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**Steve Atkinson** MA(Oxon) MBA FIoD FRSA  
Chief Executive

Date: 08 January 2014



Hinckley & Bosworth  
Borough Council

*A Borough to be proud of*

To: **Members of the Scrutiny Commission**

Mr MR Lay (Chairman)	Mrs WA Hall
Mr C Ladkin (Vice-Chairman)	Mr MS Hulbert
Miss DM Taylor (Vice-Chairman)	Mr DW Inman
Mr PR Batty	Mr JS Moore
Mr Bessant	Mr K Morrell
Mr PAS Hall	Mr K Nichols

**Members of the Finance, Audit & Performance Committee** (for items 7, 8, 9 & 10)

Miss DM Taylor (Chairman)	Mr PAS Hall
Mr R Mayne (Vice-Chairman)	Mr JS Moore
Mr PR Batty	Mr K Morrell
Mrs R Camamile	

Copy to all other Members of the Council

(other recipients for information)

Dear Councillor,

There will be a meeting of the **SCRUTINY COMMISSION** in the Council Chamber on **THURSDAY, 16 JANUARY 2014 at 6.30 pm** and your attendance is required.

Members of the Finance, Audit & Performance Committee are invited to take part in discussion on items 7, 8, 9 & 10.

The agenda for the meeting is set out overleaf.

Yours sincerely

Rebecca Owen  
Democratic Services Officer

## SCRUTINY COMMISSION - 16 JANUARY 2014

### A G E N D A

1. APOLOGIES AND SUBSTITUTIONS
2. MINUTES (Pages 1 - 4)  
To confirm the minutes of the meeting held on 21 November 2013.
3. ADDITIONAL URGENT BUSINESS BY REASON OF SPECIAL CIRCUMSTANCES  
To be advised of any additional items of business which the Chairman decides by reason of special circumstances shall be taken as matters of urgency at this meeting.
4. DECLARATIONS OF INTEREST  
To receive verbally from members any disclosures which they are required to make in accordance with the Council's code of conduct or in pursuance of Section 106 of the Local Government Finance Act 1992. **This is in addition to the need for such disclosure to be also given when the relevant matter is reached on the agenda.**
5. QUESTIONS  
To hear any questions in accordance with Council Procedure Rule 10.
6. HINCKLEY LEISURE CENTRE PROCUREMENT (Pages 5 - 20)  
Report of the Deputy Chief Executive (Community Direction).
7. DRAFT 2014/15 GENERAL FUND BUDGET (Pages 21 - 34)  
Report of the Deputy Chief Executive (Corporate Direction).
8. DRAFT HOUSING REVENUE ACCOUNT BUDGET (Pages 35 - 40)  
Report of the Deputy Chief Executive (Corporate Direction).
9. CAPITAL PROGRAMME 2013/14 TO 2016/17 (Pages 41 - 54)  
Report of the Deputy Chief Executive (Corporate Direction).
10. THE PRUDENTIAL CODE FOR CAPITAL FINANCE IN LOCAL AUTHORITIES - SETTING OF PRUDENTIAL INDICATORS 2013/14 TO 2016/17 AND TREASURY MANAGEMENT STRATEGY 2014/15 TO 2016/17 (Pages 55 - 76)  
Report of the Deputy Chief Executive (Corporate Direction).
11. HINCKLEY & BOSWORTH LOCAL PLAN (2006 - 2026): SITE ALLOCATIONS AND DEVELOPMENT MANAGEMENT POLICIES DEVELOPMENT PLAN DOCUMENT - PRE-SUBMISSION DOCUMENT (Pages 77 - 84)  
Report of the Deputy Chief Executive (Community Direction).  
  
The appendices to the report are available in the Members' Room, on the Council's website as part of the agenda documentation and on request from the report author.
12. PLANNING & ENFORCEMENT APPEAL DECISIONS (Pages 85 - 94)  
Report of the Deputy Chief Executive (Community Direction).

13. FINANCIAL CONTRIBUTIONS TOWARDS PLAY AND OPEN SPACE (Pages 95 - 98)  
Report of the Deputy Chief Executive (Community Direction).
14. BROADBAND CONTRIBUTION (Pages 99 - 108)  
Report of the Deputy Chief Executive (Community Direction).
15. SCRUTINY COMMISSION WORK PROGRAMME 2013-2013 (Pages 109 - 114)  
Work programme attached.
16. MINUTES OF FINANCE, AUDIT & PERFORMANCE COMMITTEE (Pages 115 - 122)  
Minutes of previous meetings, for information only.
17. ANY OTHER ITEMS OF BUSINESS WHICH THE CHAIRMAN DECIDES HAVE TO BE DEALT WITH AS MATTERS OF URGENCY

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# Agenda Item 2

## HINCKLEY AND BOSWORTH BOROUGH COUNCIL

### SCRUTINY COMMISSION

21 NOVEMBER 2013 AT 6.30 PM

PRESENT: Mr MR Lay - Chairman  
Mr C Ladkin and Miss DM Taylor – Vice-Chairman

Mr PR Batty, Mr Bessant, Mr PAS Hall, Mrs WA Hall, Mr MS Hulbert, Mr DW Inman, Mr JS Moore, Mr K Morrell and Mr K Nichols

Officers in attendance: Steve Atkinson, Bill Cullen, Louisa Horton, Rebecca Owen, Katherine Plummer, Caroline Roffey and Sharon Stacey

#### 279 MINUTES

RESOLVED – the minutes of the meeting held on 10 October 2013 be confirmed as a correct record and signed by the Chairman.

#### 280 DECLARATIONS OF INTEREST

No interests were declared at this stage.

#### 281 PARKING ENFORCEMENT

In response to a request at a previous meeting, members received a report on parking enforcement. It was explained that whilst the County Council decided the time allocation of wardens to each area, this was based on where problems existed. A representative of the County Council who was present at the meeting for other items, stated that the majority of parking restrictions were respected but if there were specific problems they should be reported to his team. Members were asked to do so via the Democratic Services Officer in order to facilitate co-ordination.

Following queries about the structure and costs of the current arrangements, it was reported that there had been a cost reduction since the re-structure partly due to lower central recharges.

#### 282 IDENTIFICATION OF PRIORITY RESERVES

It was reported that, in response to the request at the previous meeting, six priority reserves had been identified which were recommended for delegation to officers to transfer funds into these reserves. During discussion, the following points were raised:

- Concern regarding the seemingly low figure recommended for the appeals reserve;
- Concern regarding the figure earmarked for the Leisure Centre reserve;
- Whether waste management costs could be built into Section 106 agreement costs;
- Concern about further delegation of key issues to officers;
- Requirement for more information on figures in reserves, including the enforcement reserve.

It was reported that the Leisure Centre reserve would be used to cover time lag. As explained at the previous meeting, it was emphasised that delegating the transfer of funds to some reserves would ensure timely transfer rather than having to wait for a

Council meeting to make a decision. It was also stated that transfers made would be reported back to Council so members were aware of decisions made under delegated powers.

It was agreed that indicative financial figures would be put to each priority reserve on the list and reported to Council at the meeting on 3 December, as they would not be available before the agenda was circulated, and they would be included in the budget report to the Commission in January.

Councillor Mrs Hall left the meeting at 7.30pm.

283 LTP3

Ian Drummond, Assistant Director, Leicestershire County Council, attended to give a presentation on the LTP3. He explained that it was a transport strategy for local resilience and growth. He reported that following the positive work in Coalville and Loughborough, the County Council were now focussing on the urban area surrounding Hinckley which would include looking at the traffic restrictions on Regent Street, smart ticketing, real time information for bus services, investment in highway maintenance, co-ordination of roadworks and implementing new cycle ways and pedestrian routes.

It was reported that there was around £4-5m available for the project and that background information from 2011 onwards was available on the county council's website.

Mr Drummond agreed to circulate his presentation to Members via the democratic Services Officer.

The Scrutiny Commission asked that Mr Drummond attends again to update, and he agreed to do so in the summer of 2014.

Councillor Taylor left at 8.30pm.

284 RURAL BUS SERVICES

Ian Drummond gave a presentation on rural bus services and progress of a review underway, following concerns expressed by Members regarding the potential withdrawal of the high level of subsidy provided by the county council to support the number 7 bus service. Specifically it was noted that this particular service covered 44 miles and the net subsidy provided was £177,810 per annum. There was an average of 13 passengers per journey.

The Scrutiny Commission agreed to follow up on progress as the consultation progressed.

285 SUPPORT AND PROVISION FOR THE LGBT COMMUNITY WITHIN HINCKLEY AND BOSWORTH

The Scrutiny Commission was informed of the work being undertaken within the Borough in relation to supporting its lesbian, gay, bisexual and transgender (LGBT) community. Representatives of Next Generation were in attendance to talk about their work on the Proud Generation project and the challenges that were faced in the borough, particularly in comparison with larger cities. It was noted that Proud Generation was the first borough-wide LGBT advocacy and advice service in the area and provided valuable support.

Members generally felt that they hadn't previously been sufficiently aware of the subject and of the Proud Generation project and suggested cascading the information to all councillors in order to raise awareness in a cost effective way. Members were very supportive of the project and endorsed the hard work undertaken, mostly on a voluntary basis and

RECOMMENDED – all Councillors receive training and knowledge transfer in the area of support and provision for the LGBT Community.

#### 286 HOUSING APPLICATIONS POLICY - MEDICAL ASSESSMENT

A report was presented in response to a request at the previous meeting when concern had been raised about the processes used in medical assessments undertaken for housing applicants who may have medical needs. It was reported that there were very few appeals against the medical category in which applicants were placed, but any appeals were referred to Now Medical.

Members expressed concern that the medical assessments provided were done over the telephone. Officers stated that where applicants believed they had an urgent need to move on medical grounds, applications were usually supported by medical letters. Officers advised that in determining medical need for rehousing, the suitability of the applicants' current accommodation in relation to their medical condition was assessed.

At this juncture, having reached 9.25pm, it was moved by Councillor Lay, seconded by Councillor Nichols and

RESOLVED – the meeting be allowed to continue until all business on the agenda had been transacted.

Returning to the agenda item, members asked how many housing applicants claimed medical circumstances. In response it was reported that there were currently 88 of 2200 on the waiting list in the medium category on medical grounds and none with a priority medical need as these were dealt with very quickly upon receipt.

Members agreed that further information on the robustness of the process be circulated to the Scrutiny Commission in advance of the next meeting.

#### 287 SCRUTINY COMMISSION WORK PROGRAMME 2013-2015

It was noted that the planning appeals and developer contributions reports would be brought to the February meeting and that updates on the bus station development would be brought periodically. A report on the Hub, specifically the financial aspects, was requested.

(The Meeting closed at 9.35 pm)

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CHAIRMAN

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## SCRUTINY – 16 JANUARY 2014

### RE: HINCKLEY LEISURE CENTRE PROCUREMENT

### REPORT OF THE DEPUTY CHIEF EXECUTIVE – COMMUNITY DIRECTION

### WARDS AFFECTED: ALL WARDS

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Hinckley & Bosworth  
Borough Council

*A Borough to be proud of*

#### 1. PURPOSE OF REPORT

To advise Members of the outcome of the procurement process in relation to the development of a new innovative and dynamic Leisure Centre facility, for all residents of the Borough, on Argents Mead, Hinckley.

#### 2. RECOMMENDATIONS

- 2.1 That Members note and commend the high quality tender submissions that have been submitted.
- 2.2 That Members agree the selection of Bidder A as the Council's Preferred Bidder with Bidder B appointed as reserve bidder in case the contract with Bidder A cannot be finalised. This selection being based on the evaluation scores summarised in Section 6 and detailed in Appendix 1.
- 2.3 That Members note the positive income stream that will be provided via the management fee by the Bidder.
- 2.4 That Members note and approve the additional capital budget requirement of £1.35m to fund the enhanced facility at a total cost of £13.55million.
- 2.5 That Members approve an increase in the Council's Authorised Borrowing limit by the amount of the increase of £1.355million to take the Authorised Limit in 2014/15 to £97.4million (including the HRA)
- 2.6 That members note that in the first year, 2015/16, there may be a shortfall in revenue funding of up to £360,000 arising from the servicing of the borrowing prior to the opening of the new Leisure Centre. Members will in due course be asked to approve funding of this amount from General Fund Balances. This amount will be replenished in full in the following year.
- 2.7 That Members note and endorse the program for delivery of the new Leisure Centre.
- 2.8 That Council delegates to the Project Team, in conjunction with Deputy Chief Executive (Community Direction) and Leader of the Council, the oversight of the program of delivery up to the construction and opening of the new facility.

#### 3. BACKGROUND TO THE REPORT

At the Council meeting convened on 13<sup>th</sup> November 2012, Members unanimously agreed (minute no. 265) that:

- (i) The building of a new facility to replace the existing leisure centre, be approved;

- (ii) The development of a new leisure centre on Argents Mead, subject to maintaining and enhancing the green space and adding value to the park, be approved;
- (iii) The facility options, procurement process and timescales as set out in sections 5 and 6 of the report, be approved.

An internal project management governance structure was agreed, which included a strategic Project Board and a multi disciplined and experienced Project Team.

#### 4. NEW LEISURE CENTRE REQUIREMENTS

The principle underpinning the new development is based on providing a core set of leisure facilities, which are commercially viable and, where feasible, offer an enhanced experience for customers. Increasing the main swimming pool offer from 6 lanes to an 8 lane competition pool and increasing the number of gym stations are just two of the enhancements.

The Management term is based on a 20 year contract period, as this offers the best financial return on investment and has helped secure the level of capital commitment that the developers are willing to fund. The preferred bidder will design, build, operate and maintain the facility for the life of the contract. This significantly reduces the financial risk to the authority. Captured within the contract will be responsibility that the bidder will need to have fees and charges approved by the Council. This is in keeping with current operational procedures. There are also key performance criteria against which the contract will be monitored, including:

- Delivery of a bespoke Sports Development Action Plan that aims to increase participation;
- Focused Reducing Health Inequalities Action Plan that will deliver improved health outcomes for residents;
- Targeted programmes aimed at specific markets i.e. over 60's, children, low income families, to name just a few;
- Complement the economic regeneration of Hinckley Town Centre, by increasing footfall and secondary spend;
- Seek to obtain Quest (nationally recognised quality accreditation) rating of 'Outstanding';
- Other key performance indicators focussing on usage, profit and loss, customer feedback, programming, energy consumption – note this list is not exhaustive.

Retaining office accommodation for the Council's Cultural Services Team within the facility will assist in monitoring the contract by having a visible presence on site.

