

**COUNCIL - 24 FEBRUARY 2011**

**REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)**

**RE : HOUSING REVENUE ACCOUNT ESTIMATES 2011/12**

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**1. PURPOSE OF REPORT**

- 1.1 The purpose of this report is to seek the Council's approval of the proposed budget for 2011/12, in respect of the Housing Revenue Account (HRA) and to the level of rent increases to apply in 2011/12.. This report should be read in conjunction with the Capital Budget reports.

**2. RECOMMENDATIONS**

- 2.1 In respect of the Rent increase in 2011/12

That Members agree:

- i) That, in the current economic climate and in order, therefore, to alleviate the current effects of price inflation on tenants in council-owned properties, the full effect of the application of the rent restructuring formula for 2011/12 which gives rise to an average increase 6.79% be dampened and that the average rent increase for 2011/12 be set at 3.95%, i.e. below the current level of retail price inflation (currently 4.6%)
- ii) That the Council is aware of the current statutory requirement to achieve full rent convergence by 2014/15 and unless those statutory requirements are withdrawn or relaxed and in order to meet that requirement, accepts that rents be increased by additional equal percentage amounts for each of the following three years.
- iii) That the Council presses the Coalition government to reform the rent and subsidy regime in recognition of the needs of housing tenants, before full rent convergence is completed."

- 2.2 That the budgets presented in Annexes "A", "B", and "C" are approved.

**3. BACKGROUND TO REPORT**

- 3.1 The budgets covered by this report relate to the Council's responsibilities as the landlord of around 3400 dwellings. The Housing Revenue Account is the account which groups the subsidiary activities of :
- ◆ Supervision & Management (General), e.g. lettings, waiting list, rent collection, tenant consultation

- ◆ Supervision & Management (Special) e.g. sheltered schemes, hostel, roads, paths, fences and grounds, which are not part of an individual property
- ◆ Housing Repairs & Maintenance, which has a separate account and deals with the maintenance of individual properties.

3.2 The rent calculation for 2011/12 continues the government's rent restructuring model, which the Borough Council applied for the first time in 2004/05. The impact of the restructuring model will produce different percentage increases for individual properties the average increase is 6.8%. However, in the current economic climate, this is considered to be excessive and a lower rent increase averaging 3.95% is being proposed.

3.3 The supporting people legislation means that the responsibility for charging tenants, where necessary, falls on Leicestershire County Council, who transmit a share of supporting people grant to the Borough Council. There are private householders, who pay for "Piper" or "Solo" rental or "Central Control" connection

3.4 Government support for council dwellings is provided by a Major Repairs Allowance element of subsidy. This is paid into a reserve, which is used to finance repairs and improvements to maintain the present standard of the dwelling stock.

3.5 A summary of the HRA budgets is Shown in the Table below and the detailed budgets shown in Annexes A, B and C

	<b>2010/11 Original Estimate</b>	<b>2010/11 Latest Estimate</b>	<b>2011/12 Original Estimate</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Housing Revenue Account</b>			
Income	(10,295,100)	(10,266,880)	(10,706,760)
Expenditure	12,228,920	12,299,050	12,977,190
Net Cost of Service	1,933,820	2,032,170	2,270,430
Transfer from Major Repairs Reserve	(1,992,940)	(2,007,900)	(1,976,800)
Other Reserve Transfers and Interest Receivable	42,700	42,700	(19,700)
<b>(Surplus)/Deficit on the year</b>	<b>(16,420)</b>	<b>66,970</b>	<b>273,930</b>
<b>Balance at 1 April</b>	<b>(1,394,440)</b>	<b>(1,506,744)</b>	<b>(1,439,774)</b>

