough Wide	£117.09	£122.09	£127.09	£132.09	£134.73

Based on the assumptions in the MTFS, the council tax increase of £5 will bring in an additional £0.75m between 2016/17 to 2019/20. The 2020/21 figures have been included for information as the current agreed settlement of allowing £5 a year increments ends in 2019/20.The 2% rate, if applied, would require Council Approval, if a zero increase was proposed that would cost the general fund £90,000 in that year, and then on a recurring basis.

Council Tax income is included in the MTFS as £3,905,823 for 2017/18, after this represents 15.5% of our gross expenditure requirements after adjusting for Benefit payments.

4.3 Capital Schemes

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 2015/2016 – 2018/2019 forecasts spend of £21,988,754 and is concentrated on three main projects:

4.3.1 The Crescent (£4.5 million)

The Crescent Development is now open and a majority of the retail units and restaurants are let. The Council own C Block has two remaining units which are anticipated to be let early 2017.

The current tenant line-up for the Crescent Development includes;
Sainsbury's, Snap Fitness, Timpson, GHM, Poundland, TK Maxx, Superdrug, Select, Wed2B, Simply Gym, Cineworld, FAB, Elbow Room, Mobility Lifestyle, Rossini, Loungers, Meatcure, Prezzo, Costa, Burger King and Wildwood.

	2016/16	2017/18	2018/19	2019/20	2020/21	Total
Income from Rental (MTFS refresh)	240,024	399,343	495,043	495,043	495,043	2,124,496
Income from Rental (MTFS Original)	374,941	524,013	524,013	524,013	524,013	2,470,993
Difference	-134,917	-124,670	-28,970	-28,970	-28,970	-346,497

Income over the life of the MTFS is now expected to be £346,497 lower than expected, mainly due to units being vacant longer than expected due to general wider economic uncertainty. Action is being taken market the units to ensure take up of the last two spaces.

The Tin Hat Partnership is now beginning to market blocks A, B and D with a view to sell their interest in the scheme. Tin Hat Partnership will have priority over the first £5,000,000 of development profit with the balance split 80:20 (THP: HBBC). The development agreement contains a "long stop" date for this sale of five years following completion.

4.3.2 Hinckley Leisure Centre (£15 million)

The Borough Council chose Argents Mead, the site of the council's former offices, set right in the heart of Hinckley town centre for its 'flag ship' new the newly built leisure centre and following a competitive procurement process, chose Places for People Leisure Ltd (PfPL) to design, build and run the new centre on the council's behalf for the next 20 years.
PFPL worked in partnership with Roberts Limbrick Architect and Pellikaan Construction Ltd to design and build the facility. Plans were first submitted in April 2014, and work began on the new, £15m facility in October 2014.

The centre was delivered on time and within budget (£415.9m) and opened to the general public on April 30th 2016. The new leisure centre includes a state of the art 144 station fitness suite, an eight court sports hall, a modern and well-equipped café and adventure soft play facility, an eight-lane 25 metre pool and a community pool both with moveable floors to ensure the pools are used by a range of swimmers. Further facilities include a family splash area, sauna and steam rooms, along with group exercise studios, a multi-purpose meeting room and a group cycling studio.

The centre will act as a hub of health and wellbeing, inspiring the community of Hinckley to enjoy, and reap the many benefits of, physical activity. The Council has taken up office accommodation within the new leisure centre for its Culture and Leisure teams, allowing for closer contract monitoring, greater interaction and joint working between the Council and PfPL.

The list below represents some of the key benefits this exciting capital development has brought to the Borough:

- Provision of a fit for purpose ‘state of the art’ Leisure Centre facility, with a life expectancy in excess of 40 years
- Enhanced facilities for existing customers and a growing population
- Strong partnership with national leisure provider
- Supports the economic sustainability and vitality of Hinckley Town Centre
- The new facility is significantly greener and more environmentally friendly than the old Leisure centre.
- A high quality sensitive design that complements Argents Mead open space at the heart of the town centre.

4.3.3 Regional Growth Funding (£17.761 million + £1.713 million Pinchpoint)

During 2012/2013, the Secretary for State for Business Innovation and Skills (BIS) confirmed that Hinckley and Bosworth Borough Council would receive £19,474,000 in Regional Growth Funding (RGF) to support the development of the MIRA Enterprise Zone and wider economy.

This has subsequently been reduced to £17.761million following allocation of £1.713million of “Pinchpoint” funding for the scheme directly to the Highways agency. The funding has been spent in conjunction with MIRA, the Highways Agency and Highways Authorities to provide enhanced highway capacity on the A5 around the zone and other sustainable transport initiatives. In addition, elements of the funding have been provided to fund the relocation of a substation on the current site and also to support sustainable transport links for the zone.

The capital works associated with this project commenced in 2014/2015. Expenditure was incurred in the main by the Council with some elements being passported to MIRA and Highways Agency to fund the works. In all cases the expenditure is funded by the RGF monies and therefore the scheme has not net impact on the capital financing requirement of the Council. The work was predominantly completed in 2015/16 with only some minor works outstanding.

4.3.4 Additional Schemes

In addition to these major schemes, the Council is also progressing with the Business Case for its potential development on the former Co-op site and the disposal of the “old” leisure centre site and Middlefield Lane (The former Depot site). These are at an early stage, but is now agreed the Co-op will be marketed for re-use for retail and other complementary purposes. The Capital programme is currently assuming a capital receipts will be generated in 2017/18 £1.8m for Middlefield lane (Former Depot site) and £1.8m for the leisure centre site. Alteration to that plan would lead to changes to the MTFS and the impact on the General Fund.