#### 5. PROCUREMENT PROCESS

Following the decision in November 2012 to proceed with facilitating the procurement of a new Leisure Centre, a robust process has been undertaken to get to this point. This can be summarised into 3 steps.

##### Step 1 Professional support

HBBC jointly appointed an experienced Leisure Consultant (Robin Thompson) to provide professional guidance and expertise throughout the tender process. The

partnership with Oadby & Wigston Borough Council offers efficiency savings. A Memorandum of Information was produced that detailed the Council's requirements.

**Step 2 Invitation to Submit Detailed Solutions**

8 expressions of interest were received. Following short listing through the pre qualification questionnaire process, 5 Bidders were invited to submit detailed solutions. During this process one Bidder decided to withdraw from the process on commercial grounds. 4 tender submissions were received and evaluated.

**Step 3 Invitation to Submit Final Tender**

3 companies were invited to this final stage of the procurement process. During this process one company decided to withdraw from the process on commercial grounds. 2 final tenders were received.

**6. EVALUATION OF FINAL TENDERS**

As detailed in Final Tender Evaluation Executive Summary report (Appendix 1) each of the tenders was critically and objectively assessed and was scored accordingly.

The final evaluation scores were as follows:

<b>Evaluation Area</b>	<b>Includes</b>	<b>Maximum score</b>	<b>Bidder A</b>	<b>Bidder B</b>
Technical	The design and capital proposals – including the planning risk	10%	8.3%	7.8%
Commercial	Financial and legal offer, including overall delivery and risk of the project	50%	42.7%	33.9%
Services	Includes the operational approach to the services, such as delivery of outcomes, customer care, programming, maintenance, etc	40%	29.7%	30.9%
<b>Total Score</b>		100%	<b>80.6%</b>	<b>72.6%</b>

Bidder A received the highest overall percentage score and therefore this is the company that the Project Board are proposing be invited to become the Council's Preferred Bidder. The minor percentage difference within the services category is not significant – of the 21 sub sections within this category 19 areas exceed the council's requirements and are rated as very good with just 2 are deemed to be acceptable, achieving satisfactory minimal standards with no major concerns.

**7. KEY BENEFITS**

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

## Strategic

- Supports the economic sustainability and vitality of Hinckley Town Centre by increasing footfall, especially on Castle street and Upper Castle Street. Potential secondary spend modelling estimates this could be worth circa £4m to the local economy.
- 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
- Will contribute to improving residents' health and wellbeing
- Flexible facility design will encourage increase in participation amongst target groups such as schools and clubs.
- The new opportunities presented at the facility will inspire and motivate the next generation of athletes to achieve sporting excellence.
- The new facility will be significantly greener and more environmentally friendly than the old Leisure centre.
- Via a sensitive design, the facility will complement and increase the Argents Mead open space.
- Accessibility enhanced resulting from Crescent bus station development.

## Financial

- Project is deliverable within the Council's affordability.
- Will provide HBBC with a significant index linked revenue management fee from the Leisure Operator for the 20 year contract.
- Pricing structure has been protected ensuring entry fees do not present a barrier to participation.
- Provides cost certainty for the period of the contract.
- Provides the Council with ownership of a new facility on HBBC land.
- Overall the 'value for money' this projects achieves is excellent.
- Fees and charges levied by the operator will have to be approved by the council, in keeping with current operational procedures

## Facilities

The new Leisure Centre will include a minimum of the facilities listed below:

Summary of new facilities
Main Pool 8 lane, 25 metre pool + 100 seats
Large Learner pool
Separate wet play area for young families
Sports Hall with 8 badminton courts
Health and Fitness gym 120+ stations
Dance Studios/ Multi Purpose Rooms x 2
Catering Area
Family Climbing Wall
DDA compliant with changing place toilet
Village style Changing Rooms
Integrated partnership accommodation
Car Parking
Complementary landscaping, Grassed play area, suitable for school use

## Management contract

The current leisure centre management contract expires 31<sup>st</sup> March 2015. Bidder A will undertake the operational management of the existing Hinckley Leisure Centre as from 1<sup>st</sup> April 2015. Any costs associated with this are contained within Bidder A's tender submission.

## 8. CONSTRUCTION/CONTRACT TIMETABLE

The table below captures the key elements with regards to the signing of the contract and construction of the new facility.

When	Action
January 2014	Award of contract offer inc. 10 day stand still period
February 2014	Demolition of former council Offices begins
February 2014	Planning application submitted
May 2014	Planning determination
May 2014	Close of contract – formal signing
Early Summer 2014	Building works commence on site at Argents Mead
31 <sup>st</sup> March 2015	Existing Leisure Centre Management contract ends
1 <sup>st</sup> April 2015	Preferred Bidder to manage existing facility until completion
Summer 2015	Building works complete

## 9. FINANCIAL IMPLICATIONS (KP)

- 9.1 The proposed capital programme for 2014-15 onwards currently includes expenditure of up to £12,200,000 to fund the Leisure Centre scheme. This will need to be increased to reflect the preferred bidders proposal of £13.55million upon agreement of the contract. The profile of this cost and the financing arrangements are detailed below.

	TOTAL COST	ESTIMATE 2013-2014	ESTIMATE 2014-2015	ESTIMATE 2015-2016
	£	£	£	£
<b>Expenditure</b>	<b>13,550,000</b>	<b>50,000</b>	<b>6,750,000</b>	<b>6,750,000</b>
<b>Financed by</b>				
Leisure Centre Reserve	2,660,000	50,000	2,610,000	0
Capital Receipts (depot site)	2,000,000	0	2,000,000	0
Leisure Centre Temporary Financing	3,400,000	0	0	3,400,000
Leisure Centre Borrowing	5,490,000	0	2,140,000	3,350,000
<b>Total financing</b>	<b>13,550,000</b>	<b>50,000</b>	<b>6,750,000</b>	<b>6,750,000</b>

- 9.2 In order to ensure that the enhanced scheme could be funded, an increased debt "Authorisation Limit" was approved by Council in July 2013 to fund elements of the

scheme that could not be met by internal resource. This was based on a forecast capital outlay of £12.2million and therefore will require the Authorised Limit to be increased to ensure approval for funding of the entire scheme. Based on the current Treasury Management forecasts included in the Capital Programme, it is therefore recommended that the Authorised Limit in 2014/2015 is increased to £97.4million as calculated below:

Authorised limit £m	ESTIMATE	ESTIMATE	ESTIMATE	ESTIMATE
	2013-2014	2014-2015	2015-2016	2016-2017
<i>Debt</i>				
HRA (Debt Cap)	72.0	72.0	72.0	72.0
General Fund	15.5	16.6	27.1	23.5
Bus Station Loan	7.0	7.0	0.0	0.0
Other long term liabilities	0.4	0.4	0.4	0.4
<b>Total</b>	94.9	96.0	99.5	95.9
Additional Leisure Centre	0	1.35	0	
<b>Total Proposed Limit</b>	94.9	97.4	99.5	95.9

\* Note: The current Debt limits include the £4million increase in limit approved by Council in July 2013

- 9.3 The scheme proposed by the preferred bidder meets the following affordability requirements set out in the tender specification:
- A capital cost that can be met by internal resource and prudential borrowing
  - Delivery and commitment to an income stream to the Council after proving for any costs of borrowing
  - Centre management contract costs as from 1<sup>st</sup> April 2015 are included

- 9.4 Bidder A provides the best offer to the Council and are prepared to pay the Council £902,000 per annum (on average) over the life of the contract, which after the cost of financing would be reduced to an income of £485,000 to the Council.

The total net income from Bidder A for the term of the 20 year contract would be £18,040,000.

- 9.5 Bidder B would pay £540,000 per annum which after cost of capital repayments comes down to an income of £282,000 per annum.

The total net income from Bidder B for the term of the 20 year contract would be £10,800,000.

- 9.6 In the first year, 2015/16, there will be a revenue cost to the Council during construction and pre- opening of the Leisure Centre as the debt of up to £6m will need to be funded without any management charge income to offset against this cost. This cost will be temporarily funded from General Fund Balances with a view to replenishing the balance in the following 2016/17 year.

## 10. LEGAL IMPLICATIONS (AB)

- 10.1 The Local Government Miscellaneous Provisions Act 1976 gives the Council power to provide such recreational facilities as it sees fit including the provision of sports centres.

10.2 The Council will now enter into a Design Build Operate and Maintain contract with the Bidder. The contract has been drafted on the Council's behalf by Freeth Cartwright solicitors who will continue to act until the contract is signed and completed.

10.3 On completion of the contract the Argent's Mead site will be leased to the successful bidder to allow them to build and operate the leisure centre.

11. CORPORATE PLAN

This project will assist the Council in achieving the following key priorities:

- Improve health and wellbeing and Sustain economic growth
- Reduce our impact on the environment
- Identify and plan to meet the needs of the ageing population
- Give children and young people the best start in life
- Accessible services for all and To value partnerships

12. CONSULTATION

Extensive consultation primarily focused on existing users has been undertaken. This information helped to shape the final tender submissions received from the bidders.

13. RISK IMPLICATIONS

In keeping with the Council's Project Management Policy, a Risk Register on this project is available to view upon request. The table below captures high level risks:

<b>Management of significant (Net Red) Risks</b>		
<b>Risk Description</b>	<b>Mitigating actions</b>	<b>Owner</b>
Securing planning permission	Close liaison with bidder and Planning authority and external key stakeholders i.e. LCC Highways, Sport England and English Heritage	HBBC
Delivery of the facility within time and budget and reliance on external partners	Develop robust performance management during the construction phases. Ensure sound financial systems and processes are in situ.	HBBC/Contractor
Continuity of service to the existing customers of Hinckley Leisure Centre in an ageing facility	Ensure preventative and reactive maintenance and operating schedules are adhered to.	HBBC/Contractor
Ensuring cost certainty and quality of works	Joint appointment of a Independent Certifying Officer and Clerk of Works	HBBC/Contractor

14. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

The new facility will serve the residents of the Borough. It will have enhanced user friendly disabled facilities which will increase participation.

15. CORPORATE IMPLICATIONS

Numerous internal Teams have been fully engaged in the procurement process.

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Background Papers:	Council report 13/11/12
Contact Officer:	Simon D. Jones, Cultural Services Manager
Executive Leads:	Councillor Stuart Bray, Leader of the Council Councillor David Cope, Leisure & Culture

**Appendix 1**

## **HINCKLEY AND BOSWORTH BOROUGH COUNCIL**

### **ISFT EVALUATION**

### **LEISURE MANAGEMENT CONTRACT**

**JANUARY 2014**



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## **SECTION 1 – INTRODUCTION**

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### **Introduction**

- 1.1 In December 2012, Hinckley & Bosworth Borough Councils and Oadby & Wigston Borough Councils (the Councils) invited Expressions of Interest, through the competitive dialogue process, for Partner(s) to further develop and enhance Leisure Facilities in both Boroughs through the Leisure Management Contract. A notice was posted to the Official Journal of the European Union (OJEU) in December 2012. Applicants were asked to return Expressions of Interest, including completion of the Pre-Qualification Questionnaire (PQQ), to the Councils.
- 1.2 The PQQ evaluation was undertaken and five bidders were shortlisted and received an Invitation to Submit Detailed Solutions (ISDS) and to participate in further dialogue.
- 1.3 Four bids were received by the deadline with one bidder declining to bid because of a lack of resourcing. The ISDS evaluation undertaken shortlisted three bidders to go forward to the Invitation to Submit Final Tender (ISFT) stage.
- 1.4 Two bids were received by the deadline with one bidder declining to bid due to resourcing and competing priorities.
- 1.5 The ISFT stage asked bidders to provide responses to design, build and operate a new Leisure Centre on the Argents Mead site to meet the Council's facility mix requirements which includes a 8 lane, 25 metre pool and 8 court sports hall, together with ancillary facilities (including commercial development).

### **Purpose of this report**

- 1.6 This report provides a summary of the ISFT responses and scoring of those applicants submitting. Its purpose is to inform the Councils of the outcome of the evaluation and make recommendations on Applicants that should move forward to the next stage of the procurement process, to appoint a preferred bidder.
- 1.7 The report also identifies the various areas and issues which will be resolved at preferred bidder stage prior to contract close and finalisation.

## SECTION 2 – EVALUATION PROCESS OVERVIEW

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### Introduction

- 2.1 The purpose of this stage of the evaluation process is to evaluate the bids received against the evaluation criteria to test both financial proposals and the technical, services and innovation presented by each bidder. This will lead to the appointment of a preferred bidder.
- 2.2 ISFT Bids were received on 3 December 2013 and each evaluation team undertook an evaluation of the bids in accordance with the areas identified in the evaluation matrix, as set out later in this section. The evaluation teams were
1. Services Team
  2. Technical Team
  3. Financial Team
  4. Legal Team
- 2.3 The financial and legal evaluation combines to deliver the overall commercial evaluation score.

### Evaluation Criteria and Weightings

- 2.4 The evaluation matrix that was developed during the preparation for the ISDS documentation has been maintained during the ISFT phase and is summarised in Table 2.1 below.

**Table 2.1 - Evaluation Matrix**

<b>Evaluation Area</b>	<b>Maximum score</b>	<b>Description</b>
Technical	10%	The design and capital proposals – including the planning risk
Commercial	50%	Financial and legal offer, including overall delivery and risk of the project
Services	40%	Includes the operational approach to the services, such as delivery of outcomes, customer care, programming, maintenance, etc
<b>Total Percentage Score</b>	<b>100%</b>	

- 2.5 Each of the areas presented above was split into more detailed evaluation areas and each of the bidders were scored out of 10 in accordance with the following table for the tier 3 weightings and then these scores were weighted and combined to give an overall percentage score for the bidder.

<b>Score</b>	<b>Rating</b>	<b>Criteria for Awarding Score</b>
0	Unacceptable	Does not meet any of the Councils' requirements.

## SECTION 2 – EVALUATION PROCESS OVERVIEW

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Score	Rating	Criteria for Awarding Score
1-2	Very Weak	Insufficient information provided / unsatisfactory.
3-4	Poor	Fails to meet the minimum standard, some major concerns
5-6	Acceptable	Satisfactorily achieves the minimum standard, acceptable, no major concerns
7-8	Very Good	Exceeds the requirements, good, full and robust response, gives confidence and will bring added value/benefit to the Councils
9-10	Excellent	Considerably exceeds requirements, outstanding, and will bring significant added value/benefit to the Councils, shows innovation and the Councils have full confidence in response.

2.6 There were two areas where the pass mark for evaluation was 5 out of 10 and any responses scoring less than this would be considered not to have met the requirements. These areas were

- Health and Safety
- Staffing

2.7 Following initial scorings a number of clarification questions were asked of the bidders, following which the scores were refined and final scores are presented in this report.