<b>Balance at 31 March</b>	<b>(1,410,860)</b>	<b>(1,439,774)</b>	<b>(1,165,844)</b>
<b>Housing Repairs Account</b>			
Administration	847,560	816,380	847,260
Programmed Repairs	521,000	521,000	536,630
Responsive Repairs	1,008,500	1,008,500	1,039,670
TOTAL Expenditure	2,377,060	2,345,880	2,423,560
Income	(2,290,850)	(2,290,850)	(2,414,630)
<b>Net Expenditure</b>	<b>86,210</b>	<b>55,030</b>	<b>8,930</b>
<b>Balance at 1 April</b>	<b>(237,210)</b>	<b>(293,130)</b>	<b>(238,100)</b>
<b>Balance at 31 March</b>	<b>(151,000)</b>	<b>(238,100)</b>	<b>(229,170)</b>
Overall movement in balances			
Balance at 1 April	(1,631,650)	(1,799,874)	(1,677,874)
Balance at 31 March	(1,561,860)	(1,677,874)	(1,395,014)

- 3.6 The working balance (including the Repairs Account) decreases in 2010/11 to £1,677,874 due to an overall deficit on the year of £122,000 and in 2011/12 decreases further to £1,395,014 as a result of a deficit in the year of £282,860. An ongoing reassessment of programmed and capital repairs to reduce responsive variations continues to help to reduce the net expenditure and maintain the working balance above the level of £600,000 which is currently considered to be the target prudent minimum.
- 3.7 The reasons for variation between the Original and Revised Estimate for 2010/11 are shown in section 1 of Appendix A
- 3.8 The reasons for the major variances in the provisional budgets for 2011/12 compared with the approved budgets for 2010/11 are shown in Section 2 of Appendix A

#### 4. FINANCIAL IMPLICATIONS (DB)

The financial implications of the course of action recommended in this report and the steps to be taken in order to reach convergence by 2014/15 are as follows

a) Even additional increases above rent formula

Return to rent formula rents in even stages to convergence in 2014/15 , this would result in rental increase of just under twice the going rate of inflation in each of the next 3 years as opposed to just over one and a half times if the formula had been applied in this year. **It would also mean that another £275,000 would need to be taken from balances over the years 2012/13 to 2014/15. (leaving £1.1m in balances)**

b) One off increase in 2012/13 then increases as per formula

Catch up all the lost ground in 2012/13) This would result in a rent increase in that year of two and a half times the going rate of inflation and due to the inflation factor only being taken to a whole number would yield an additional £50,000 over the next 3 years which would reduce the total call on balances to £272,000 over the four years. The following years rent increases would then be in line with those resulting from applying the formula unadjusted with no hikes.

c) No future additional increases

Set the rent increase at 3.95% in 2011/12 then apply the formula Over the next 4 years this would reduce balances by £1.1m but this would continue at £230,000 pa in perpetuity and therefore wipe out the balances totally by 2018. This option is not sustainable at all.

#### 5. LEGAL IMPLICATIONS

As contained in the report.

#### 6. CORPORATE PLAN IMPLICATIONS

The proposed budgets will allocate resources to enable the council to achieve its objectives for its own housing stock.

#### 7. CONSULTATION

Relevant council officers have been consulted in the preparation of the budgets.

#### 8. RISK IMPLICATIONS

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/decision were

Management of Significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
Failure to achieve projected income levels	Regular monitoring and corrective action.	Chief Officer for Housing, Community Safety and Partnerships

identified from this assessment:

## 9. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

The budget will allow management and maintenance of properties throughout the Borough in accordance with the HRA Business Plan.

## 10. CORPORATE IMPLICATIONS

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

**Background Papers :** Housing Revenue Account Subsidy Determinations 2011/12

**Contact Officer :** David Bunker ext 5609

**Executive Member:** Cllr K W P Lynch

### Section 1

#### Reasons for variation between Original Estimate 2010/11 and Revised Estimate 2010/11

1. Annex A item 1 – Dwelling Rents – level of voids greater than anticipated in the budget.
2. Annex A Item 3– Negative Subsidy – increased assessment for 2010/11 and impact of adjustment re 2009/10
3. Annex A – Item 2 - Item 8 debit additional depreciation following revaluation of properties
4. Annex A – Item 4 - Transfer from Major Repairs Reserve – increase to cover additional depreciation
5. Annex B – Supervision and Management General – Employees – Impact of restructure met from savings in S&M Special employees costs
6. Annex B – Supervision and Management (Special) - Employees – Savings as a result of restructure
7. Annex B – Supervision & Management (Special) – Income – Increased income from Supporting People
8. Annex C – Repairs Administration – Employees – Savings resulting from Vacancies