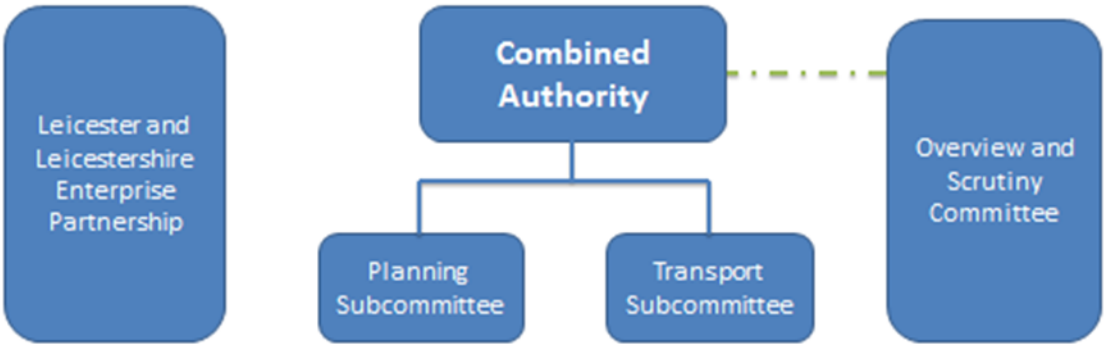
There will also be opportunities arising from the Combined Authority. The powers of the Combined Authority will enable the following:

- Planning: councils working together to agree a clearer, long-term framework to meet future housing and employment needs for the whole area and identify future growth locations.

- Transport: focussing on long-term investment in road, rail and other public transport infrastructure.

- Skills: setting the strategic direction for making improvements in skills and training, to give local people the chance to get better qualifications and employment.

The governance model for the Combined Authority is set out below:



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

As outlined in the table below, the strategy has considered the capital financing impact on the revenue budget, for the capital programme:

	2016/17	2017/18	2018/19	2019/20	2020/21
Forecast - Current Capital Programme					
Net interest	86,711	43,389	32,449	7,844	8,000
Minimum Revenue Provision (MRP)	104,977	104,977	353,933	15,841	15,000
Total capital charge	191,688	365,382	23,685	22,585	23,000

4.3.5 New Homes Bonus

	2016/17	2017/18	2018/19	2019/20	2020/21
	Forecast	Forecast	Forecast	Forecast	Forecast
	£	£	£	£	£
New Homes Bonus	2,910,378	2,793,740	2,639,757	2,641,547	2,000,400
New Homes Bonus (previous MTFS)	2,910,378	3,135,722	2,522,221	2,124,272	n/a
Difference	0	-341,982	117,536	517,275	n/a

The Financial settlement has confirmed that the position in 2017/18 based on a 5 year basis of funding, which then moves to four year. This has led to a reduction in funding of £341,982 in 2017/18, but due to the level of forecast new home completion the years 2018/19 and 2019/20 are showing increased income. Therefore over the period of the MTFS the finances are £293,000 better off.

The MTFS has assumed the four year basis of NHB funding will continue in 2020/21, if it is further reduced to a three year basis, the reduction in income will be £594,000, making the minimum balances figure in that year £715,552 (7.8%).

4.4 Welfare Reform

4.4.1 Local Council Tax Support

From 1 April 2013 the national Council Tax Benefit scheme was replaced by a Local Council Tax Support Schemes (LCTSS). Government funding for the local schemes was reduced compared to the national funding for council tax benefit. In broad terms the Council's grant funding for council tax support only covered 90% of the costs of the previous scheme. Crucially the Government also made powers within the Bill to prescribe that pensioners (those who have attained state pension age) should be no worse off under any new scheme than they would have been under the national Council Tax Benefit scheme; pensioners therefore are still entitled to 100% support

From a budget perspective this resulted in the removal of council tax subsidy and also Council Tax Benefit payments from the Collection Fund

At the core of the support scheme is a 'cap', which currently restricts support for working age claimants to a maximum of 88% of their total council tax liability. The rest of the scheme broadly follows the means tasting requirements of the former Council Tax Benefit scheme.

This Strategy currently assumes a 12% cap for all years of the MTFS.

From a financing point of view, the introduction of the Local Council Tax Support Scheme (LCTS) had the result of reducing the council tax base for the Council as income is only received for a proportion of those properties previously in receipt of Council Tax Benefit.

When compared with 2016/2017 it is anticipated that the tax base for 2017/18 will increase by 963.4 Band D equivalent properties.

4.4.2 Universal Credit

Universal Credit is aimed at simplifying the benefits system by bringing together a range of working-age benefits into a single streamlined payment. It is designed to promote digital and financial inclusion and smooth the transition between welfare and work. The total level of annual funding will be determined with reference to the estimate of total service cost.

Councils are expected to continue to provide welfare advice and support, housing advice and solutions to their residents from existing funding arrangements.

The “Live” service was introduced on a phased basis and was for single claimants only. HBBC is moving to full service in March 2017. There are a number of significant differences between Live and Full Service including the fact that it is built on a different IT platform and does not have any gateway conditions (the service will be available for all working age claimant groups from the start).

It is a much more interactive service. Claimants can manage their claim using an internet-enabled device such as a smartphone, tablet or PC; they will also be able to report changes in circumstances on-line

It is important to note that the Secretary of State in outlining plans for the roll out of universal credit has confirmed that Housing Benefit for older people and for more complex cases will remain with LA’s for the foreseeable future. These duties together with delivery of Council tax reduction, the administration of discretionary housing payments and the collection of HB overpayments mean that there will still be a significant administrative burden that needs to be funded directly from Local Authority budgets and via subsidy.