## SECTION 3 – EVALUATION SUMMARY AND RECOMMENDATIONS

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### Introduction

- 3.1 In this section we present the outcomes of the ISFT evaluation with the scores and their overall percentage score.

### Evaluation scores

- 3.2 Table 3.1 below summarises the scores for each bidder against the tier 1 evaluation criteria weightings.

**Table 3.1 – Evaluation Weighted Scores Summary**

<b>Evaluation Area</b>	<b>Maximum score</b>	<b>Bidder A</b>	<b>Bidder B</b>
Technical	10%	8.3%	7.8%
Commercial	50%	42.7%	33.9%
Services	40%	29.7%	30.9%
<b>Total Percentage Score</b>	<b>100%</b>	<b>80.6%</b>	<b>72.6%</b>

- 3.3 The commercial evaluation includes the legal evaluation.
- 3.4 The scores presented above reflect the overall evaluation, with Bidder A scoring the highest of the two bidders. We summarise and compare a number of the key issues for each of the bidders in the table overleaf

## SECTION 3 – EVALUATION SUMMARY AND RECOMMENDATIONS

**Table 3.2 – Comparison of Bids**

Issues	Bidder A	Bidder B
Facility Mix Proposals	<p>Both bidders have presented proposals which deliver the specification required by the Council to include</p> <ul style="list-style-type: none"> <li>• 8 lane 25 metre Pool and learner pool</li> <li>• 8 Court Sports Hall</li> <li>• Fitness Suite and Studios (both bidders have presented larger spaces)</li> <li>• Partner accommodation space</li> <li>• Café and ancillary facilities (changing, reception, plant, etc)</li> </ul> <p>In addition each bidder has presented additional facilities over and above the Councils requirement to include:</p>	
	<ul style="list-style-type: none"> <li>• Family Climbing Wall</li> <li>• Larger Learner Pool with moveable floor</li> <li>• Separate splash/water familiarisation and fun zone in pool hall</li> <li>• Glazed Group Cycling studio</li> <li>• Health Suite (Sauna and steam rooms)</li> <li>• Moveable wall between studios</li> </ul>	<ul style="list-style-type: none"> <li>• Climbing Wall</li> <li>• Flowrider – indoor surfing machine</li> <li>• Trim Trail for park</li> <li>• Group Cycling Studio</li> </ul>
Design Principles	<p>Both bidders have presented proposals which develop the buildings within the constraints of the covenants and enhancing the green space on the park. This includes providing the playing space for the school.</p> <p>Neither facility provides any issues from a planning point of view.</p>	
Capital Cost	£13.55 million	£11.1 million
Opening of New Facility	Summer 2015 (construction starts June 2014)	July 2015 (construction starts April 2014)
Service Delivery	<p>Both bidders have presented good proposals and plans to deliver the Council's specification and outcomes through their sports development plans and quality delivery.</p>	
Price Proposals	<p>Bidder A have met the terms of the specification and also included a reduced gym only membership offer to reduce the price for customers</p>	<p>Bidder B have proposed prices in line with the existing prices and in accordance with the specification</p>
Legal Mark Up	<p>Bidder A have presented a mark up which is based on Sport England documentation and there are no major issues in respect of delivering the contract.</p>	<p>Bidder B have presented a mark up which is likely to need further work to get to contract close, however there are no major issues.</p>

## SECTION 3 – EVALUATION SUMMARY AND RECOMMENDATIONS

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- 3.5 In addition to these issues we have analysed the financial proposals and present in the table below the financial proposals compared.

**Table 3.3 – Financial Comparison**

£'000's	Bidder A	Bidder B
<b>Net Management Fee (to)/from the Council</b>	<b>(902)</b>	<b>(540)</b>
Capital Repayments (prudential borrowing)	417	258
<b>Net Cost/(Income) to the Council</b>	<b>(485)</b>	<b>(282)</b>

Note: the capital repayments are based on the borrowings the Council will make above the £7.1 million they are providing

- 3.6 As can be seen from the table above Bidder A provide the best offer to the Council and are prepared to pay the Council £902,000 per annum (on average) over the life of the contract, which after the cost of financing would be reduced to an income of £485,000 to the Council.
- 3.7 Bidder B would pay £540,000 per annum which after cost of capital repayments comes down to an income of £282,000 per annum.
- 3.8 It should be noted that these figures are an average management fee and the Council will be receiving a profiled management fee. These figures are fixed for the life of the contract and subject to indexation, thus the risk of achieving the income and expenditure projections set out above lies with the contractor.
- 3.9 Both bidders have presented examples of how these projections can be delivered and can illustrate where they have achieved similar levels of income and delivered similar increases.

### Summary and Recommendation

- 3.10 Based on the scores and evaluation presented **above it is recommended Bidder A are appointed as preferred bidder**, with Bidder B appointed as reserve bidder in case the contract with Bidder A cannot be finalised.
- 3.11 Both bidders have presented schemes which meet the Council's specification and indeed deliver enhanced facilities however Bidder A's financial offer is circa £200,000 per annum better than Bidder B. Both bidders have presented construction programmes of 15 months but Bidder A have assumed a later start date (which may be more realistic) to allow for planning and contract close.
- 3.12 We discuss in the next section the way forward and the approach to finalising the contract.

## Next Steps

- 4.1 Within this section we set out the various areas and issues for the next stage of the project including the approach to finalising the contract and reaching contract close (when the contract will be signed).
- 4.2 The next stage of the project at preferred bidder is to undertake two parallel work streams which are
  - Planning Approval
  - Contract Close – finalising the contract ready for signing
- 4.3 Bidder A have presented a programme which seeks to deliver both of these work streams by May 2014, allowing construction to commence in early Summer 2015 and the new facility to be open for Summer 2015.
- 4.4 This is a realistic timescale and it is anticipated that the planning application will be submitted by the end of February 2014, which Bidder A will prepare and submit.
- 4.5 As planning is being submitted the negotiations will be undertaken to finalise the contract and the precursor to this will be the appointment of preferred bidder, with a number of conditions which reflect the discussions and clarifications the evaluation team have had with the bidders.
- 4.6 A key part of this will be the response on the legal mark up from Bidder A. Once the preferred bidder letter has been issued then contract negotiations will commence.

## Key Milestones

- 4.7 We set out in the table below the key milestones and timescales for the next stage of the project.

**Table 4.1 – Key Milestones**

Task	Date
Council Decision	21 Jan 2014
Preferred Bidder Letter Issued (after stand still period)	31 Jan 2014
Planning Application Submitted	February 2014
Planning Approval	May 2014
Contract Signed	May 2014
Construction Commences	Early Summer 2014
New Centre Opens	Summer 2015

- 4.8 If the negotiations on contract finalisation can be completed quicker then there is the potential (if planning approval is resolved earlier) that the construction could be brought forward.



**SCRUTINY COMMISSION – 16<sup>TH</sup> JANUARY 2014**

**DRAFT 2014/2015 GENERAL FUND BUDGET**  
**REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE**  
**DIRECTION)**



Hinckley & Bosworth  
Borough Council

*A Borough to be proud of*

**WARDS AFFECTED: ALL WARDS**

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1. **PURPOSE OF REPORT**

- 1.1 To review the draft 2014/2015 General Fund budget ahead of submission to Council on 20<sup>th</sup> February 2014.
- 1.2 The General Fund revenue budget has been prepared taking into account the capital and HRA budgets. The capital and HRA budgets are presented separately but should be read in conjunction with this report.
- 1.3 Members should note that this report has been prepared on the basis of the budget version as at 31<sup>st</sup> December and may be subject to changes (e.g. following finalisation of the Local Government Finance Settlement and budget adjustments) before final submission to Council.

2. **RECOMMENDATION**

2.1 That the following be noted:

- The General Fund service expenditure shown in Table 1
- The Special Expenses area expenditure shown in Table 2
- The total General Fund service expenditure for the Council shown in Table 3
- The proposed movement of General Fund Reserves and balances show in sections 3.16-20

3. **BACKGROUND TO THE REPORT**

- 3.1 The General Fund revenue budget for 2014/15 has been drawn up in accordance with the principles set out in the approved Budget Strategy and in accordance with the Medium Term Financial Strategy (MTFS). The key objectives of the budget can be summarised as follows:-
  - i) To align expenditure on services to the Council's Corporate Plan.
  - ii) To provide for reductions in grant funding for 2014/15 and future years
  - iii) To encourage identification of savings and income generation opportunities across the Council.
  - iv) To maintain acceptable and viable levels of General Fund balances and reserves to make provisions for known future funding and expenditure pressures.
  - v) To maintain an acceptable and viable level of balances in the Special Expenses Area.
  - vi) To keep the overall increase in average Band D Council Tax (including Special Expense Areas) to 0%.

**Budget Summary**

- 3.2 The original budget for 2013/2014 , revised budget for 2013/2014 (based on November outturn) and the proposed budget for 2014/2015 are set out in Table 1 below.

Table 1 - General Fund Revenue Budget (excluding Special Expenses Area)

	<b>Original Estimate</b>	<b>Revised</b>	<b>Original</b>
	<b>2013/14</b>	<b>Estimate</b>	<b>Estimate</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Central Services	3,150,770	2,506,293	2,950,251
Leisure and Environment	6,649,840	6,585,537	6,578,531
Housing (General Fund)	1,326,246	1,852,051	986,276
Planning	1,438,555	1,859,014	1,825,230
Direct Service Organisations	-10,300	2,899	-115,500
Further Savings in Year	0	-439,263	0
<b>Total service expenditure</b>	<b>12,555,111</b>	<b>12,366,531</b>	<b>12,224,788</b>
<i>Less:</i>			
<i>Special Expenses Area</i>	<i>-614,430</i>	<i>-624,723</i>	<i>-602,050</i>
<i>Capital Accounting Adjustment</i>	<i>-1,996,100</i>	<i>-1,996,100</i>	<i>-1,473,822</i>
<i>Net external interest (received)/paid</i>	<i>134,240</i>	<i>127,240</i>	<i>2,490</i>
<i>IAS19 Adjustment</i>	<i>-141,350</i>	<i>-141,350</i>	<i>-131,880</i>
<i>Revenue Contributions to Capital</i>	<i>0</i>	<i>118,800</i>	<i>0</i>
<i>Carry forwards</i>	<i>0</i>	<i>-139,439</i>	
<i>Transfer to reserves</i>	<i>396,840</i>	<i>2,474,056</i>	<i>280,500</i>
<i>Transfer from reserves</i>	<i>-267,362</i>	<i>-1,300,178</i>	<i>-452,730</i>
<i>Transfer from unapplied grants</i>	<i>0</i>	<i>-620,568</i>	<i>0</i>
<i>Transfer to/(from) pensions reserves</i>	<i>115,510</i>	<i>115,510</i>	<i>25,260</i>
<i>Transfer to/(from) balances</i>	<i>-166,209</i>	<i>-363,529</i>	<i>-227,821</i>
<b>HBBC Budget Requirement</b>	<b>10,016,250</b>	<b>10,016,250</b>	<b>9,644,735</b>

Special Expense Area

- 3.3 This represents the cost of parks, cemeteries and poop scoop schemes in the non-parished area of Hinckley. Whilst the cost will only fall on the residents of this area, the net expenditure is built into the service totals of Table 1 and must be included in the Council's overall budget requirement for Council Tax purposes.
- 3.4 The proposed budgets for the Special Expenses area have been compiled in accordance with the approved Budget Strategy and the overall objective of freezing Council Tax. A separate report will be presented to the Hinckley Area Committee on 22<sup>nd</sup> January 2014 detailing the recommendations contained in this report.

Table 2 - Special Expenses Budget

	<b>Original Estimate</b>	<b>Revised</b>	<b>Original</b>
		<b>Estimate</b>	<b>Estimate</b>
	<b>2013/14</b>	<b>2013/14</b>	<b>2014/15</b>

	£	£	£
Expenditure	614,430	624,723	602,050
<i>Transfer to/(from) balances</i>	9,000	-136,000	9,000
<i>Transfer to/(from) reserves</i>	31,804	157,511	78,944
<b>Net Expenditure</b>	<b>655,234</b>	<b>646,234</b>	<b>689,994</b>
<i>New Homes Bonus</i>	-92,223	-92,223	-127,343
<b>Budget Requirement</b>	<b>563,011</b>	<b>554,011</b>	<b>562,651</b>

3.5 Balances in the Special Expenses Area (SEA) at 31<sup>st</sup> March 2015 are estimated as follows:

	£
Balance at 1 <sup>st</sup> April 2013	183,000
Transfer from Balances 2013/14	<u>-136,000</u>
Estimated Balance at 31 <sup>st</sup> March 2014	<u>47,000</u>
Transfer to Balances 2014/15	<u>9,000</u>
Estimated Balance at 31 March 2015	<u><u>56,000</u></u>

3.6 It should be noted that the transfer from balances in 2013/14 was due to a transfer to reserves approved by Council in September 2013. This has therefore not reduced the net resources available to the SEA.

#### Total Council Budget for 2014/15

3.7 The total overall draft budget for 2014/15 in the direct control of the Council is therefore:

Table 3 - Total Council Budget 2014/15

	<b>Original Estimate 2013/14</b>	<b>Revised Estimate 2013/14</b>	<b>Original Estimate 2014/15</b>
	£	£	£
HBBC Budget Requirement (Table 1)	10,016,250	10,016,250	9,644,735
Special Expenses Budget Requirement (Table 2)	563,011	554,011	562,651
<b>Total Council Controlled Budget Requirement</b>	<b>10,579,261</b>	<b>10,570,261</b>	<b>10,207,386</b>

#### Revised Original Budget 2013/14

3.8 As part of setting the budget for 2014/15, a formal revised budget for 2013/14 has not been prepared. The original budget for 2013/14 has, in accordance with the Council's Financial Procedures, been revised during the year to take account of approved supplementary budgets and virements. Table 1 however identifies that additional saving of £439,263 (net) have been identified to November 2013. The key movements have been detailed below:

	<b>Saving (Over Spend)</b>
	<b>£</b>
Additional legal costs forecast to be recovered in (Revenues and Benefits and corporately) following changes in recovery methodology	74,000
Reduced levels of income forecast in Grounds Maintenance due to staff sickness and agency costs	-26,000
Reduction in benefit subsidy income forecast based on in year processing. (NOTE this amount fluctuates in year)	-39,000
Recycling savings forecast following a detailed service review. These include fuel savings of £25,000, £15,000 reduction in agency spend, £16,000 savings in disposal and collection fees and £15,000 savings on recycling improvements due to cancellation of new service initiatives.	87,500
Refuse fuel savings	16,000
Street cleansing - £30,000 increase in income from work performed on void properties and £18,000 savings on fuel and vehicle costs	48,000
Additional income from waste business improvements	12,000
Additional building control income	16,000
Surplus car parking income from pay and display and season tickets	40,000
Reduced levels of development control income	-13,000
Increased levels of rental payments	11,000
Reductions in asset management charges on the Leisure centre	22,000
Loss in rental income from Florence House following closure	-22,000
Additional costs for Middlefield Lane depot due to delays in demolition	-14,000
Additional shared services income for ICT provision	22,000
Savings in postage costs following move to the Hub	10,000
Salary Savings	164,000
Other minor savings (cumulative)	30,500
	<b>439,000</b>

It should be noted that the salary savings arise from managing vacancies and not from any reductions in the year in the Council's establishment.