### Section 2

#### Reasons for variation between Original Estimate 2010/11 and Original Estimate 2011/12

1. Annex A – item 1- Dwelling Rents

The increase in dwelling rents between 2010/11 original and 2011/12 original results from the increase in rents approved at the meeting.

2. Annex A - items 2 and 4 - Transfer from Major Repairs Reserve & Item 8 Debit

The changes reflect the depreciation provision arising from the March 2010 revaluation of the Housing Revenue Account assets (£60,000). The increase must be shown in the Item 8 debit, but is reversed by the transfer from the Major Repairs Reserve (£-15,000), so that tenants only have to meet a sum equivalent to the Major Repairs Allowance (£2,083,000).

3. Annex A – item 3 - Negative HRA Subsidy

The HRA subsidy calculation is largely predetermined by the HRA subsidy determination issued each year by central government. The increase in 2011/12 is £433,000 follows the increase in dwelling rents detailed in 1 above

4. Annex A – item 5 and Annex C item 3 - FRS17 Pension Adjustment

The increases reflect increases in the relevant charges included in Employee Costs. There is no net effect on overall expenditure.

5. Annex B – item 1 – Employee costs Supervision & Management General

Increase is due in part to the costs of a restructure being financed from savings in Supervision and Management Special and FRS 17 Adjustment (see annex A item 5)

5. Annex B - item 2 - Supervision and Management (General) Supplies & Services

This decrease (£52,670) arises from reduced legal fees £17,000, consultancy costs £15,000 and costs in respect of Choice based lettings £20,000

6. Annex B – item 3 – Employee costs Supervision & Management General

Increase is due to FRS 17 Adjustment (see annex A item 5)

7. Annex C - Item 1 – Repairs Administration Employees

Increase is due to FRS 17 Adjustment (see annex c item 3)

	2010/11 ORIGINAL ESTIMATE (Published) £	2010/11 LATEST ESTIMATE £	2011/12 ORIGINAL ESTIMATE £
<b>SUMMARY HOUSING REVENUE ACCOUNT</b>			
<b>INCOME</b>			
Dwelling Rents	1 (10,212,510)	(10,184,290)	(10,620,540)
Non Dwelling Rents	(67,740)	(67,740)	(69,800)
Contributions to Expenditure	(14,850)	(14,850)	(16,420)
	<b>(10,295,100)</b>	<b>(10,266,880)</b>	<b>(10,706,760)</b>
<b>EXPENDITURE</b>			
Supervision & Management (General)	1,402,410	1,429,300	1,476,000
Supervision & Management (Special)	775,660	667,210	759,860
Contribution to Housing Repairs A/C	2,300,000	2,300,000	2,400,000
Item 8 Debit	2 4,045,180	4,104,400	4,200,910
Capital Charges : Debt Management	4,750	4,720	7,260
Increase in Provision for Bad Debts	50,000	50,000	50,000
Negative HRA Subsidy	3 3,650,920	3,743,420	4,083,160
	<b>12,228,920</b>	<b>12,299,050</b>	<b>12,977,190</b>
<b>Net Cost of Services</b>	<b>1,933,820</b>	<b>2,032,170</b>	<b>2,270,430</b>
Transfer from Major Repairs Reserve	4 (1,992,940)	(2,007,900)	(1,976,800)
Interest Receivable	(22,930)	(22,930)	(9,640)
FRS17 Adjustment	5 42,340	42,340	(33,350)
<b>Net Operating Expenditure</b>	<b>(39,710)</b>	<b>43,680</b>	<b>250,640</b>
<b>CONTRIBUTIONS</b>			
Contribution to Piper Alarm Reserve	10,400	10,400	10,400
Contribution to Pensions Reserve	12,890	12,890	12,890
<b>(Surplus) / Deficit</b>	<b>(16,420)</b>	<b>66,970</b>	<b>273,930</b>
<b>Relevant Year Opening Balance at 1st April</b>	<b>(1,394,440)</b>	<b>(1,506,744)</b>	<b>(1,439,774)</b>
<b>Relevant Year Closing Balance at 31st March</b>	<b>(1,410,860)</b>	<b>(1,439,774)</b>	<b>(1,165,844)</b>