4.5 Salary Costs

As a local authority, salary costs (including NI and pensions) is the single largest item of expenditure for this council and budgeted for at £10.9 million in 2017/2018, and is budgeted to increase by £0.2m to £0.25m in each year of the MTFS in line with national pay awards. In light of this, it is essential that salary costs are effectively scrutinised in the MTFS to ensure that the workforce is efficient and fit for purpose.

£000’s	General	HRA	Capital	Total
Salary	7,582	1,322	152	9,056
National Insurance	701	109	15	825
Pension	1,394	197	31	1,622
Vacancy Factor	-436	-81	-10	-527
Total	9,241	1,547	188	10,976

One way in which efficiencies are achieved in salary costs is through the use of a vacancy factor percentage that is applied to salary costs. In 2017/2018 a factor of 5% has been used. A vacancy factor continues to be budgeted for in this Strategy at this rate, with a 1% pay rise. Long term vacancies are reviewed to establish if they should be removed from the establishment list permanently if no longer required for operational needed.

The other significant change in the payroll budget is the increase in the employer’s contributions for pension payments to the Local Government Pension Fund (managed by Leicestershire County Council), to pay the pension liabilities of current and previous employees.

This rate is made up of a contribution to meet the cost of the pensions benefits that employees accrue in the current year and also an adjustment to deal with any deficit or surplus that there may be on the Pension Fund resulting from the accrual of benefits in previous years. The contribution rates are determined by the Fund’s Actuary, who values the Fund every three years to assess its solvency level i.e. the ability of the fund to meet all future liabilities.

The pension assumptions included in this Strategy are based on the revaluation information we have been provided, which is confirmed by the funds actuary following the valuation as at 31st March 2017 (The next valuation will be 31st March 2020). This valuation reflected a cash deficit of £17.7million as an increase in the total liability of the scheme since the previous review and therefore contributions have increased to cover this deficit. The communicated rates also reflect outcomes of the Hutton report and the introduction of career average related earnings scheme (CARE) from 1st April 2014. Although the contributions have increased, the actuary is still of the view the deficit is manageable, which is a relatively positive position for the Council compared to other local authorities.

4.6 Efficiency Plan

As part of the settlement, the council developed an Efficiency Plan. For the purposes of this MTFS, the assumptions set out in the approved efficiency plan have been used and updated where further information is available. The four year settlement encompassed, where received, Revenue Support Grant, Rural Services Delivery Grant, Transitional Grant, and Top-ups and Tariffs. Further funding streams might be added to the package. For HBBC settlement secured the RSG funding position as given in the MTFS.

4.7 Income Levels

A significant proportion of the council's expenditure is financed from income from fees and charges. The forecast for the total income from fees and charges in 2017/2018 is around £5.2 million. 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 Strategy forecasts varying levels of income to consider the financial impact of fluctuations that may occur. The more significant and sensitive changes in income levels are set out below.

4.7.1 Planning Fees

Planning income refers to the charges the Council receives for planning application fees, pre-application charges and building control fees. Income received can fluctuate significantly depending on the state of the market and the level of development that is taking place.

The future trend of this income source is difficult to predict as it is linked to the economic outlook and future developments. What is known however is that significant speculative developments similar to those seen in the last few financial years are not anticipated during the period of this Strategy and therefore such "windfalls" cannot be reliably forecast.

Legal fees associated with planning appeals, have fluctuated from one year to the next. In order to prudently budget for future costs, appeal costs have also been considered in this Strategy, with £73,500 budgeted for in 2016/17 with £50,000 in the following two years.

Building Control fee income was budgeted to increase by £25,000 in 2016/17. Due to economic circumstances, this income was not achieved and is projected to decrease by £30,000 in 2017/18. A 2% growth is predicted for 2018/19 and 2019/10

The planning application fee income projection for Development Management is set out below. The budget for 2016/17 was increased by £150,000 in view of anticipated major planning applications and a buoyant economy. Some of these planning applications have not been received as anticipated and it can be reasonably assumed that the market will perform similarly for the next three years. A £60,000 budget reduction is therefore proposed, increased by 2% each year.

The pre-application fee income for Development Management was set at £30,000 for 2016/17 following the introduction of new charges and procedures. This is predicted to increase to £35,000 for 2017/18 and thereafter increase by 2%.

Planning Services Income Assumptions

	2016/17	2017/18	2018/19	2019/20	2020/21
	£	**£**	**£**		
BC Fees	£25,000 Increase	£-30,000 Decrease	£4,070 Increase	£4,150 Increase	£4,233 Increase
DM Fees	£150,000 Increase	-£60,000 Decrease	£16,714* Increase	£17,050 Increase	£17,390
DM Pre-application Income	£30,000 New budget	£5,000 Increase	£700 Increase	£714 Increase	£800 Increase

**Government have consulting on changes to the way planning application fees are calculated and may announce changes that will have an impact on this assumption.*

4.7.2 Car Parking Income

Another major source of income for the Council is Car Parking Charges. The Council operates 16 pay and display car parks in Hinckley and one in Market Bosworth along with several other car parks which are free / permit holders only across the Borough.

For 2016/17 pay and display income was budgeted at £398,990, and season tickets at £15,000. Income has been higher than forecast due to high demand for season tickets, and higher than expected demand for short stay car parks.