### **Original Budget 2014/15 – assumptions and process**

- 3.9 The 2014/15 General Fund revenue budget has been prepared following a robust budget process outlined in the 2014/15 Budget Strategy (the Strategy).
- 3.10 The budget has been created with clear links to the Councils strategic and service objectives. Clarity of priorities has enabled cross-party members through the Scrutiny and Executive functions to prioritise the projects included in the Capital Programme. Although the Capital Programme is the subject of a separate report, it is important to note that there are links between capital and revenue (e.g. interest from capital receipts, interest on borrowing, staffing costs etc).
- 3.11 In order to drive efficiency savings within the cost of supplies and services, a rate of 0% has been applied to non-contract related expenditure. As the Retail Price Index (RPI) has stood around 3% in year, the application of 0% represents an effective saving on running costs. For contracts, an inflation rate of 3.2% has been used, unless otherwise specified within the terms of the specific contract.

- 3.12 The salaries and wages budget is the most significant element of the revenue budget. For pay costs, the 2014/15 estimates include a 1% increase for all employees to reflect anticipated pay awards. The Council operates a disciplined process of challenging recruitment and filling of posts and therefore a salary saving rate of 5% (£451,687 – General Fund and HRA) has been applied to posts to reflect the savings which will result from this challenge. This rate has been increased from 4% used in 2013/2014.
- 3.13 Service Growths totaling £288,396 endorsed by the Strategic Leadership Board have been included in the draft budget. Of this amount:
- £25,100 relate to changes required to support welfare reform
  - £57,400 have been included to reflect the cost of new Government requirements including the revised Local Plan
  - £76,016 reflect reductions in grant funding
- 3.14 In comparison, service managers and the Corporate Operations Board (COB) have identified £324,400 savings through review of income streams and expenditure levels. A further £96,000 has been identified through rationalisation and removal of “corporate” budgets such as subsistence, travel and printing. The base budget has therefore been reduced by this value for all future years.
- 3.15 The Leicestershire Pension Fund was re-valued as at 31 March 2013 in accordance with statutory requirements and was found to be in actuarial deficit i.e the assets of the fund were less than those required to meet the long term liabilities in terms of benefits due to members. Whilst action is needed to remedy this position the timescales involved mean that there is sufficient time to recover the position in a phased manner over a number of years and valuations. An employers contribution rate of 19.5% (an increase of 1% from previous year) has been included for 2014/15 with an additional 1.6% being included for ill health retirement insurance. These rates have been confirmed with the Pension Scheme provider.

### **Original Budget 2014/15 – key issues and considerations**

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

### **Current Financial Position including Working Balances/Level of Reserves**

- 3.17 The Council has the following policies relating to levels of balances and reserves:
- Maintain general balances (non earmarked) at a minimum of 10% of Hinckley & Bosworth Borough Council’s budget requirement. Based on the forecast position for 2013/14 this would determine a need for £1,001,626 of General Fund balances and £964,474 based on the 2014/15 budget. The same discipline is also applied to the Special Expense Area.
  - Where possible, all actual service under-spends and excess balances should be transferred to earmarked reserves to plan for specific future costs or financial risks.
  - There should be no direct contribution from revenue to capital except for specific identified projects.
  - Any notional profit earned by the Direct Service Organisations will be transferred to General Fund balances.
- 3.18 The projected movement of the General Fund Balances is detailed below and indicates that sufficient balances are forecast as at 31<sup>st</sup> March 2015. It should be noted that the transfer from balances for 2013/14 includes £704,000 of excess

balances that were moved to reserves (General Fund and Special Expenses) and does not represent over spends.

Table 4

	<b>Total</b>	<b>General Fund</b>	<b>Special Expenses</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balances at 1 April 2013	1,767	1,584	183
Amount Taken to /(from) Balances 2013/14	-500	-364	-136
<b>Balances at 31 March 2014</b>	<b>1,267</b>	<b>1,220</b>	<b>47</b>
Amount Taken to/(from)Balances 2014/15	-219	-228	9
<b>Balances at 31 March 2015</b>	<b>1,049</b>	<b>993</b>	<b>56</b>
Net Budget Requirement	10,207	9,645	563
Minimum Balance requirement	1,021	964	56
Balance surplus /(requirement)	28	28	0

- 3.19 Appendix A provides a summary of earmarked General Fund reserves together with estimated movements during 2013/14 and 2014/15. Based on these calculations, it is estimated that the Council will hold £6,132,627 in earmarked reserves as at 31<sup>st</sup> March 2014 and £3,267,397 at 31<sup>st</sup> March 2014. A full review of the earmarked reserves position will be performed in April 2013 as part of the outturn reporting process Significant **revenue** uses of reserves are detailed below. Use of reserves for capital purposes are detailed in the Capital Programme:

<b>Reserve</b>	<b>Transfer £'000</b>	<b>Use</b>
<i>2013/14</i>		
Planning and Delivery Grant	45	Legal fees for Barwell SUE
Land Charges	45	Planning costs associated with Sketchely Brook and Good Friday
Local Plan	221	Cost of documents required for the Local Plan (including carry forwards)
Communication and Feasibility	41	Release to offset additional interest and MRP costs
Hub Future Rental	85	To offset any loss in rental income incurred as a result of delays in tenancies commencing at the Hinckley Hub
Troubled Families	30	Annual contribution towards the Leicestershire Troubled Families scheme
<i>2014/15</i>		
Local Plan	376	Cost of documents required for the Local Plan
Troubled Families	30	Annual contribution towards the Leicestershire Troubled Families scheme

- 3.20 In addition to this the following transfers have been proposed to reserves in 2014/15:

<b>Reserve</b>	<b>Transfer £'000</b>	<b>Use</b>

Waste management	26	This reserve is used to ensure that sufficient funding is available to fund a new waste round once the SUE schemes are developed. This transfer relates to the re-investment of savings identified in this service area in 2013/14
Enforcement	34	Currently enforcement budgets are held for small amounts within individual cost centres. These are frequently under spent though occasionally large calls are made to carry out significant enforcement work. It is therefore proposed to remove individual enforcement budgets and create a corporate reserve that can be called upon should significant cases arise.
Local Plan	152	Following the changes announced by Government in relation to the Council's Local Plan requirements, further funding will be required to fund production of the required documents in the medium term. The Council's current Local Plan Reserve will be depleted by the 2014/2015 and therefore it is recommended that further contributions are made to fund these requirements going forward
Elections	25	Ongoing contribution to fund the cost of the forthcoming local election
Pensions	28	Following the deferral of pensions "opt in" for the Council to 2017, the cost of the additional pension contributions under this scheme have been placed in a reserve to plan for when the costs arise. This is in addition to the required transfer under accounting standards which is presented separately on the face of the budget.
City Deals	17	The cost associated with participation in the Coventry and Warwickshire City Deal

### Local Government Finance Settlement

3.21 The Council's budgets are highly sensitive to changes in the finance settlement and the ongoing impact of the 2010 Spending Review. The funding for this Council announced in the draft 2014/2015 settlement, along with additional elements of financing is as follows:

	2013/2014	2014/2015	Mvt	Mvt
	£	£	£	%
Revenue Support Grant	2,992,354	1,948,620	-1,043,734	-29.51%
Council Tax Support Grant	544,764	544,764		
NNDR Baseline	1,990,732	2,251,383	260,651	13.09%
2.0% Rates Cap Grant	0	2,457	2,457	n/a
Council Tax Freeze Grant 2011/12	104,914	104,445	-469	-0.45%
Council Tax Freeze Grant 2013/2014	42,597	42,281	-316	-0.74%
<b>Core funding</b>	<b>5,675,361</b>	<b>4,893,950</b>	<b>-781,411</b>	<b>-13.77%</b>
New Homes Bonus (inc adjust)	1,042,501	1,402,075	359,574	34.49%
Collection Fund Surplus	2,066	16,807	14,741	713.50%

Council Tax	3,296,332	3,331,904	35,572	1.08%
<b>Total Financing</b>	<b>10,016,260</b>	<b>9,644,735</b>	<b>-371,525</b>	<b>-3.71%</b>

3.22 The following points should be noted:

- The reduction in core funding for the Council is 13.77%. The Councils Medium Term Financial Strategy included projects of £4,898,329 for the forthcoming year and therefore this outcome has been adequately planned for.
- The settlement for 2014/2015 does not separately identify the Council Tax Support Grant. However, the consultation on the document advised Authorities to assume that a similar level had been included for this purpose. Of the £544,764 allocated through Council Tax Support Grant, £143,000 will be allocated to parish councils as in 2013/2014. This is not a mandatory requirement and many Councils have passported any element of the grant in either years.
- The Council Tax Freeze Grants will be confirmed following approval of the Council Tax for 2014/2015
- Following the draft settlement, the Council has been awarded £7,969 in “New Homes Bonus Adjustment” funding. This represents the element of funding that has been removed from the Business Rates retention process and therefore has been “refunded” through New Homes Bonus. This allocation is for one year only
- At an overall financing level, the Council’s funding is moderately comparable to prior year. This position has been achieved in part by the level of New Homes Bonus allocated in year. 25% of this core funding will be transferred to parish councils

#### Outcomes of decisions on pooling of Business Rate

3.23 The Local Government Finance Bill allows local authorities to form pools for the purposes of business rate retention. Practically, pooling means that any levy payments on growth are made into a local pool rather than paid to Central Government. Correspondingly, losses will be funded from the pool. Under pooling, these net thresholds are set at a pool level (i.e. the total of all individual thresholds)

3.24 In 2013/2104, ten Leicestershire local authorities including all the District and Borough Councils, the City and County and Fire Authority participated in a Leicester and Leicestershire business rates pool. Based on current forecasts for business rates and uncertainties around appeal results, it is expected that the pool will be disbanded in 2014/2015. Any levy payments due will therefore be paid directly to Central Government. The forecast business rates for 2014/2015 will be approved by Executive in January 2014 based on the completed NNDR1 form. At the time of writing this report this form had not been issued by Government. A verbal update on forecasts will be given at this meeting.

#### Implementation of a Local Council Tax Scheme (LCTS)

3.25 From 2013/14, Council Tax Benefit for non pensioners was removed and instead, all individuals were required to pay an element of council tax based on an agreed local scheme. From a budget perspective this resulted in the removal of council tax subsidy and also Council Tax Benefit payments from the Collection Fund.

3.26 From a financing point of view, the introduction of the 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. The council tax base for this Council for 2013/14 was impacted by -3,532.7 and Council Tax of £318,617 as a result of the introduction of a 8.5% capped scheme. For 2014/2015, this Council has agreed to increase this cap to 12%, meaning that individuals will be required to pay 3.5% more than in previous year. The impact of this (along with other changes relating to new homes) has meant that the proposed



council tax base for this Council has increased by 1,367 Band D equivalents which in turn will generate £35,572 of council tax income.

### New Homes Bonus

- 3.27 New Homes Bonus was introduced in February 2011 and was designed to encourage housing growth by providing financial incentive for Councils and local people to accept new housing. The first awards were made in April 2011. For each additional new home built local authorities will receive six years of grant based on the council tax. This will increase in amount each year as more new housing comes on stream. The scheme applies to new housing and empty properties brought back into use.
- 3.28 Based on the number of new properties brought into council tax from October 2012 to October 2013 this Council has been allocated £1,394,105 in New Homes Bonus for 2014/2015. This includes the element of funding from previous allocations. As agreed in December 2011, 25% of this funding (£348,526) will be pass ported to parishes and have been reflected in service expenditure in the 2014/2015 budget. An additional amount of New Homes Bonus adjustment has also been received as discussed in 3.22.
- 3.29 It should be noted that there continues to be considerable uncertainty over New Homes Bonus. Whilst the government has withdrawn proposals to “top slice” elements of the funding from 2015/2016, alternative methods of allocation have not been ruled out. Withdrawal of any element of New Homes Bonus is a considerable risk to this Council and will be planned for in the next iteration of the MTFS.

### Income Reductions and Increases

- 3.30 A significant proportion of the Council's overall income comes from fees and charges levied on particular services provided by the Council. In the current climate, levels of income are extremely volatile and a number of movements have been taken into account in the 2014/2015 budget. These include:
- Development control income has been forecast at similar levels as previous year. The actual income for 2013/2014 has increased due to a number of large applications, however no such activity is currently forecast for 2014/2015 and therefore income has been prudently budgeted for.
  - An increased in overpayments income within Revenues and Benefits of £44,000 to reflect improved recovery seen in 2013/2014
  - £13,750 additional ICT income from extension of the contract to additional partners
  - £31,500 additional income for Street Cleansing for work that will be performed for housing colleagues
  - Recycling sales and credits have been budgeted at a comparable level pending the outcomes of decisions from the County Council on funding arrangements
  - The 2014/2015 Car Parking budgets take income account the loss of income from Brunel Road car park
  - Market income has been adversely affected in 2013/2014 due to a decrease in street sellers and adverse weather conditions. The 2014/2015 budget reflects a reduction in expenditure to manage this downturn
- 3.31 The 2014/2015 budget should be read in conjunction with the Council's Fees and Charges book for 2014/2015 which is be presented to Executive in January 2014. This document reflects the annual review of all Council income streams and any variations in charging regimes.

## Economic Outlook

- 3.32 In recent years the country has faced unprecedented levels of public sector borrowing which had reached a peak of 11.0% of Gross Domestic Product (GDP) in 2009/10. The Government continues to emphasise a need to reduce borrowing which consequently impacts the level of resources available to the sector.
- 3.33 The Base Rate is currently 0.5% and has been at this historically lower level since March 2009. This level has been assumed in the 2014/2015 budget to ensure that a prudent level of investment income is assumed. Net interest costs for the Council have been estimated at £2,490 and are based on a detailed cash flow and borrowing forecast which includes income that will be received for the loan to Tin Hat Partnership in year.