## **Position Statement of Leader of Council – 24 February 2011**

Madam Mayor, fellow Councillors, Officers, members of the public and the press.

My statement tonight is deliberately brief, as we have a number of important issues to debate and resolve this evening; not the least of which is the budget for 2011/12, the implications of which are important not only for the coming year, but also beyond. My colleague, Keith Lynch, will provide the full detail shortly and I thank him in advance for his considerable efforts in delivering a balanced budget in the most difficult circumstances in the last two decades.

I had the privilege recently of visiting Nick Clegg and others at 10 Downing Street and took the opportunity to raise (yet again) the still unresolved issue of the five year land supply and the difficulties arising from the retention of this requirement. I mentioned also the need to clarify and confirm the Housing Subsidy arrangements. Whilst we can remain hopeful on the latter, on the former there is no sign of any change of heart.

At this point, Madam Mayor, can I share with Members the frustration I am sure we all feel at the many patronising homilies and entreaties from Ministers who, outwardly committed to localism, betray with their utterances and correspondence a deep-seated centralism. The latest example (yet another corker from Bob Neil), landed in my inbox yesterday, urging councils to encourage greater public involvement in council meetings; a page and a half telling us what we already know; but not dealing with the real issues faced by our communities. This council has always been open. We don't need to be told how to engage with our communities; most of us do it every day!

Since our last meeting, Atherstone Town Council has confirmed that we will operate its market for the next six months, with a view to a more permanent arrangement. This is further evidence of our high reputation amongst current and potential partners for our management and excellent service delivery. Further examples are that we have been designated the lead authority for the emerging Revenues and Benefits Partnership, our continuing success with the Legal Service Partnership and early joint work with Oadby and Wigston.

Finally, Members will be aware of our joint work with MIRA, whose plans for their long term development were unveiled last Friday. Along with the increasing activity in the Atkins Building, the adjacent development of the College (on target for completion by August this year), the steady progress with the bus station development (also still on target) and the potential for the cost-efficient Hinckley Hub to bring together the Police, Probation, the County Council, the Leicestershire Partnership Trust (LPT) and ourselves into an effective service partnership under one roof, these are very exciting times for the Borough and our communities have much to which they can look forward over the next few years.

**COUNCIL**  
**24 FEBRUARY 2011**  
**SUPPLEMENTARY AGENDA**

Agenda Item 12(C) – Motion from Mr B E Sutton

The following amendment will be moved by Mr S L Bray and seconded by Mr D C Bill:-

To add the words

and to note

- (a) the representation made by Cllr S L Bray on 18 January to the Government urging that Regional Growth Fund monies are applied to the A5 to facilitate the proposed new Technology Park at MIRA.
- (b) the representation made by Cllr D C Bill on 15 February to the Highways Agency urging that action is taken to address the appalling accident track rate on the A5 through Hinckley and Burbage.

**FINANCE STATEMENT**  
**COUNCILLOR KEITH LYNCH**  
**EXECUTIVE MEMBER FOR FINANCE**  
**ON REPORTS C45, C46, C47 AND C48**

Madam Mayor, fellow Councillors, Officers, members of the public and press, I present the Council's revised budget for the current 2010/11 financial year and the budget for 2011/12.

As the financial reports C45, C46, C47 and C48 are inter-related and, therefore, should not be considered in isolation, I propose, as usual, to present all four reports to you in a single block.