There have been changes in demand for parking following the opening of the Crescent development, the closure of the COOP (and its car park) and the relocation of the Leisure Centre. In particular demand for short stay parking has been high. To create much needed capacity the Council purchased the Coop and reopened the car park in October 2016. A car parking study has also been undertaken to forecast demand and capacity going forward for parking.

It should be noted the Council has the lowest car parking charges when compared to similar towns, which were included in the study.

Car Parking Income

	2017/18	2018/19	2019/20	2020/21
Season tickets	£45,000	£45,000	£45,000	£45,000
Pay and display income	£481,818	£481,818	£481,818	£481,818
Castle car park (net)	£31,300	£34,430	£37,873	£41,660
Total	£558,118	£561,248	£564,691	£568,478

4.7.3 Refuse and Recycling Income

The Council has a statutory duty to collect domestic waste (Environmental Protection Act 1990), and to make a separate dry recycling collection since January 2015 (EU Waste Directive framework). The collection of garden waste is a discretionary service and an annual charge of £24 per garden waste bin was introduced in April 2016. A fortnightly collection is made from each property for domestic waste, dry recycling and (where residents subscribe) garden waste. The collections of domestic waste (black bin) and garden waste (brown bin) service are provided by the Councils "in house" service. Dry recycling collections are carried out by a contractor until 31 March2018.

The disposal of domestic waste is the responsibility of Leicestershire County Council as the "Waste Disposal Authority" which provides tipping facilities and meets all disposal costs and arrangements for domestic waste and garden waste. Disposal costs for dry recycling are included within the collection contract until 31 March 2018.

There is a significant impact in 2018/19 as all dry recycling credits will be removed from 1 April 2018. This has been forecast as a £505,047 reduction. Dependent on distances to tip, the impact may be greater than forecast. Opportunities to mitigate this are being explored.

The main income streams for the refuse and recycling services (excluding Garden waste) are as follows:

- Recycling credits from Leicestershire County Council – ends 31/3/2018
- Collection of bulky waste items from residential premises
- Collection and disposal of trade waste
- Garden waste collections
- Sales of plastic and glass - ends 31/3/2018
- Purchase of new bins by new occupiers of properties.

The levels of income from these streams have been forecast in the table below. The forecasts for all years are predicted to be consistent. However, the worst case is impacted by factors such as fall in demand due to increased pricing on trade waste and brown bins and a decrease in price per tonne for paper and card.

	2017/18	2018/19	2019/20	2020/21
	£	£	£	£
LCC recycling credits	470,000	0	0	0
Trade Waste	224,400	228,888	233,466	238,135
New Bins	53,325	36,788	52,369	52,369
Other	65,850	49,700	31,700	31,700
	813,575	315,376	317,535	322,204

4.7.4 Rental Income

As a Commercial Landlord, the council generates significant income annually from Rent from their Commercial Portfolio. The council currently owns and manages 67 industrial starter units in the Borough which are leased to small/medium enterprises as well as 22 units on the Greenfield Business Park and 5 retail properties.

The Council has now completed its acquisition of Block C on the new Crescent Development. This has added a further 10 properties to the authority's portfolio and includes the Cineworld premises and 9 retail / restaurant units.

Rental income is also received from 19 plots of industrial land which are leased by the council to businesses on a long-term basis. As well as industrial estates, the council's own premises also generate rental income from tenants and hire of facilities for functions and meetings. The Atkins Building, which opened in 2012, offers support to creative industries and start-up businesses by offering managed office space. The Hinckley Hub generates income from Public Sector partners (LCC & DWP) that significantly offsets the cost of the lease as well as many non-cashable benefits from co-location.

The Council's rental income streams, whilst valuable are sensitive to the state of local businesses and the wider economic climate. The changes in Business Rates retention in 2013/2014 place an added pressure on the Council to attract and retain tenants in the Borough in order to ensure that Business Rate levels are also maintained.

On the basis of the above, this strategy includes prudent assumptions on future rental streams and has assumed relatively constant levels of income based on current utilisation in the Hub (87%) and 95% occupancy of other units. That said, if utilisation of the Hub increases to 95% and other units to 97%, income levels could increase by £221,000 over the period of the Strategy.

The MTFS forecasts the following rental income:

	2016/17	2017/18	2018/19	2019/20	2020/21
	£	£	£	£	£
Industrial Units	£701,683	£712,268	£715,702	£719,153	£722,620
Misc. Properties	£69,000	£70,000	£71,000	£72,000	£73,000
Atkins	£225,000	£225,500	£226,000	£226,500	£227,000

Block C inc Cineworld	£240,024	£399,343	£495,043	£495,043	£495,043
Hub	£157,640	£158,224	£161,773	£165,402	£169,112
Total	£1,393,347	£1,565,335	£1,669,518	£1,678,098	£1,686,775

Hinckley Leisure Centre - The 20 year contract has commenced with Places for People Ltd to operate and maintain the new leisure centre on Argents Mead in Hinckley.

The monitoring of the contract is the responsibility of Cultural Services who ensure compliance. This includes programming of centre activities, co-ordinating the Health Referral Scheme, measuring customer satisfaction, performance and Health and Safety. Great emphasis is placed on customer satisfaction, performance, sports development and achieving a balanced programme for the whole community to benefit from.

The Council's investment into the new Leisure Centre is a capital outlay, details of which are provided in section 4.3.2. That said the Council will also be in receipt of management fees from the Leisure provider (Places for People Ltd) which essentially represents a profit share from operations.