## Major Projects

- 3.34 Appropriate provision has been made in the budget for the revenue consequences of the Council's major projects including:
- The Hinckley Bus Station Redevelopment - "The Crescent"
  - Build of the new Hinckley Leisure Centre
  - Capital works associated with the Regional Growth Fund

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

## COUNCIL TAX

- 3.35 One of the directions of the Comprehensive Spending Review (CSR10) published in October 2010 was that Councils should seek to set a zero increase in council tax where possible for the years of the spending review. In 2013/2014, the Government announced a 1% Council Tax Freeze Grant for those Councils who achieve this objective. This is in addition to the previous 2.5% grants offered in previous years. No grant has currently been announced for 2014/2015.
- 3.36 In order to curb excessive increases in council tax, the Secretary of State for Communities and Local Government has announced that for 2014/2015 Councils setting council tax increases of over 2% would need to carry out a referendum. The estimated cost of carrying out a referendum for this Borough would be between £110,000 and £120,000. As this Council is in the lowest quartile of council tax in the Country it is permitted to introduce an increase of up to £5.00 to reflect the erosion of income in real terms that has been created by ongoing freezes.
- 3.37 The 2014/2015 budget has been based on a 0% increase in Council Tax. Anecdotally it has been communicated that a number of other District Councils and precepting bodies in Leicestershire will be increasing council tax for the forthcoming year.

## 4. FINANCIAL IMPLICATIONS [KP]

As contained in the report

## 5. LEGAL IMPLICATIONS [AB]

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

## 6. CORPORATE PLAN IMPLICATIONS

The budget will have an indirect impact on all other Corporate Plan targets.

7. **CONSULTATION**

The Council consulted on all budget priorities in the Budget Setting Survey conducted in August/September 2013.

All budget holders, Corporate Operations Board and the Strategic Leadership Board have been consulted throughout the budget setting process.

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 / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
That the Council has insufficient resources to meet its aspirations and cannot set a balanced budget	<p>A budget strategy is produced to ensure that the objectives of the budget exercise are known throughout the organisation.</p> <p>The budget is scrutinised on an ongoing basis to ensure that assumptions are robust and reflective of financial performance.</p> <p>Sufficient levels of reserves and balances are maintained to ensure financial resilience</p>	S. Kohli

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

The Budget sets out the Council's expenditure plans and takes into account rural and equality issues

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

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Contact Officer : Katherine Plummer, Head of Finance ext 5609

Executive Member : Councilor K.W.P. Lynch

Appendix A - Movement in Reserves

	Opening balance - 1st April 2013	Transfers (to)/from reserves - Annual Review	Transfer from balances - Annual Review	Supplementary Budgets 2013/14 - Revenue	Additional transfers to reserves	Supplementary Estimates 2013/14 - Capital	Items in 2013/14 Original Budget - Revenue	Final Capital Programme forecast	Items in 2013/14 Original Budget	Revenue Carry Forwards	Revised Balance - 31st March 2014	Transfer to reserves 2014/2015	Revenue spend 2014/2015	Capital spend 2014/2015	Forecast Balance 31st March 2015
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Commutation and Feasibility	-168,114										-126,774				-126,774
Benefits Reserve	-479,370	265,000		9,000							-256,268		11,000		-245,268
Local Plan	-479,631			20,000						131,760	-237,871		375,500		-14,371
Historic Buildings	-14,000	14,000									0				0
Land Charges	-263,851			45,000							-218,851				-218,851
Pensions Contributions	-48,761										-133,411				-161,411
Building Control	-133,512	133,512									0				0
Waste Management Reserve	-316,765							15,000			-178,265		9,000	26,000	-168,765
ICT Reserve	-212,500										-210,850			57,000	-163,850
Project Management/Masterplan	-333,000	130,000				123,500					-203,000				-203,000
Shared Services Reserve	-74,000	74,000				1,650					0				0
Housing & Planning Delivery Grant	-129,383									22,840	-61,543		10,940		-50,603
Flexible Working	-15,000	15,000									0				0
New Performance Improvement Set	-7,600	7,600									0				0
Housing Energy Certificate Training	-10,500	10,500									0				0
Finance Capacity Fund	-20,103	20,103									-13,000				-13,000
Workforce Strategy	-13,000										-87,000				-112,000
Elections	-87,000										-58,295				-58,295
Grounds Maintenance Machinery	-58,295										0				0
Replacement	-50,000					23,600					-26,400				-26,400
Information	-337,549					179,450		215,318			-102,781				-102,781
Regeneration Reserve	0										0				0
Customer Services	0										-15,000				-15,000
Market Income Management	0										-25,000				-25,000
Car Parking Income	0										0				0
Local Gov Reserve	-2,500	2,500									0				0
Greenfields Reserve	-19,000	19,000									-308,394				-308,394
Special Expenses	-150,883										-139,439				-139,439
Carry Forwards	-139,439										-915,000				-915,000
Hub Future Rental Management	-250,000										-170,270				-170,270
Business Rates Pooling	-110,000							50,000			-2,610,216			2,610,000	-216
Leisure Centre	-1,353,000	-759,216									0				0
Community Safety	-3,000	3,000									-30,000		30,000		0
Troubled Families	-60,000										-5,000				-5,000
Hinckley Club for Young People	-5,000										0				0
Development Control	-40,000	40,000									0				0
City Deals	0										0				0
Enforcement	0										0		16,290		-33,710
	-5,409,756	0	-704,000	119,000	-771,511	328,200	267,362	280,318	-396,840	154,600	-6,132,627	-280,500	452,730	2,693,000	-3,267,397

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**SCRUTINY COMMISSION – 16<sup>TH</sup> JANUARY 2014**

**DRAFT HOUSING REVENUE ACCOUNT BUDGET  
REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE  
DIRECTION)**



Hinckley & Bosworth  
Borough Council

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**WARDS AFFECTED: ALL WARDS**

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1. **PURPOSE OF REPORT**

- 1.1 To review key elements of the 2014/2015 Housing Revenue Account budget ahead of submission to Council on 20<sup>th</sup> February 2014.
- 1.2 Members should note that the HRA budget is at work in progress stage. The areas outstanding are referred to below.
- 1.3 The Housing Revenue Account budget has been prepared taking into account the Capital Programme and Housing Revenue Account Investment Plan. These documents should be read in conjunction with this report.

2. **RECOMMENDATION**

2.1 That the following be noted:

- The revised 2013/2014 budgets
- The budget assumptions used for the 2014/2015 budgets
- The key factors impacting the 2014/2015 budgets which are currently unknown. A verbal update on each issue will be provided at this meeting

3. **BACKGROUND TO THE REPORT**

- 3.1 The budgets covered by this report relate to the Council's responsibilities as the landlord of around 3,400 dwellings. The Housing Revenue Account is the ring fenced account which presents financial performance for the following activities:
  - Income from dwelling rents and associated charges, e.g. utilities
  - 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.

**Revised 2013/2014 Budget**

- 3.2 As part of setting the budget for 2014/15, a formal revised budget for 2013/14 has not been prepared. The original budget for 2013/14 has, in accordance with the Council's Financial Procedures, been revised during the year to take account of approved supplementary budgets and virements. The resulting forecasts for both the Housing Revenue Account and Housing Repairs Account (as at November 2013) can be summarized as follows:

	<b>2013/14 Original Estimate</b>	<b>2013/14 Latest Estimate</b>
	<b>£</b>	<b>£</b>
<b>Housing Revenue Account</b>		
Income	-12,322,830	-12,322,830
Expenditure	10,556,940	10,648,805
Further movements in year	0	-124,000
<i>Net Cost of Service</i>	<i>-1,765,890</i>	<i>-1,798,025</i>
Transfer from Major Repairs Reserve	-850,780	-850,780
Interest and pension charges	-31,500	-31,500
Transfer to other reserves	3,749,323	3,749,323
<b>(Surplus)/Deficit</b>	<b>1,101,153</b>	<b>1,069,018</b>
Balance at 1 April	-1,950,903	-1,890,007
Balance at 31 March	-849,750	-820,989
<b>Housing Repairs Account</b>		
Administration	744,820	743,760
Programmed Repairs	555,410	555,410
Responsive Repairs	1,058,655	1,048,655
Further movements in year	0	-85,000
<i>TOTAL Expenditure</i>	<i>2,358,885</i>	<i>2,262,825</i>
Income	-3,039,430	-3,039,430
Transfer to reserves	696,778	696,778
<b>Net Expenditure</b>	<b>16,233</b>	<b>-79,827</b>
Balance at 1 April	-318,410	-242,547
Balance at 31 March	-302,177	-322,374

3.3 This table identifies £124,000 of savings on the Housing Revenue Account to year end. The majority of these relate to salary savings that have been achieved through rationalising vacancies. In addition the Council has received £30,000 additional income from Leicestershire County Council for Supporting People provision.

3.4 With regards to the Housing Repairs Account, although there are savings of £85,000 forecast for 2013/2014. (£52,000 of these savings relate to salary costs, with an additional reduction in contracted costs (e.g agency costs) of £33,000.), there are additional costs forecast to the year end which could result in a deficit position. Further work is currently being done to quantify and profile these costs and an update report will be circulated to Members.

### **2014/2015 Draft Budget**

#### **Service Priorities and links to other documents**

3.5 The 2014/15 budget has been created with clear links to the Council's strategic and service objectives. Clarity of priorities has enabled cross-party members through the Scrutiny and Executive functions to prioritise the projects included in the Capital Programme. Although the Capital Programme is the subject of a separate report, it is important to note that there are links between capital and revenue (e.g. interest from capital receipts, interest on borrowing, staffing costs etc).



3.6 In addition to the Corporate Plan, the overarching strategic document for the HRA is the HRA Investment Plan which was approved by Council in July 2013. The key objectives for future housing provision outlined in this document were taken into account in producing both the revenue and capital HRA budgets. These are as follows:

- Continue to invest in existing stock to maintain good quality homes
- Invest in new build schemes/acquire affordable housing to increase the amount of affordable housing available.
- Refurbishment/regeneration of stock which no longer meets needs.
- Environmental improvements to estates to ensure they are clean and safe.
- Invest in service delivery
- Develop and maintain effective engagement with tenants

#### Budget Assumptions and the Budget Strategy

3.7 The 2014/15 revenue budget has been prepared following a robust budget process outlined in the 2014/15 Budget Strategy (the Strategy).

3.8 In order to drive efficiency savings within the cost of supplies and services, a rate of 0% has been applied to non-contract related expenditure. As the Retail Price Index (RPI) has stood around 3% in year, the application of 0% represents an effective saving on running costs. For contracts, an inflation rate of 3.2% has been used, unless otherwise specified within the terms of the specific contract.

3.9 For pay costs, the 2014/15 estimates include a 1% increase for all employees to reflect anticipated pay awards. The Council operates a disciplined process of challenging recruitment and filling of posts and therefore a salary saving rate of 5% (£451,687 – General Fund and HRA) has been applied to posts to reflect the savings which will result from this challenge. This rate has been increased from 4% used in 2013/2014.

3.10 The Leicestershire Pension Fund was re-valued as at 31 March 2013 in accordance with statutory requirements and was found to be in actuarial deficit i.e the assets of the fund were less than those required to meet the long term liabilities in terms of benefits due to members. Whilst action is needed to remedy this position the timescales involved mean that there is sufficient time to recover the position in a phased manner over a number of years and valuations. An employers contribution rate of 19.5% (an increase of 1% from previous year) has been included for 2014/15 with an additional 1.6% being included for ill health retirement insurance. These rates have been confirmed with the Pension Scheme provider

#### Factors impacting 2014/2015 – Current unknowns

3.11 At the time of producing this report, the majority of financial inputs required for both the Housing Revenue and Housing Repairs budgets were complete. However there are number of material uncertainties which require clarification ahead of completion of the budget. These are detailed below.

#### Rents

3.12 The average rent increase for this Council for 2014/2015 has been calculated at **4.99%**. This has been calculated using a formula based on convergence to target rent. It should be borne in mind that it is important to set rents each year to meet the rent convergence target as the HRA business and Investment plans are based on this assumption. Using this methodology and taking into account loss of rent from voids, the 2014/2015 budget will assume rental income of £12,774,693.

- 3.13 This rental increase will be considered for approval by Executive on 22<sup>nd</sup> January 2014 and is hence, unknown to date.

#### Supporting People Income

- 3.14 The Council is currently contracted by Leicestershire County Council to provide Sheltered Housing Services to older people living in the Borough. A grant of £441,671 for was received in 2013/14 to deliver this service.
- 3.15 The contract for this service is due to end in June 2014 and therefore it was originally budgeted that all funding from this point (around £331,253) would no longer be received. The County Council, in anticipation of this commenced a procurement process in December 2013 to identify a future provider for this service. In addition, Council's were asked to consider whether charging could be introduced for tenants to "recoup" elements of the funding gap.
- 3.16 On 24<sup>th</sup> December 2013, Leicestershire County Council communicated that they would not be proceeding with this procurement process. At the time of writing this report, the consequences of this announcement had not been clarified and therefore the budget impact is currently unknown.

#### Housing Restructure

- 3.17 The Housing Revenue Account Investment Plan outlined the following investment priorities for the forthcoming years:

	<b>ESTIMATE 2014-15 £</b>	<b>ESTIMATE 2015-16 £</b>	<b>ESTIMATE 2016-17 £</b>
Service Investment	100,000	100,000	100,000
Stock Enhancements	596,000	146,000	806,000
New Build/Acquisition	2,500,000	2,500,000	2,500,000
<b>Total Investment</b>	<b>3,196,000</b>	<b>2,746,000</b>	<b>3,406,000</b>

- 3.17 Within the budget for "Service Investment" the Chief Officer (Housing, Community Safety and Partnerships) is proposing a restructure of the housing teams to improve tenant service and efficiency of delivery. This is currently being considered by the Strategic Leadership Board and any financial investment will be reflected in the 2014/2015 budget as required.

#### Schedule of Rates

- 3.18 The in-house housing repairs service operates using a trading account within the General Fund. All expenditure incurred for in house operations is posted to this code. Income is posted to the account following interfaces from Orchard which are calculated on the basis of schedule of rates held. At the year end, any surplus or deficit held on the trading account is removed and transferred to the housing repairs accounts. The balance is proportioned between capital and revenue based on the value of jobs completed to date.
- 3.19 The trading account budget has historically been set to achieve a "break even" position and therefore no surplus or deficit is posted to the Housing Repairs account. This position was however not achieved in 2012/2013 and is potentially forecast to achieve a deficit again for the current year. This position is, in part due to the schedule of rates used for the in house team which has been in place since 2003 and was not up dated when the service was brought in house in 2011...It is quite

possible that schedule of rates do not enable the in house team to recoup their costs and this could be contributing to the deficit provision. In light of this, an independent review of the schedules has been commissioned from the Chartered Institute for Housing who will also provide an assessment of the value for money of the rates and how they compare to other providers across all housing sectors. This review will inform both the outturn position for 2013/2014 and the 2014/2015 budget. It is envisaged that this review will be complete by 31<sup>st</sup> January 2014.