When we set 2010/11 proposals we knew that it was going to be a difficult year in which to control and monitor ever reducing budgets, whilst maintaining our essential front line services. We were also made aware by our Chief Finance Officer that the funding position would become even tighter for future years, a prediction borne out by the Comprehensive Spending Review and the subsequent Settlement announced late last year. We were forewarned and therefore started making early preparations. I can now report that because of this early work we have, in fact, been able to protect our high quality front line services.

Starting first with our projections for the current year's outturn to 31 March 2011, I am pleased to announce a projected underspend of around £220,000. A large proportion of this will be transferred to the LDF reserve to fund future delivery of the Local Development Framework leaving around £60,000 to be transferred to the Council's General Fund Balance.

With regard to the budget for 2011/12, I have to admit that it has been one of the most challenging budgets in which I have been involved in all of my years as the lead member for finance. There are inevitable tensions between the need to provide a wide range of high quality services in an increasingly complex environment and maintaining service delivery in a climate of severe financial cuts by central government which, for this Council, will range between 32% and 35% by the end of 2014/15.

Although we had foreseen the reduction in central government funding it was difficult to imagine both the level of the overall reduction and the extent of the front loading. The Chancellor, George Osborne, in making his Comprehensive Spending Review announcement in October of last year stated a 28% reduction for local government over this parliament. The assumption was that this reduction would be evenly distributed among the next four years of parliament. As it happens, the reduction for District Councils is a lot worse than that for County and Unitary authorities and the front loading for 2011/12 for this Council is 14.5%. In fact with the provisional announcement of the formula grant in 2012/13 funding the reduction for this Council over the next two years is just under 24%.

In cash terms, and set out in paragraph 4 of the report, this Council is losing £909,000 in formula grant funding for 2011/12 and will lose a further £705,000 in 2012/13 making a total of £1.6m out of a net budget requirement of £11m.

As well as this reduction in funding, there have been other factors generated by the general economic climate such as reduced car parking income, reduced building control income, reduced investment income and increased pension contributions that together will take the budget deficit for 2011/12 alone to around £1.4m to £1.5m.

Over the past three years this Council has done particularly well in securing significant funding through LABGI and HPDG totalling just under £2m. These funding streams are no longer available. Fortunately, because of our very prudent approach we have never included this funding in our base budget and therefore, thankfully, we do not now have to look for further reductions to compensate for the loss of this specific funding stream. Had we not done so one can only imagine how devastating the impact would have been on the services of this Council.

I have so far shared with you the financial backdrop under which we prepared the budget for 2011/12. Now let us look at the budget itself and how we have addressed the shortfall in funding.

Through very close working with senior and middle managers of the Council, we set up for the first time this year the Budget Overview Panel which managed to identify significant savings. The Panel set what it considered a realistic target of £1.2m in savings or additional income. It was recognised that the required level of savings needed to be closer to £1.5m, but a view was taken that the reduction in the base budget needed to be delivered in a controlled and managed way over the next two financial years and not in one big hit for 2011/12. It was felt that this would enable the Council to protect service delivery into the future. I am pleased to say that our managers met this challenge head on and in fact exceeded the target by £40,000.

The budget before you as summarised in Table 1 on page 2 includes the savings that have been identified through this process. The 2011/12 budget includes £770,890 of savings or additional income and an additional £175,000 of in-year adjustments over which the Chief Executive and Deputy Chief Executive (Corporate Direction) are having constructive negotiations with the Trade Unions.

In addition, we have to take from Balances and Earmarked Reserves a total of £683,910. This amount together with the savings equals the £1.4m to £1.5m budget gap for 2011/2012 that I referred to earlier. A full list of the savings is provided as an Appendix to report C45.

The report before you is self explanatory and sets out the Council's position very clearly.

I would however, like to make specific reference to a number of items in the report.