The total management fee that will be received by the Council over the life of the contract is £18.01million.This amount will be reduced by the cost of servicing borrowing for the scheme. Following award of the contract, the Council has negotiated with the provider a profile of these payments which ensure that the Council is not required to subsidise the provision of the service during construction. The agreed management fees (both before and after financing) for the first five years of the contract are detailed below and have been included in this Strategy. It should be noted that these income streams are written into the contract with the provider and are, therefore, guaranteed.

	2016/17	2017/18	2018/19	2019/20	2020/21
Leisure Centre Income	907,547	1,015,747	1,012,647	935,809	897,213

4.8 Local Development Scheme

A Local Development Scheme is a project plan for the development of each local planning authority's (LPA) Local Plan in accordance with the requirements of the Planning and Compulsory Purchase Act 2004.

At present, the Local Plan for the Council comprises four documents number of documents including:

- Core Strategy
- Site Allocations & Development Management Policies
- Hinckley Town Centre Area Action Plan
- Gypsy & Traveller Allocations
- Earl Shilton & Barwell Area Action Plans

The Local Development Scheme also contains a timetable for the production of a full review of the Hinckley and Bosworth Local Plan to begin in 2016 with a projected date for adoption of 2018/19. In addition, a number of Supplementary Planning Documents are also programmed to production over the period from 2015-17.

In order to fund the costs of this work, a dedicated reserve has been set up and this Strategy contains forecasts for both the cost of the documents identified in the Local Development Scheme and the relevant transfers to and from the reserve to fund this expenditure.

4.9 Neighbourhood Development Plans

In addition to the Local Plan, Hinckley and Bosworth Borough Council also assist appropriate bodies with the production of Neighbourhood Development Plans. These are community led planning documents which are written by, consulted on and funded by Parish Councils or designated Neighbourhood Forums.

The following applications for designating a neighbourhood area or preparing a Neighbourhood Development Plan have been received by the Borough Council.

- Burbage (area has been designated)
- Desford (area has been designated)
- Higham-on-the-Hill (area proposed)
- Market Bosworth (adopted)
- Newbold Verdon (area has been designated)
- Sheepy (area has been designated)
- Stoke Golding (area has been designated)
- West Clarendon (area has been designated)

Although the Borough Council is not ultimately responsible for the production or timetable of these documents, we do have a statutory duty to support. As the documents progress, the Borough Council is also responsible for funding an independent examination of the document and facilitating a referendum on whether the document should be ‘made’. The Government provide funding for Local Authorities to finance these statutory requirements at the following stages of a plan’s production:

- Neighbourhood Area Designation - £5,000 (with an additional £5,000 for the designation of a Neighbourhood Forum)
- Upon Submission of the Plan to the Local Authority - £5,000
- Upon successful completion of an Independent Examination - £20,000 (with an additional £10,000 if the plan is a designated ‘business area’

The Council agreed enhanced dedicated resources to support Parishes in the delivery of NDPs across the Borough. Negotiations are underway to commission the Rural Communities Council to provide a comprehensive service to Parishes on the production of NDPs.

4.10 Funds and Reserves

Funds and Reserves are maintained by the council to support spending on specific projects or services, with the General Fund being utilised for any imbalance within the council's 'day to day' budgets.

The level of Funds and Reserves held by the Council determines how much is available to support future pressures and budget requirement and thus in return assists in reducing the demand on council tax.

The Head of Finance being the Chief Financial Officer and S151 Officer has a legal duty to carry out a review, and report on, the level of the reserves and balances of the Authority. The Council has the following policies:-

- Move towards maintaining general balances at a minimum 15% of Hinckley and Bosworth Borough Council's budget requirement over the term of the MTFS (an increase from 10%).
- All actual service underspends be transferred to general fund balances and not earmarked reserves. Where there is a specific critical need for an earmarked reserve a report will be prepared for Council approval by the Chief Financial Officer.
- As budgets are tightened the need for adequate levels of Funds and Reserves becomes more critical as a contingency for investment in services. The holding of sufficient funds is also important strategically to provide a medium term cushion against unusual circumstances. Appendix II illustrates the current level of Funds and Reserves that have been established to fund specific known expenditure pressures and to provide a cushion against tight settlements over the CSR15 period. As part of the annual budget setting process, Members will consider and approve a policy on the level and nature of reserves and balances that it needs and the minimum and maximum levels within which they will operate.

Based on the projections contained within the Strategy, the Council is forecasting to hold significant balances in reserves over the period of the MTFS, the most significant of these being earmarked as follows:

- The Developing Communities Fund (previously called the Special Purpose Reserve) has been increased to £1.4m at the end of 2018/19 to cover efficiency projects and invest to save schemes to enhance and improve communities.
- Hub Future Rental Management Reserve has been retained at £0.85m to meet the Council decision to replenish this reserve once the Crescent was open.
- Business Rates Pooling reserve has been renamed to be the Business Rates Equalisation Reserves to manage any decreases in rates due to appeals or to other losses on the collection fund due to business rates cover amounts not already provided for; this reserve will be £1.24m by the end of 2018/19, which is unchanged from the previous MTFS presented February 2016.
- A Reserve for building maintenance has been set up costs of £0.65m by the end of 2018/19, and will need to be reviewed as increase may be needed in future years.
- The Waste Management Reserve has been nil by the end of 2017/18, if vehicles are purchased the funding will be via borrowing.

5.0 STRATEGIC FINANCIAL OBJECTIVES

The following strategic financial objectives serve to deliver the Council's corporate strategic objectives of; "delivering the Council's Medium Term Financial Strategy 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 and to maintain council tax within the bottom quartile".

The preceding chapters provide information on the national, regional and local factors that must be taken account of when developing the Council's financial plans. These in turn provide the basis of key financial objectives that are integral to these financial plans. Each of these objectives is detailed below together with an explanation of why it is relevant and how it is to be achieved.