4. FINANCIAL IMPLICATIONS [KP]

As contained in the report

5. LEGAL IMPLICATIONS [AB]

Contained in the body of the report

6. CORPORATE PLAN IMPLICATIONS

This report contributes to the achievement of the following Corporate Plan Priorities:

- Improve the quality of residents' homes
- Provide accommodation which is affordable in the Borough

7. CONSULTATION

The Council consulted on all budget priorities in the Budget Setting Survey conducted in August/September 2013.

All budget holders, Corporate Operations Board and the Strategic Leadership Board have been consulted throughout the budget setting process.

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 / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
That the Council has insufficient resources to meet its aspirations and cannot set a balanced budget	<p>A budget strategy is produced to ensure that the objectives of the budget exercise are known throughout the organisation.</p> <p>The budget is scrutinised on an ongoing basis to ensure that assumptions are robust</p>	S. Kohli

	and reflective of financial performance.	
	Sufficient levels of reserves and balances are maintained to ensure financial resilience	

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

Results of budget setting will impact upon a number of vulnerable groups in the Borough.

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

Contact Officer : Katherine Plummer, Head of Finance ext 5609

Executive Member : Cllr K.W.P. Lynch

**SCRUTINY COMMISSION - 16<sup>TH</sup> JANUARY 2014**

**RE: CAPITAL PROGRAMME 2013/2014 TO 2016-2017**  
**REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE**  
**DIRECTION)**



Hinckley & Bosworth  
Borough Council

*A Borough to be proud of*

**WARDS AFFECTED: ALL WARDS**

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1. **PURPOSE OF REPORT**

To consider the draft Capital Programme for the years 2013/2014 - 2016-2017

2. **RECOMMENDATION**

That the Commission review the proposed Capital Programme for the years 2013/2014 - 2016-2017 ahead of submission to Council for approval

3. **BACKGROUND TO THE REPORT**

3.1 Capital expenditure is essentially expenditure that results in the creation of an asset that has a life expectancy of more than one year and where use of the asset will result in benefits in future years. Capital expenditure may be used to generate assets for the Council's own use or to provide support for third party capital enhancements.

3.2 Any plans for capital expenditure must be financed through an approved method of funding. The main streams of such financing are:

- Supported borrowing - where the costs of the borrowing are part recognised in the formula grant settlement and are therefore 'supported'
- Unsupported borrowing – the Council is permitted to set within its "Prudential Indicators" a level of borrowing that can be obtained to fund capital expenditure. The Council must be satisfied that this borrowing is used to fund projects that are prudent, sustainable and affordable
- Government Grants – where specific monies have been awarded by Government to fund a particular project. In these cases the monies are often time limited and ring fenced for specific purposes. One of the largest government grants awarded to this Council is Regional Growth Funding for the works on the A5 and MIRA Enterprise Zone
- Third Party Contributions – these include contributions made from bodies such as the National Lottery, as well as planning obligations funded from section 106 agreements received from developers. As with Government Grants, these contributions tend to contain conditions on how they can be spent
- Capital receipts – these are derived from asset sales and can only be used to fund future capital expenditure.
- Revenue contributions – the Council is permitted to contribute revenue balances to capital, however this should be a minimal amount and only used to fund minor shortfalls in funding
- Earmarked reserves – funds that have been put aside from previous under spends for specific capital schemes that will occur in the future. For this Council, the Leisure Centre reserve is an example of where funds have been put aside to finance a specific capital priority in the future

3.3 The Capital Programme (the Programme) is produced on an annual basis to cover the current year and forecasts for the next three financial years. The Programme supports the Council's Corporate Plan and Medium Term Financial Strategy and ensures that resources are allocated and are used effectively to achieve corporate targets. At the same time, the Programme is an integral element of the financial planning procedures

of the Council and forecasts how the Council will deliver key projects affordably and within relevant Prudential Limits. The Programme should therefore be read in conjunction with these documents, alongside the Council's Corporate Asset Management Strategy and Housing Revenue Account Investment Plan.

- 3.4 The Capital Programme is prepared in conjunction with budget holders and Chief Officers. Project officers are invited as part of the budget setting process to submit requests for capital growths which are considered by Chief Officers and the Strategic Leadership Board. Growths are assessed in terms of their contribution to corporate objectives and funding availability.
- 3.5 The draft overall Capital Programme for 2013/2014 – 2016/2017 is contained within Appendix 1 along with supporting schedules showing spend by scheme.

### **Proposed Capital Programme – General Fund**

- 3.6 As outlined in the Medium Term Financial Strategy, the General Fund Capital Programme is concentrated around achievement of three capital priority projects namely:
  - The Hinckley Bus Station Redevelopment - "The Crescent"
  - Build of the new Hinckley Leisure Centre
  - Capital works associated with the Regional Growth Fund

#### **The Crescent**

- 3.7 This scheme involves redevelopment of the town centre bus station site, including a new supermarket, bus station, 560 space car park, new shops, family restaurants and cinema. Following renegotiation of the Development Agreement with the schemes developer, The Tin Hat Partnership, Council approved on 16<sup>th</sup> July 2013 capital investment of £4,500,000 to purchase the freehold of the Leisure "Block C" upon completion.
- 3.8 Based on the current development programme, completion of Block C will occur on 5<sup>th</sup> June 2015. The Council's £4,500,00 investment has therefore been included in the draft Programme in 2015/2016, to be funded by borrowing approved by Council in July.
- 3.9 On completion of the development, blocks A, B and D will be sold by Tin Hat Partnership on the open market. Tin Hat Partnership will have priority over the first £5,000,000 of development profit with the balance split 80:20 (THP:HBBC). This receipt (currently estimated at £1,200,000) will be used by the Council to partly fund the Leisure Centre project. The development agreement contains a "long stop" date for this sale of five years following completion (currently programmed for 27<sup>th</sup> July 2015). On the basis that the precise timescale is unknown, the Programme has prudently not included this financing until further clarity on timescales is known.

#### **Hinckley Leisure Centre**

- 3.10 The current Leisure Centre building on Coventry Road was opened in 1975 and will be at the end of its design life by the end of 2014/15. Council approved the decision in November 2012 to proceed with the procurement of a Partner (or Partners) to develop a new Leisure Centre and deliver the ongoing management of the Centre. Having considered all of the alternatives, Council agreed to relocate the Leisure Centre to the former Council Offices location on Argents Mead.
- 3.11 At the time of producing this report, the procurement process for the Centre was in the process of finalisation ahead of approval by Council in January 2014. In order to

ensure that financing is available for the scheme, the Capital Programme includes expenditure of up to £12,200,000 to fund a high specification centre which includes:

- 25 metre, 8 lane swimming pool and learner pool
- 8 court sports hall
- Health and fitness facilities, including studios
- Ancillary supporting facilities

It is expected that the approved scheme will also provide revenue streams to the Council which can be used to fund service provision and capital financing costs.

3.12 Based on the current cost, the Programme outlines the following financing for the centre:

	<b>TOTAL COST £</b>	<b>ESTIMATE 2013-2014 £</b>	<b>ESTIMATE 2014-2015 £</b>	<b>ESTIMATE 2015-2016 £</b>	<b>ESTIMATE 2016-2017 £</b>
<b><i>Expenditure</i></b>	<b>12,200,000</b>	<b>50,000</b>	<b>6,075,000</b>	<b>6,075,000</b>	<b>0</b>
<b><i>Financed by</i></b>					
Leisure Centre Reserve	2,660,000	50,000	2,610,000	0	0
Capital Receipts (depot site)	2,000,000	0	2,000,000	0	0
Leisure Centre Temporary Financing	3,400,000	0	0	3,400,000	0
Leisure Centre Borrowing	4,140,000	0	1,465,000	2,675,000	0
<b>Total financing</b>	<b>12,200,000</b>	<b>50,000</b>	<b>6,075,000</b>	<b>6,075,000</b>	<b>0</b>

As outlined in 3.9, any capital receipt received from the sale of the Bus Station site will be utilised for this scheme. However because of uncertainty around the timing of this funds flow, it has been assumed that borrowing will be used to fund any shortfall. It should also be noted that the available balance of the Leisure Centre reserve may increase should savings be realised in the 2013/2014 revenue budget.

3.13 The exact mix of facilities and any associated additional cost/ revenue stream from the centre will be clarified upon completion of the procurement process and will be reflected in further iterations of this Programme.

#### Regional Growth Funding

3.14 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. The funding will be 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.

3.15 The capital works associated with this project are due to commence in 2014/2015. Expenditure will be 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. Details of the profile of the works are included in Section 3 of the appendix to this report.

3.16 Following review of submitted proposals, the following new schemes from 2014/2015 onwards have been included in the Programme for approval:

	<b>TOTAL COST</b>	<b>ESTIMATE 2014-2015</b>	<b>ESTIMATE 2015-2016</b>	<b>ESTIMATE 2016-2017</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Waste Management Receptacles</b> -This scheme relates to the cost of bins for new residential properties in the Borough. Options for recouping this capital outlay are currently being investigated and therefore a net budget has been assumed				
Total Annual Expenditure	<b>114,565</b>	25,520	48,225	40,820
Less: Income generation	<b>(114,565)</b>	-25,520	-48,225	-40,820
HBBC ELEMENT	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>MS Software</b> - Cost associated with upgrading the Council's Microsoft software. This work is essential in order to ensure the Council's software is supported and is up-to-date.				
Total Annual Expenditure (ALL HBBC)	<b>114,000</b>	<b>0</b>	<b>57,000</b>	<b>57,000</b>
<b>Green Spaces/Parks works</b> - Ongoing works required on green spaces and parks. Following a review of available 106 and other private contributions, a significant element of these works is financed by these sources. It is proposed that for those schemes in Hinckley, a contribution of £50,000 per annum is made from the Special Expenses Area reserves. This is subject to approval by the Committee.				
The Council is currently producing a Green Spaces Delivery Plan, the results of which will be factored into the Programme following consultation and approval processes.				
Total Cost	<b>420,851</b>	147,742	176,559	96,550
Less Section 106 contributions	<b>(170,449)</b>	(69,147)	(95,752)	(5,550)
Less other private contributions	<b>(100,402)</b>	(28,595)	(30,807)	(41,000)
Less Special Expenses Area reserves	<b>(150,000)</b>	(50,000)	(50,000)	(50,000)
HBBC ELEMENT	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Hinckley Squash Club</b> – Capital grant awarded to the Club to fund the new facilities. This was approved by Executive in 2013/2014 but is not required until the forthcoming year.				
Total Annual Expenditure (ALL HBBC)	<b>49,000</b>	<b>49,000</b>	<b>0</b>	<b>0</b>

#### Existing schemes

3.17 With the exception of these material schemes, the remainder of the Programme contains ongoing schemes which have been in place for a number of financial years. The following points should be noted when reviewing these schemes:

- The Major and Minor works budgets have been reduced by £40,000 and £20,000 respectively from the proposals in 2014/2015 onwards. This is to reflect the under-spends in these areas in previous years. A review of the allocations process for these funds is currently being undertaken to understand this under-spend. Any revision to the policy will be considered for financial impact upon approval.
- Changes in the allocation method for Disabled Facilities Grant are being proposed by Central Government from 2016/2017 onwards. The impact of these changes on the Programme will be considered upon publication from Government.



## **Proposed Capital Programme – Housing Revenue Account**

3.18 Following the approval of the Housing Revenue Account Investment Plan by Council in July 2013, the HRA Capital Programme reflects the main investment priorities outlined in this plan as follows:

	<b>ESTIMATE 2014-15 £</b>	<b>ESTIMATE 2015-16 £</b>	<b>ESTIMATE 2016-17 £</b>
Service Investment	100,000	100,000	100,000
Stock Enhancements	596,000	146,000	806,000
New Build/Acquisition	2,500,000	2,500,000	2,500,000
<b>Total Investment</b>	<b>3,196,000</b>	<b>2,746,000</b>	<b>3,406,000</b>

3.19 The following proposed schemes link to the achievement of these investment objectives:

- £7,500,000 over the next three years for new Affordable Housing. This scheme will prioritise the buy back of ex-Council properties and development of housing on Council owned sites in 2014/2015. In the following two years the emphasis will move to targeting new land for acquisition and potential new build in conjunction with a development partner.
- £620,000 of kitchen and bathroom “enhancement” works - additional kitchen and bathroom refurbishment projects to an upgraded standard and works to give tenants additional bathroom location and equipment options

3.20 In addition to this, the HRA Capital Programme includes expenditure towards the rolling works on housing properties confirmed by the outcomes of the stock condition exercise carried out in 2012/2013.

3.21 Expenditure in the Capital Programme will be funded by the following key streams:

- Contributions from the Major Repairs Reserve for the cyclical stock programmes
- Use of the HRA “Regeneration Reserve” which has been set up following the introduction of self financing
- Use of Right to Buy Receipts obtained from Council properties

### **Funding Implications**

3.22 The main methods of financing the Capital Programme are detailed in section 3.2 of this report. The availability of financing options are becoming restricted over the medium term as asset sales become less frequent and the availability of funding from central government becomes restricted.

### **Capital Receipts Reserve**

3.23 The estimated impact of the proposed programme on the Capital Receipts reserve is summarised below. Based on current expenditure proposals, all receipts will be quickly used for financing expenditure and the reserve will be effectively drawn down over the period of this Programme. Receipts assumptions are based on the following:

- Right to buy sales of £350,000 per annum;
- Disposal of the current depot site in March 2014 for £2,000,000. This receipt must be used for future regeneration projects and therefore will be applied in full to the Leisure Centre scheme

- A receipt of £2,200,000 for the current leisure centre site in 2015/16 which will be used in part to repay any short term financing required for the Leisure Centre pending receipt of the Bus Station receipt
- The receipt from the Tin Hat Partnership upon the sale of Block C has not been factored into this Programme

	2013-14 £	2014-15 £	2015-16 £	2016-17 £
Opening Balance	1,603,000	267,602	562,202	912,202
In Year Receipts	646,400	2,794,600	350,000	2,550,000
Repayment of Debt - Leisure Centre	0	0	0	(3,400,000)
In Year Application (Non Leisure Centre)	1,981,798	500,000	0	0
In Year Application - Leisure Centre	0	2,000,000	0	0
<b>Closing Balance</b>	<b>267,602</b>	<b>562,202</b>	<b>912,202</b>	<b>62,202</b>

### Borrowing

- 3.24 As outlined in section 3.2, the Council is permitted to borrow within approved limits to finance capital expenditure. Following agreement of the revised development agreement with developers of the Bus Station site and the required investment in the Leisure Centre, the "Authorised Limit" for this Council will be proposed at £96.0million 2014/2015. This is split between the HRA and General Fund as follows:

	£million
General Fund	23.6
Housing Revenue Account	72.0
Other Long term Liabilities	0.4
<b>Total Authorised Limit</b>	<b>96.0</b>

This limit will be amended as required to reflect the final cost of the Leisure Centre upon completion of the tender process and approval of the preferred bidder.