1. Concessionary Travel. The funding and provision of Concessionary Travel is transferring to the County Councils from 1 April 2011. I would stress that the whole of the funding of the scheme has been taken away from us through the formula grant mechanism including the funding provided by HBBC for the discretionary element of the scheme.
2. Under paragraph 3.6.4 at the bottom of page 6, Members will note that a provision has been made in the budget for an increment in salaries for all staff who earn less than £21,000. We have made provision in the budget and would have honoured the payment had there not been a national direction not to do so.

3. Our assumption on interest rates as shown in paragraph 3.8 (iii) on page 8 is to apply an average base rate of 0.7% for the whole of 2011/12. The latest forecast is that the base rate could increase from its current level of 0.5% to 0.75% by August of this year and then to 1% by 31 December and could end the financial year at 1.25%. If the forecast is accurate then the Council will gain from additional investment income, but as always I consider it prudent to stick with the lower rate of 0.75%.
4. Finally, as Members will be aware, unlike some other Councils, we have set aside £25,000 each year to fund the local elections. This means that we have enough funds in our reserve to fund the election in May of this year. The cost of this is likely to be in the range of £80,000 to £100,000. By having made an annual provision, we have avoided a single large hit on our budget.

As stated on the top of page 10, we have made no provision in the budget for any additional funding from the New Homes Bonus. Last week, the Department of Communities and Local Government announced the provisional allocation of funding based on the tax base returns made in October. This provisional settlement allocates just under £350,000 to this Council for 2011/12. This amount will help to reduce the anticipated overall budget gap of just under £800,000 for 2012/13.

In addition to the New Homes Bonus, under the Localism Bill, planning authorities will be granted freedom to set planning fees locally. This will enable us to at least cover our costs which, at present, we do not achieve. The provisions have to be implemented by October of this year so we will not see the benefit of increased income until the last quarter of the 2011/12 financial year. Again no provision has been included in the budget but it will help to reduce the further funding pressures, once it is implemented approaching 2012/13.

There are also proposals to allow the retention of business rates over a certain threshold but these are very early proposals and no detail has been made available. If this were to actually happen then again it would assist us in reducing any potential future budget deficit.

## **Now moving on to Council Tax**

### Council Tax for 2011/12 (Report C46)

Having arrived at the net budget requirement for 2011/12 in the previous report, the Council Tax calculations, the average Band D Council Tax for Borough wide services and Total Council Tax, including the amounts for the County Council, Police Authority, Fire Authority and the Parished areas are set out in section 4 on pages 101 and 102 in report C46.

The average Band D Council Tax for Hinckley and Bosworth Borough Council excluding the Parishes and Precepts will remain at the same level as last year of £112.35 per household per annum. This freeze in Council Tax will be subsidised by central government funding equivalent to a 2.5% increase. This equates to £105,260. A zero increase does however, mean a reduction in the base level of average Band D council tax for future years.

Members will note that the other Leicestershire Precepts have also been frozen. The Parishes, which are not subject to the same capping regime, have in aggregate agreed to an average increase of 2.9%. This increase does not apply across the board and some parish councils, for example Burbage, have set a zero increase while the Special Expenses Area will have a reduction of 1%.

As a result of increases in some parish precepts, the average overall Band D Tax for the residents of Hinckley and Bosworth increases by 0.1% or £1.09 per annum.

## **Now to the Capital Programme**

### Capital Programme (Report C47)

The Capital Programme, as always, follows a four year rolling programme. This includes the revised programme for the current year, plus the next three years to 2013/14.

During this financial year we have delivered some key projects for this Council. The renovation to the Atkins Building and construction of the Hinckley Club for Young People Centre were completed in August. In October we completed the highly sustainable industrial units at Greenfields and we successfully rolled out flexible working which has enabled us to reduce our requirement for some of the permanent occupation of office space in the new, efficient and cost effective Council Offices to be provided within a wider Public Service Hub. These projects will combine to regenerate the town, to provide much needed facilities for young people, to encourage and support local businesses and provide a much needed future income stream to support the Council's revenue budgets in future years.

We have also more recently been in detailed discussions with Westfields Community Centre following the County Council's withdrawal of funding and have now put together a support package which will help to safeguard the future of the centre.