Objective 1
The Council should allocate resources to services in line with the Corporate Aims and Ambitions

Objective 2
Ensure regular monitoring of actual spend against budget to assess outcomes and inform the Performance Management Framework

Objective 3
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

Objective 4
To review the scale of fees and charges at least annually

Objective 5
To optimise the financial return on assets and ensure capital receipts are obtained where appropriate opportunities arise

Objective 6
Capital expenditure is properly appraised

Objective 7
When funding the Capital Programme, all funding options are considered

Objective 8
To review levels and purpose of Reserves and Balances

Objective 9
To maintain sustainable Council Tax increases

Objective 10
To increase efficiency savings and generate funding through shared services and collaborative working

6. RISK MANAGEMENT

In line with the Council's 2015 Risk Management Framework potential risks to the MTFS are identified alongside the probability of their occurrence, the impact they would have and ways to avoid them. Risk management is not a one off activity and is embedded at strategic and tactical levels, with recognition that failure to implement and embed effective risk management practices would disrupt operations and potentially have a financial and reputational impact on the Council as a whole.

This is particularly true with respect to large and therefore high-risk projects currently being undertaken by the Council and events which have the potential to have a substantial and prolonged impact on the Council's finances, for example the development of the leisure centre.

The primary risk of this Medium Term Financial Strategy is that it is forecast based on assumptions and, as such, there is a risk that these assumptions may prove to be unfounded or incorrect. There are also further risks that either cannot be fully predicted or lie outside the control of the Council (e.g. movements in interest rates).

The Risk Management Strategy is reviewed annually to ensure it represents current best practice. The Council considers financial planning, performance and risk in unison to provide comprehensive management information. At a strategic level, the Medium Term Financial Strategy is managed in association with the Corporate Risk Register by the Strategic Leadership Team.

Embedding the Risk Management Process

Risk Management at Hinckley and Bosworth Borough Council is integrated and managed as part of the Corporate Planning and Performance Frameworks.

Appendix 1

2016/17 - 2020/21	2016/2017	2016/2017	2017/2018	2018/2019	2019/20	2020/21
FINANCIAL FORECAST						
	Budget	**LA Budget**	**Forecast**	**Forecast**	**Forecast**	**Forecast**
	£	**£**	**£**	**£**	**£**	**£**
Net Service Expenditure	9,755,473	9,755,473	10,560,352	9,596,208	10,233,585	10,642,312
Budget movements						
Adjustments to base over £250,000						
Unapplied Grants & Contributions Carry Forwards from 15/16 Approved Council 12th July 2016		662,099				
collection fund deficit		546,000	(546,000)			
Capital Financing	424,101	424,101	279,511	15,000	15,000	15,000
Additional Recycling Contract costs	298,890	298,890				
Pay cost increases (all elements, NI, Pensions and increments)	459,000	256,000	258,334	192,092	194,013	195,953
Local Plan	10,000	10,000	(35,000)	(58,500)	188,000	(268,000)
Corporate Restructure		0	(209,654)	0		
Dry Recycling contract council	0	0	(21,890)	505,047		0
Block C Rentals	(351,779)	(211,779)	(28,245)	(159,319)	(95,700)	
Trade waste, Kerbside recycling and bulky items	(154,000)	(254,000)	(34,000)			
Leisure Centre income	(336,421)	(336,421)	(531,130)	108,200	(3,100)	(76,838)
Garden Waste	(262,151)	(520,151)	(133,048)			
Expected additional contribution to reserves - section 31		(557,000)	17,735	(17,349)	(17,967)	(18,606)
Other Adjustments to base						
Less than £250,000 (Appendix 2)	107,575	487,139	19,826	52,206	128,482	x

NET Borough Budget Requirement	**9,950,689**	**10,560,352**	**9,596,208**	**10,233,585**	**10,642,312**	**10,590,138**
Pension adjustments	(392,740)	(392,740)	(469,450)	(469,450)	(469,450)	(469,450)
Contribution to Reserves	667,000	1,278,290	1,178,120	657,115	230,000	5,000
Transfer to Community Fund	535,534	950,000	301,000	149,000	0	0
Contribution from Reserves	(393,440)	(1,645,972)	(392,492)	(153,811)		
Transfer from unapplied grants	(2,915)	(665,014)		0		
Additional contributions to/from reserves	0	0				
Contribution to/(from) Balances	(115,933)	163,279	103,715	(155,437)	(135,829)	(294,194)
NET BUDGET/FORECAST EXPENDITURE	**10,248,194**	**10,248,194**	**10,317,102**	**10,261,002**	**10,267,033**	**9,831,495**
General Fund (Balances)as a % of Net Expenditure	13.0%	15.7%	16.6%	15.2%	13.8%	11.4%
15% target	1,537,229	1,537,229	1,547,565	1,539,150	1,540,055	1,474,724
General Fund (Balances)	1,328,043	1,607,255	1,710,970	1,555,533	1,419,704	1,125,510
Difference to Target (Over)/Under	(209,187)	70,025	163,405	16,383	(120,351)	(349,214)