- 3.25 In line with relevant accounting standards, the Council is required to budget for the cost of borrowing, to include any interest payable and also a provision for the repayment of debt (the Minimum Revenue Position). Based on the current borrowing need detailed in the Programme, the additional cost of borrowing has been calculated as follows:

	ESTIMATE 2014-15 £	ESTIMATE 2015-16 £	ESTIMATE 2016-17 £
Additional MRP cost	14,550	58,410	226,715
Additional Interest cost	41,196	235,196	179,951

- 3.26 Further details of the Council's borrowing limits and indicators will be outlined in the 2014/2015 Treasury Management Policy which will accompany the Capital Programme for Council approval in February 2014.

### Use of Reserves

- 3.27 The following reserves have been used to finance specific capital schemes outlined in the Programme:

	<b>Use of Reserves</b>	<b>Forecast balance 31<sup>st</sup> March 2014</b>	<b>Use of Reserves</b>	<b>Use of Reserves</b>	<b>Use of Reserves</b>
	<b>2013-14</b>	<b>2014</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Waste Management Reserve	-138,500	178,265	-26,000	-32,000	-32,000
ICT Reserve	-1,650	210,850	-57,000	-57,000	0
Transformation	-23,600	26,400	0	0	0
Relocation Reserve	-394,768	102,781	0	0	0
<b>Sub total</b>	<b>-558,518</b>		<b>-83,000</b>	<b>-89,000</b>	<b>-32,000</b>
Leisure Centre	50,000	2,610,216	-2,660,000	0	0

- 3.28 All transfers to/from reserves (ie including revenue expenditure and transfers from balances) are detailed in the General Fund budget report contained on this agenda.

4. FINANCIAL IMPLICATIONS [KP]

Contained within the body of the report.

5. LEGAL IMPLICATIONS [AB]

None arising directly from the report.

6. CORPORATE PLAN IMPLICATIONS

The report provides a refresh of the Council's rolling Capital Programme. Any item included in the programme has been evaluated to ensure it contributes towards achievement of a Corporate Plan objective.

7. CONSULTATION

Members of the public were consulted on priorities for budget setting as part of the annual Priority Setting exercise, the results of which will be reported to Executive in November 2013.

Expenditure proposals contained within this report have been submitted after officer consultation, including the COB and SLB.

Material schemes (e.g. the Leisure Centre and Bus Station Redevelopment) have been subject to individual consultations as part of the viability and design process.

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 / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
<p>If the schemes were not implemented this would impact on Service Delivery. It would also mean an inability to meet corporate plan objectives and have an impact on the reputation of the Council.</p> <p>The risk of external funding not being granted. This would result in additional borrowing costs in the short term if funding is delayed or long term if funding is withdrawn.</p> <p>Risk of Capital Receipts not being realised.</p>	<p>Projects are to be managed through an officer capital forum group and reported to SLB on a quarterly basis. Monthly financial monitoring statements are provided to project officers and the programme will now be reviewed twice a year.</p> <p>Six monthly review of capital programme would mean that it is easier to switch resources.</p> <p>The Executive approve the disposal of surplus assets as recommended by the Deputy Chief Executive (Corporate Direction)</p>	<p>Individual Project Officers/ Capital Forum</p> <p>Project Officer / Accountancy section</p> <p>Estates and Asset Manager/Deputy Chief Executive (Corporate Direction)</p>

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

The programme contains schemes which will assist in equality and rural development. Equality and rural issues are considered separately for each project.

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

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**Background Papers:** Capital Estimates submissions

**Contact Officer:** Katherine Plummer, Head of Finance (ext 5609)

**Lead Member:** Cllr KWP Lynch

**CAPITAL ESTIMATES 2013-2014 to 2016-2017 GENERAL FUND SUMMARY**

	<b>TOTAL COST</b>	<b>ESTIMATE 2013-14</b>	<b>ESTIMATE 2014-15</b>	<b>ESTIMATE 2015-16</b>	<b>ESTIMATE 2016-17</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Expenditure</b>					
SECTION 1 (Leisure and Environment)	13,425,024	565,526	6,350,178	6,292,160	217,160
SECTION 2 (Planning)	4,891,370	237,680	43,943	4,566,052	43,695
SECTION 3 (Central Services)	1,674,041	1,470,041	97,000	67,000	40,000
Housing (General Fund)	1,966,420	739,472	496,948	365,000	365,000
<b>Expenditure Total</b>	<b>21,956,855</b>	<b>3,012,719</b>	<b>6,988,069</b>	<b>11,290,212</b>	<b>665,855</b>
<b>Financing</b>					
<b>General Financing</b>					
Capital Receipts	2,481,798	1,981,798	500,000	0	0
Supported Borrowing GF	426,400	106,600	106,600	106,600	106,600
Unsupported Borrowing GF	1,478,489	257,153	174,469	519,612	527,255
Revenue Contribution to Capital	107,650	58,650	49,000	0	0
Contribution from reserves GF	762,518	558,518	83,000	89,000	32,000
<b>Leisure Centre Financing</b>					
Leisure Centre Reserve	2,660,000	50,000	2,610,000	0	0
Leisure Centre Capital Receipt	2,000,000	0	2,000,000	0	0
Leisure Centre Temporary Financing	3,400,000	0	0	3,400,000	0
Leisure Centre Borrowing	4,140,000	0	1,465,000	2,675,000	0
<b>Bus Station Financing</b>					
Bus Station Borrowing	4,500,000	0	0	4,500,000	0
<b>Financing Total</b>	<b>21,956,855</b>	<b>3,012,719</b>	<b>6,988,069</b>	<b>11,290,212</b>	<b>665,855</b>

## SECTION 1

	TOTAL COST £	ESTIMATE 2013-2014 £	ESTIMATE 2014-2015 £	ESTIMATE 2015-2016 £	ESTIMATE 2016-2017 £
<b>Parish &amp; Community Initiatives Grants</b>					
Total Annual Expenditure(ALL HBBC)	401,760	101,760	100,000	100,000	100,000
<b>Parks Major works</b>					
Total Annual Expenditure(ALL HBBC)	120,000	30,000	30,000	30,000	30,000
<b>Richmond Park Play Area</b>					
Total Annual Expenditure	150,000	114,000	36,000	0	0
<b>Section 106</b>	(20,982)	0	(20,982)	0	0
External Funding (FA)	(106,574)	(106,574)	0	0	0
Total Annual Expenditure(ALL HBBC)	43,426	7,426	36,000	0	0
<b>Burbage Common</b>					
Total Annual Expenditure	66,210	66,210	0	0	0
Less 6c's grant	0	0	0	0	0
HBBC Element	66,210	66,210	0	0	0
<b>Rural Broadband</b>					
Total Annual Expenditure(ALL HBBC)	58,000	58,000	0	0	0
<b>Roll on Roll off Vehicle</b>					
Total Annual Expenditure(ALL HBBC)	6,000	6,000	0	0	0
<b>Waste Vehicle</b>					
Total Annual Expenditure(ALL HBBC)	75,000	75,000	0	0	0
<b>Tele Handler</b>					
Total Annual Expenditure(ALL HBBC)	28,000	28,000	0	0	0
<b>Fork Lift truck</b>					
Total Annual Expenditure(ALL HBBC)	14,500	14,500	0	0	0
<b>Memorial Safety Programme</b>					
Total Annual Expenditure(ALL HBBC)	21,710	6,230	5,160	5,160	5,160
<b>Waste Management Receptacles</b>					
Total Annual Expenditure(ALL HBBC)	361,000	121,000	76,000	82,000	82,000
<b>Hinckley Squash Club</b>					
Total Annual Expenditure(ALL HBBC)	49,000	0	49,000	0	0
<b>Lesiure Centre</b>					
Total Annual Expenditure(ALL HBBC)	12,200,000	50,000	6,075,000	6,075,000	0
<b>Brodick Road Woodlands Scheme</b>					
Total Annual Expenditure(ALL HBBC)	1,400	1,400	0	0	0
<b>Waste Management Receptacles</b>					
Total Annual Expenditure	114,565	0	25,520	48,225	40,820
Less: Income generation	(114,565)	0	(25,520)	(48,225)	(40,820)
HBBC ELEMENT	0	0	0	0	0
<b>Green Spaces/Parks works</b>					
Total Cost	420,851	0	147,742	176,559	96,550
Less Section 106 contributions	(170,449)	0	(69,147)	(95,752)	(5,550)
Less other private contributions	(100,402)	0	(28,595)	(30,807)	(41,000)
Less Special Expenses Area reserves	(150,000)	0	(50,000)	(50,000)	(50,000)
HBBC ELEMENT	(0)	0	(0)	0	0
<b>TOTAL GROSS EXPENDITURE</b>	14,087,996	672,100	6,544,422	6,516,944	354,530
<b>LESS TOTAL CONTRIBUTIONS</b>	(662,972)	(106,574)	(194,244)	(224,784)	(137,370)
<b>TOTAL HBBC ELEMENT</b>	13,425,024	565,526	6,350,178	6,292,160	217,160

## SECTION 2

	TOTAL COST £	ESTIMATE 2013-2014 £	ESTIMATE 2014-2015 £	ESTIMATE 2015-2016 £	ESTIMATE 2016-2017 £
<b>Borough Improvements</b>					
Total Annual Expenditure	215,000	65,000	50,000	50,000	50,000
Less Private contribution	(60,000)	(15,000)	(15,000)	(15,000)	(15,000)
HBBC Element	<b>155,000</b>	<b>50,000</b>	<b>35,000</b>	<b>35,000</b>	<b>35,000</b>
<b>Car Park Resurfacing</b>					
Total Annual Expenditure(ALL HBBC)	<b>66,930</b>	<b>18,240</b>	<b>8,943</b>	<b>31,052</b>	<b>8,695</b>
<b>Carlton Rural Exception Site</b>					
Total Annual Expenditure(ALL HBBC)	<b>55,000</b>	<b>55,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Barwell Shop Front Improvements</b>					
Total Annual Expenditure	6,698	6,698	0	0	0
Less Private contribution	(6,698)	(6,698)	0	0	0
HBBC Element	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Depot Relocation</b>					
Total Annual Expenditure (ALL HBBC)	<b>114,440</b>	<b>114,440</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Bus Station Development</b>					
Total Annual Expenditure (ALL HBBC)	<b>4,500,000</b>	<b>0</b>	<b>0</b>	<b>4,500,000</b>	<b>0</b>
<b>TOTAL GROSS EXPENDITURE</b>	4,958,068	259,378	58,943	4,581,052	58,695
<b>LESS TOTAL CONTRIBUTIONS</b>	(66,698)	(21,698)	(15,000)	(15,000)	(15,000)
<b>TOTAL HBBC ELEMENT</b>	<b>4,891,370</b>	<b>237,680</b>	<b>43,943</b>	<b>4,566,052</b>	<b>43,695</b>

## SECTION 3

	TOTAL COST £	ESTIMATE 2013/14 £	ESTIMATE 2014/15 £	ESTIMATE 2015/16 £	ESTIMATE 2016-2017 £
<b>Asset Management Enhancements</b>					
Total Annual Expenditure(ALL HBBC)	62,620	62,620	0	0	0
<b>General Renewals</b>					
Total Annual Expenditure(ALL HBBC)	79,000	69,000	0	10,000	0
<b>Rolling Server Review</b>					
Total Annual Expenditure(ALL HBBC)	80,000	0	40,000	0	40,000
<b>Financial System</b>					
Total Annual Expenditure(ALL HBBC)	11,050	11,050	0	0	0
<b>Council Office Relocation</b>					
Total Annual Expenditure	718,680	718,680	0	0	0
Less Private contribution	(3,429)	(3,429)	0	0	0
HBBC Element	715,251	715,251	0	0	0
<b>Florenance House Delapidation</b>	100,000	100,000	0	0	0
Total Annual Expenditure(ALL HBBC)	100,000	100,000	0	0	0
<b>Stamp Duty - Hinckley Hub</b>					
Total Annual Expenditure(ALL HBBC)	165,550	165,550	0	0	0
<b>RGF - MIRA</b>					
Substation and A5 improvements	11,571,790	5,598,790	5,973,000	0	0
Less Regional Growth Fund contribution	(11,571,790)	(5,598,790)	(5,973,000)	0	0
HBBC Element	0	0	0	0	0
<b>Channel Strategy</b>					
Total Annual Expenditure(ALL HBBC)	23,600	23,600	0	0	0
<b>Wifi Hinckley Hub</b>					
Total Annual Expenditure(ALL HBBC)	13,900	13,900	0	0	0
<b>Demolition of Argents Mead Offices</b>					
Total Annual Expenditure(ALL HBBC)	199,750	199,750	0	0	0
<b>Demolition of Depot</b>					
Total Annual Expenditure(ALL HBBC)	90,010	90,010	0	0	0
<b>Transformation</b>					
Total Annual Expenditure(ALL HBBC)	3,110	3,110	0	0	0
<b>Mobile Web</b>					
Total Annual Expenditure(ALL HBBC)	16,200	16,200	0	0	0
<b>MS Software</b>					
Total Annual Expenditure (ALL HBBC)	114,000	0	57,000	57,000	0
<b>TOTAL GROSS EXPENDITURE</b>	13,249,260	7,072,260	6,070,000	67,000	40,000
<b>LESS TOTAL CONTRIBUTIONS</b>	(11,575,219)	(5,602,219)	(5,973,000)	0	0
<b>TOTAL HBBC ELEMENT</b>	<b>1,674,041</b>	<b>1,470,041</b>	<b>97,000</b>	<b>67,000</b>	<b>40,000</b>