The total value of the **net** programme for the four years as set out on page 6 of report C47 is just over £20m with capital budgets for the improvements to Council Housing forming £10.8m of this.

Of the remaining £9.3m allocated to General Fund capital projects, just over £5.7m relates to projects budgeted to be delivered in the current 2010/11 financial year, leaving a budgeted programme for the General Fund for 2011/12 to 2013/14 of £3.6m.

All of the projects are listed on pages 7 to 11 of the report with a full description of each project given on pages 12 to 15.

Over the last three years this Council has done very well in securing external funding from external bodies such as EMDA and from maximising the allocation of S106 contributions to projects. The Comprehensive Spending Review announcements made severe reductions in capital funding and it is unlikely that such funding will be available in future years. We will, therefore, be restricted in adding any new projects to the Capital Programme in the next three years and as you will observe from the existing programme the £3.6m is allocated to projects that I would call "renewable" projects as opposed to new projects.

Members will also note that even this capital programme, limited in comparison to what has been delivered in previous years, is underpinned by the need for future capital receipts or borrowing to the tune of £4.6m, £2.3m of which we anticipate receiving from the disposal of the former Young People's site on Stoke Road.

The Asset Management Strategy Group will continue to identify future sites for disposal and time these disposals for when there is an economic recovery and land prices reach an acceptable level.

Although not affecting the Council's Capital Programme before you, it would be remiss of me not to mention the redevelopment of the bus station. This is progressing very well and as Members are aware outline planning permission has been granted. Our development partner is on schedule to commence the development in 2012 for completion in 2014.

Concluding on the Capital Programme, I feel we have done extremely well, with the support of our funding and development partners, to deliver much needed regeneration projects to the people of Hinckley and Bosworth and although future delivery of projects will be challenging we will keep the funding position under review and take opportunities as they arise.

## **Finally, moving on to Housing:**

### Housing Revenue Account (Report C48)

The budgets covered by this report relate to 3400 council owned dwellings.

The rent calculation for 2011/2012, when applying the central rent restructuring model with which you are all familiar, produces different rent increases for different properties with an average increase of 6.8%. In the current economic climate where tenants are struggling to keep their heads above water, the Executive consider this level of increase to be excessive and, therefore, the recommendation is to increase rents by an average of 3.95% for 2011/2012 followed by equal additional increases in the proceeding three years so that we meet the rent convergence target in 2014/15. The full financial implications of this decision are set out on page 4 of report C48.

The Housing Revenue Account with the proposed average rent increase of 3.95% is budgeted in 2011/2012 to make a deficit of £273,990 and the Housing Repairs Account a small deficit of £8,930. Therefore, the overall working balance will be reduced by £282,920 in addition to a reduction in the current financial year of £122,000. This will reduce the level of Balances from a total of £1.8m now to just under £1.4m by the end of 2011/12. This is still comfortably over the minimum level of £600,000 and therefore, I feel we can set a lower rent increase for one year.

I do recognise the impact on future levels of Balances if the loss in rental income is not replenished in future years. Acceptance of the second recommendation in the report for equal future increases in rent levels will ensure that HRA reserves remain healthy.

In summary, having taken these four reports together, Members will appreciate the value of good forward planning and how the various strands of the Council's finances knit together and enable us to continue to deliver valued services to the people of Hinckley and Bosworth in these times of increased austerity. It has, Madam Mayor, been a very challenging budget process and I have no doubts that it will continue to be so in forthcoming years. I have every confidence however, that the joined up working that has been established at this Council will enable us to successfully meet these challenges and we will continue to protect our most important services.

Mr. Kohli and the Finance Department together with the Budget Overview Panel have worked hard to achieve what is a remarkable result in extremely difficult times. I thank both them and all of the other managers and staff who rose so splendidly to the challenge.

Madam Mayor, this is the budget for Hinckley and Bosworth Borough Council for the year 2011/12 and I commend it to the Council.

Councillor Keith Lynch  
Executive Member for Finance