Appendix 2	2016/2017	2016/2017	2017/2018	2018/2019	2019/20	2020/21
	Budget	**Budget**	**Forecast**	**Forecast**	**Forecast**	**Forecast**
	£	**£**	**£**	**£**	**£**	**£**
	10,248,194	**10,248,194**	**10,317,102**	**10,261,002**	**10,267,033**	**9,831,495**
Revenue Support Grant	1,257,386	1,257,386	753,927	437,461	83,975	0
National Non Domestic Rates	2,378,358	2,378,358	2,426,915	2,504,995	2,594,098	2,686,448
Growth - not including S31			514,784	531,360	550,276	569,866
Collection fund Deficit NNDR			(300,934)			
New Homes Bonus	2,910,378	2,910,378	2,793,740	2,639,757	2,641,547	2,000,400
Collection Fund Surplus - Ctax	53,112	53,112	222,847			
Council Tax Income	3,648,960	3,648,960	3,905,823	4,147,429	4,397,136	4,574,780
Estimated Tax base	**36,398.60**	**36,398.60**	**37,362.00**	**38,109.24**	**38,871.42**	**39,648.85**
Estimated Band D Council Tax	**£100.25**	**£100.25**	**£104.54**	**£108.83**	**£113.12**	**£115.38**
Year on Year Increase in Council Tax						
(i) Amount	**4.29**	**4.29**	**4.29**	**4.29**	**4.29**	**2.26**
('ii) Percentage	4.5%	4.5%	4.3%	4.1%	3.9%	2.0%*

**requires council approval in the year stated, a nil increase would reduce income by £90,000 on a recurring basis from 2020/21 onwards.*

Appendix 3

2016/17 - 2020/21						
FINANCIAL FORECAST (items less than £250k)	**2016/2017**	**2016/2017**	**2017/2018**	**2018/2019**	**2019/20**	**2020/21**
	£	**£**	**£**	**£**	**£**	**£**
	Budget	**LA Budget**	**Forecast**	**Forecast**	**Forecast**	**Forecast**
Revenue carry forwards from 2015/16 approved at Council 12th July 2016		208,248				
Tin Hat investment ended 2015/16	174,041	174,041				
Additional interest payable/(receivable)	157,239	157,239	20,060	(3,400)		
Inflationary increases Fees and Charges	132,780	132,780		(47,802)	(48,280)	(49,729)
Reduction in grant income	121,910	121,910				
Asset Management	108,970	108,970				
LCC Pension Lump Sum	79,156	79,156	(186,751)	64,070	64,880	64,880
Restructure costs	30,200	78,200	-10,585	-3,434		
Fluctuations in subsidy income	69,650	69,650	23,720			
HB determination grant changes	61,190	61,190				
Income changes - Grants Reduced RSG CHECK THIS IS CORRECT.		50,000				
Additional VCS support	50,000	50,000				
IDA Strategic Growth		44,000				
Increase in legal fees		37,000				
Introduction of charges for new/replacement bins	35,000	35,000				
Defending planning appeals	30,000	30,000		0		

Increased cost of land charges and EIR services Blaby District Council	27,500	27,500				
ICT contract additional (£20k) savings	-22,930	27,070	-36,000	-23,000	-12,000	-6,000
Neighbourhood action underspend as the setup costs	25,000	25,000				
Cemeteries -Feasibility		25,000				
Corporate Project support	24,000	24,000				
Service charges HUB	23,350	23,350				
Reduction in Market Income	22,010	22,010				
loss of income insurance element	20,000	20,000				
Cost of Combined Authority	20,000	20,000				
S106 Maintenance	16,110	16,110				
Printing and postage savings	15,101	15,101				
Analysis tool (PA)		15,000				
Town Centre Events (SnapDragon)		14,752				
Additional Internet Bank Charges	12,000	12,000				
Car allowances	11,034	11,034				
Additional Town Centre Events	6,000	6,000				
Channel Shift savings	0	0	-31,902	-18,714	-19,202	0
Support service savings		0		-25,000	-25,000	-25,000
Wholly owed Company	0	0		0		
Toilets being handed over to Market Bosworth Parish Council		0	-12,980			
Hackney carriage drivers licence period to 3 years from one year.		0	13,760			
NNDR Increase due to change in RV HBBC properties		0	44,500			
Street Lighting Costs		0	12,750			

Industrial estates -necessary contractual replacements and statutory remedial work		0	20,000			
To establish a maintenance budget for the Block C Crescent units		0	15,000			
Strategic growth budget approved by council		0	16,000			
Increase in general debt provision		0	14,710			
Wykin Community Housing		0				
Parks - Removal of income budget as a result of the post transferring to NWL District Council		0	16,420			
Removal of Leisure Centre Asset Maintenance Budget due to New Leisure Centre.		0	-35,000			
Estimated cost of Apprenticeship Levy		0	30,268			
Minimum wage		0			56000	0
Other small movements (less than or =£10k)	3,594	-1,392	16,245			
Building Control	-7,000	-7,000		-4,069	-4,150	-4,233
Castle Street Car park		-10,450				
Admin support grant changes	14,000	-11,000		10000	10000	10000
Savings in respect of shared arrangement with District Council Network for Chief Executive	-11,250	-11,250				
Hub savings (VCS) income	-12,330	-12,330	-35,000	-35,000	-35,000	-35,000
overtime and agency wages - savings	-18,000	-18,000				
Utility savings	-19,332	-19,332				
Members allowances	-20,120	-20,120				
Ill health Insurance	-23,620	-23,620				

Neighbourhood planning - no expenses expected	-25,000	-25,000				
Development control income	-150,000	-30,000		-16,714	-17,049	-17,390
Additional income -Council and Private Tenants	-30,000	-30,000				
Private Sector leasing	-35,040	-35,040				
Fuel Savings	-36,000	-36,000	40,800			
Car parks	66,412	-39,588	-9,190	-3,130	-3,443	-3,787
Rev and Bens - Restructure	-40,621	-40,621	-27,000			
Rentals on industrial units	-45,000	-45,000				
Economic Development - consultancy fees	-48,000	-48,000				
Efficiency savings from refuse collection and street cleansing	-49,000	-49,000				
Computer support	-50,000	-50,000				
Contributions to Revenues and Benefits Partnership	-23,310	-90,310				
Inflationary increases	(104,208)	(104,208)		158,399	161,726	166,577
Elections and related costs	(86,910)	(105,910)				
Corp Mgt - VAT on Greenfields	(119,000)	(119,000)				
Planning Site allocation savings from previous year	(129,000)	(129,000)	(95,000)			
LCTS support paid to parishes	(143,000)	(143,000)				
Budget movements						
Capacity requirements Feb 2017			90,000			
VCS / Town Centre support			75,000			
HAC Contribution Reduction - Car Park			25,000			
Funding Combined authority			25,000			
Total	**107,575**	**487,139**	**19,826**	**52,206**	**128,482**	**100,319**

Appendix 3.1

2016/17 - 2020/21	2016/2017	2017/2018	2018/2019	2019/20	2020/21
FINANCIAL FORECAST	**Budget**	**Forecast**	**Forecast**	**Forecast**	**Forecast**
	£	**£**	**£**	**£**	**£**
SPECIAL EXPENSES					
Net Budget Requirement B/Fwd	574,220.98	612,951.84	655,702.50	695,874.11	737,390.30
Inflationary increase	25,843.01	26,527.02	27,057.56	27,598.71	28,150.69
Contribution to/(from) Reserves	16,478.00	19,814.00	16,704.00	17,507.00	5,230.00
Contribution to/(from) Balances	(3,590.00)	(3,590.00)	(3,590.00)	(3,590.00)	(3,590.00)
Net Budget Requirement	**612,951.98**	**655,702.86**	**695,874.06**	**737,389.82**	**767,180.99**
	-14.3%	-35.9%	5.0%	48.2%	-11.8%
NET BUDGET/FORECAST EXPENDITURE-Special Expenses	**612,951.84**	**655,702.50**	**695,874.11**	**737,390.30**	**767,180.87**
Estimated Taxbase	**36,398.60**	**37,362.00**	**38,109.24**	**38,871.42**	**39,648.85**
Special Expenses Council Tax	**16.84**	**17.55**	**18.26**	**18.97**	**19.35**
Year on year increase in Special Expenses Council Tax					
(I) Amount	**0.71**	**0.71**	**0.71**	**0.71**	**0.38**
(ii) Percentage	4.4%	4.2%	4.0%	3.9%	2.0%
Total Net Budget Requirement	**10,861,146.22**	**10,972,804.49**	**10,956,876.07**	**11,004,423.39**	**10,598,675.40**
% increase in Total Net Budget Requirement	6.04%	1.03%	0.88%	0.29%	-3.27%
Taxbase	36398.60	37362.00	38109.24	38871.42	39648.85
Council Wide Council Tax	117.	122.	127.	132.	135.
	4.5%	4.1%	3.9%	3.8%	2.2%

Appendix 4

General Fund Earmarked Reserves	Closing Balance 31st March 2016	Closing Balance 31st March 2017	Closing Balance 31st March 2018	Closing Balance 31st March 2019	Closing Balance 31st March 2020	Closing Balance 31 March 2021
	£	£	£	£	£	£
Car Parking Income Reserve	25,000	0	0	0	0	0
Market Income Reserve	15,000	0	0	0	0	0
Commutation & Feasibility Reserve	26,774	0	0	0	0	0
Benefits Reserve	58,549	58,549	58,549	58,549	58,549	58,549
Hub Future Rental Management Reserve	0	100,000	350,000	625,000	850,000	850,000
Special Expenses Reserve	146,514	137,439	142,439	142,439	142,439	142,439
Local Plan Procedure	675,952	556,153	374,153	374,153	374,153	374,153
Business Rates Pooling/ Business Rates Equalisation Reserve	671,460	682,460	1,091,925	1,235,000	1,235,000	1,235,000
Relocation Reserve	101,132	101,132	50,000	50,000	50,000	50,000
Leisure	250,000	0	0	0	0	0
Year End Carry Forwards 2016/17	204,959	0	0	0	0	0
Maint Fund - Green Towers	10,000	20,000	25,000	30,000	35,000	40,000
Pensions Contribution	161,411	107,611	53,811	0	0	0
ICT Reserve	180,534	172,660	216,660	216,660	216,660	216,660
Waste Management Reserve	273,725	47,265	0	0	0	0
Project Management Master Plan Reserve /Asset Management Reserve	1,261,552	190,074	190,074	90,074	90,074	90,074
Planning Delivery Grant Reserve	39,663	28,723	17,783	17,783	17,783	17,783
Workforce Strategy Reserve	13,000	0	0	0	0	0
Election Reserve	122,005	122,005	122,005	90,005	90,005	90,005
Grounds Maintenance	108,295	133,295	133,295	133,295	133,295	133,295
Transformation	164,620	142,620	48,000	16,000	16,000	16,000

Appeals	221,500	0	0	0	0	0
Enforcement	113,710	270,000	270,000	270,000	270,000	270,000
Planning Capacity	83,000	0	0	0	0	0
Earl Shilton Toilets	0	100,000	100,000	100,000	100,000	100,000
Building Maintenance costs	0	0	388,120	654,160	654,160	654,160
Developing Communities Fund	0	950,000	551,000	0	0	0
Total	4,928,354	3,919,985	4,182,813	4,103,117	4,333,117	4,338,117