**GENERAL FUND HOUSING**

	<b>TOTAL COST</b>	<b>ESTIMATE 2013-2014</b>	<b>ESTIMATE 2014-2015</b>	<b>ESTIMATE 2015-2016</b>	<b>ESTIMATE 2016-2017</b>
	£	£	£	£	£
<b>Major Works Assistance</b>					
HBBC ELEMENT	<b>580,000</b>	<b>130,000</b>	<b>150,000</b>	<b>150,000</b>	<b>150,000</b>
<b>Minor Works Assistance</b>					
HBBC ELEMENT	<b>300,000</b>	<b>90,000</b>	<b>70,000</b>	<b>70,000</b>	<b>70,000</b>
<b>Private Sector Leasing Scheme</b>					
HBBC ELEMENT	<b>60,000</b>	<b>60,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Care &amp; Repair Improvement Agency</b>					
Total Annual Expenditure(ALL HBBC)	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Disabled Facilities Grants</b>					
Total Annual Expenditure	<b>1,722,420</b>	633,472	450,948	319,000	319,000
Less Government Grant	<b>(696,000)</b>	(174,000)	(174,000)	(174,000)	(174,000)
HBBC ELEMENT	<b>881,420</b>	<b>459,472</b>	<b>276,948</b>	<b>145,000</b>	<b>145,000</b>
<b>Fuel Poverty and Green Deal Programme</b>					
Total Annual Expenditure	1,301,010	1,301,010	0	0	0
Less Government Grant	(1,301,010)	(1,301,010)	0	0	0
HBBC ELEMENT	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>TOTAL GROSS EXPENDITURE</b>	3,963,430	2,214,482	670,948	539,000	539,000
<b>LESS TOTAL CONTRIBUTIONS</b>	(1,997,010)	(1,475,010)	(174,000)	(174,000)	(174,000)
<b>TOTAL HBBC ELEMENT</b>	<b>1,966,420</b>	<b>739,472</b>	<b>496,948</b>	<b>365,000</b>	<b>365,000</b>

**CAPITAL ESTIMATES 2013-2014 to 2016-2017 HOUSING REVENUE ACCOUNT SUMMARY**

	<b>TOTAL</b>	<b>ESTIMATE</b>	<b>ESTIMATE</b>	<b>ESTIMATE</b>	<b>ESTIMATE</b>
		<b>2013-2014</b>	<b>2014-2015</b>	<b>2015-2016</b>	<b>2016-2017</b>
<b>EXPENDITURE</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Stock Condition Schemes</b>					
Sheltered Scheme Enhancements (internal dec to com areas)	90,000	0	35000	35000	20000
Kitchen Improvements	2,291,890	560,890	560,000	580,000	591,000
Boiler and Heating Replacement	2,024,160	350,160	558,000	558,000	558,000
uPVC Door Replacement	128,000	32,000	32,000	32,000	32,000
Electrical Testing / Upgrading	1,820,000	320,000	500,000	500,000	500,000
Programmed Enhancements	1,280,000	320,000	320,000	320,000	320,000
uPVC Window Replacement	130,000	20,000	30,000	40,000	40,000
Re-roofing	252,000	63,000	63,000	63,000	63,000
Major Void Enhancements	3,120,000	780,000	780,000	780,000	780,000
Exceptional Extensive items and Contingencies	1,008,972	252,972	252,000	252,000	252,000
<b>Previous years budgets</b>					
Housing Repairs Software system	37,210	0	37,210	0	0
Orchard System Upgrade	103,820	103,820	0	0	0
Adaptations for Disabled People	1,200,102	288,000	297,250	303,631	311,221
<b>Enhancements works</b>					
Kitchens and Bathrooms	620,000	0	120,000	200,000	300,000
<b>Affordable Housing</b>					
Affordable Housing	7,500,000	0	1,000,000	3,500,000	3,000,000
<b>Expenditure Total</b>	<b>21,686,154</b>	<b>3,110,842</b>	<b>4,604,460</b>	<b>7,183,631</b>	<b>6,787,221</b>
<b>FINANCING</b>					
Major Repairs Reserve	12,245,198	2,719,022	3,084,786	3,168,170	3,273,220
Regeneration Reserve	8,840,956	391,820	1,119,674	3,915,460	3,414,002
1:4:1 Receipts	600,000	0	400,000	100,000	100,000
<b>Financing Total</b>	<b>21,686,154</b>	<b>3,110,842</b>	<b>4,604,460</b>	<b>7,183,631</b>	<b>6,787,221</b>

SCRUTINY COMMISSION - JANUARY 16 2014

THE PRUDENTIAL CODE FOR CAPITAL FINANCE IN LOCAL AUTHORITIES – SETTING OF PRUDENTIAL INDICATORS 2013/14 – 2016/17 AND TREASURY MANAGEMENT STRATEGY 2014/15-16/17

REPORT OF THE DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)

WARDS AFFECTED: ALL WARDS



Hinckley & Bosworth  
Borough Council

*A Borough to be proud of*

## 1. PURPOSE OF REPORT

This report outlines the Council's prudential indicators for 2013/14 - 2016/17 and sets out the expected treasury operations for this period. It fulfils four key legislative requirements:

- The reporting of the **prudential indicators**, setting out the expected capital activities (as required by the CIPFA Prudential Code for Capital Finance in Local Authorities - Section A). The treasury management prudential indicators are now included as treasury indicators in the CIPFA Treasury Management Code of Practice;
- The Council's **Minimum Revenue Provision (MRP) Policy**, which sets out how the Council will pay for capital assets through revenue each year (as required by Regulation under the Local Government and Public Involvement in Health Act 2007 - also Section A);
- The **treasury management strategy statement** which sets out how the Council's treasury service will support the capital decisions taken above, the day to day treasury management and the limitations on activity through treasury prudential indicators. The key indicator is the **Authorised Limit**, the maximum amount of debt the Council could afford in the short term, but which would not be sustainable in the longer term. This is the Affordable Borrowing Limit required by s3 of the Local Government Act 2003. This is in accordance with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code and shown at Section B;
- The **investment strategy** which sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss. This strategy is in accordance with the CLG Investment Guidance and also shown in Section B.

The above policies and parameters provide an approved framework within which the officers undertake the day to day capital and treasury activities.

## 2. RECOMMENDATIONS

Members note the key elements of these reports:

1. The Prudential Indicators and Limits for 2013/14 to 2016/17 contained within Section 3 Part B of the report, including the Authorised Limit Prudential Indicator.
2. The Minimum Revenue Provision (MRP) Statement contained within Section 3 Part B which sets out the Council's policy on MRP.

3. The Treasury Management Strategy 2013/14 to 2016/17, and the treasury Prudential Indicators contained within Section 3 Part C.
4. The Investment Strategy contained in the treasury management strategy Part 3 Section C and the detailed strategy in Appendix 1.

### **3. BACKGROUND TO THE REPORT**

- A) The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

CIPFA defines treasury management as:

*"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

- B) The Capital Prudential Indicators 2013/14 - 2016/17

#### Introduction

1. The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code and produce prudential indicators. Each indicator either summarises the expected capital activity or introduces limits upon that activity, reflecting the outcome of the Council's underlying capital appraisal systems.

The Council's capital expenditure plans are the key driver of treasury management activity. Financing of capital expenditure plans are reflected in prudential indicators, which are designed to assist members overview and confirm capital expenditure plans.

2. Within this overall prudential framework there is an impact on the Council's treasury management activity - as it will directly impact on borrowing or investment activity. As a consequence the treasury management strategy for 2012/13 to 2015/16 is included in section C to complement these indicators. Some of the prudential indicators are shown in the treasury management strategy to aid understanding.

Where the Council is acting as accountable body and is required to keep fund separate from its main treasury activities, cashflow and treasury management implications will be reported separately at the appropriate level.

#### The Capital Expenditure Plans

3. The Council's capital expenditure plans are summarised below and this forms the first of the prudential indicators. A certain level of capital expenditure is grant supported by the Government; any decisions by the Council to spend above this level will be considered unsupported capital expenditure. This unsupported capital expenditure needs to have regard to:
  - Service objectives (e.g. strategic planning);
  - Stewardship of assets (e.g. asset management planning);
  - Value for money (e.g. option appraisal);
  - Prudence and sustainability (e.g. implications for external borrowing and whole life costing);
  - Affordability (e.g. implications for the council tax and rents);
  - Practicality (e.g. the achievability of the forward plan).
4. The revenue consequences of capital expenditure, particularly the unsupported capital expenditure, will need to be paid for from the Council's own resources.
5. This capital expenditure can be paid for immediately (by applying capital resources such as capital receipts, capital grants etc., or revenue resources), but if these resources are insufficient any residual capital expenditure will add to the Council's borrowing need.
6. The key risks to the plans are that the level of Government support has been estimated and is therefore subject to change. Similarly some estimates for other sources of funding, such as capital receipts, may also be subject to change over this timescale. For instance anticipated asset sales may be postponed due to the poor condition of the property market.
7. The Council is asked to approve the summary capital expenditure projections below. This forms the first prudential indicator:

Table 1

<b>Capital Expenditure £'000</b>	<b>Actual 2012/13</b>	<b>2013/14 Estimate</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>
Non-HRA	4,333	10,218	13,344	11,704	992
HRA	2,785	3,111	4,604	7,184	6,787
Total	7,118	13,329	17,948	18,888	7,779
<b>Financed by:</b>					
Capital receipts	1,341	1,982	2,900	100	100
Capital grants	1,471	7,206	6,356	414	326
Capital reserves	949	1,000	3,863	4,005	3,446
Revenue	2,841	2,778	3,134	3,168	3,273
<b>Net financing need for the year</b>	<b>516</b>	<b>364</b>	<b>1,696</b>	<b>11,201</b>	<b>634</b>

#### **The Council's Borrowing Need (the Capital Financing Requirement)**

8. The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. The capital expenditure above which has not immediately been paid for will increase the CFR.

9. The Council is asked to approve the CFR projections below:

Table 2

£'000	Actual 2012/13	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
<b>Capital Financing Requirement</b>					
CFR - Non Housing	15,388	15,158	16,246	26,780	23,120
CFR - Housing	70,320	70,320	70,320	70,320	70,320
<b>Total CFR</b>	<b>85,708</b>	<b>85,478</b>	<b>85,566</b>	<b>97,100</b>	<b>94,440</b>
<b>Movement in CFR</b>	<b>515</b>	<b>-230</b>	<b>1,088</b>	<b>10,534</b>	<b>-3,660</b>

<b>Movement in CFR represented by</b>					
Net financing need for the year (above)	516	364	1,696	11,201	634
Less MRP/ VRP and other financing movements	1	594	608	667	4,294
<b>Movement in CFR</b>	<b>515</b>	<b>-230</b>	<b>1,088</b>	<b>10,534</b>	<b>-3660</b>

10. The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the Minimum Revenue Provision - MRP), although it is also allowed to undertake additional voluntary payments if required (Voluntary Revenue Provision - VRP). No revenue charge is required for the HRA.
11. CLG Regulations have been issued which require full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement.

**Minimum Revenue Provision (MRP) Policy Statement.**

12. For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

- **Existing practice** - MRP will follow the existing practice outlined in former CLG Regulations (Option 1);

These options provide for an approximate 4% reduction in the borrowing need (CFR) each year.

13. From 1 April 2008 for all unsupported borrowing (including PFI and Finance Leases) the MRP policy will be

- **Asset Life Method** – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction)

These options provide for a reduction in the borrowing need over approximately the asset's life.

14. The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

Table 3

£'000	Actual 2012/13	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
Fund balances	3,657	2,092	1,895	1,435	1,320
Capital receipts	554	268	562	912	62
Earmarked reserves	8,668	13,122	12,692	11,739	14,858
Provisions	0	0	0	0	0
Contributions unapplied	2,950	1,000	500	500	500
<b>Total Core Funds</b>	<b>15,829</b>	<b>16,482</b>	<b>15,649</b>	<b>14,578</b>	<b>16,740</b>
Working Capital*	1,000	1,000	1,000	1,000	1,000
Under borrowing	14,829	14,158	14,649	14,578	15,470
<b>Expected Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\*Working capital balances shown are estimated year end; these may be higher mid year

#### **Affordability Prudential Indicators**

15. The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:
16. **Actual and Estimates of the ratio of financing costs to net revenue stream –** This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

Table 4

%	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
Non-HRA	8.49	8.91	10.15	9.83
HRA	40.5	40.3	40.1	40.0

17. The estimates of financing costs include current commitments and the proposals in this budget report.
18. **Estimates of the incremental impact of capital investment decisions on the Council Tax –** This indicator identifies the revenue costs associated with **proposed changes** to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period.
19. **Incremental impact of capital investment decisions on the Band D Council Tax**

20. Table 5

£	Actual 2012/13	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
Council Tax - Band D	1.38	0.98	0.42	3.04	9.10

21. **Estimates of the incremental impact of capital investment decisions on Housing Rent levels** – Similar to the Council tax calculation this indicator identifies the trend in the cost of proposed changes in the housing capital programme recommended in this budget report compared to the Council's existing commitments and current plans, expressed as a discrete impact on weekly rent levels.

22. **Incremental impact of capital investment decisions - Housing Rent levels.**

Table 6

£	Actual 2012/13	Proposed Budget 2013/14	Forward Projection 2014/15	Forward Projection 2015/16	Forward Projection 2016/17
Weekly Housing Rent levels	40.5	40.3	40.1	40.0	40.0

23. This indicator shows the revenue impact on any newly proposed changes, although any discrete impact will be constrained by rent controls.

**C) Treasury Management Strategy 2013/14 - 2014/15**

1. The treasury management service is an important part of the overall financial management of the Council's affairs. The prudential indicators in Appendix A consider the affordability and impact of capital expenditure decisions, and set out the Council's overall capital framework. The treasury service considers the effective funding of these decisions. Together they form part of the process which ensures the Council meets its balanced budget requirement under the Local Government Finance Act 1992.
2. The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management). This Council adopted the Code of Practice on Treasury Management on 30 June 2003.
3. As a result of adopting the Code the Council also adopted a Treasury Management Policy Statement (30 June 2003). This adoption is the requirements of one of the prudential indicators.
4. The Constitution requires an annual strategy to be reported to Council outlining the expected treasury activity for the forthcoming 3 years. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service. A further treasury report is produced after the year-end to report on actual activity for the year, and a new requirement of the revision of the Code of Practice is that there is a mid-year monitoring report.



This strategy covers:

- The Council's debt and investment projections;
- The Council's estimates and limits on future debt levels;
- The expected movement in interest rates;
- The Council's borrowing and investment strategies;
- Treasury performance indicators;
- Specific limits on treasury activities;

## **Borrowing**

- 5 The capital expenditure plans set out above provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy

The Council's treasury portfolio position at 31 March 2013, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Table 7

<b>£'000</b>	<b>2013/14 Revised</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>
<b>External Debt</b>				
Debt at 1 April	85,708	85,478	86,566	97,100
Expected change in debt	-230	1,088	10,534	-3,660
Debt at 31 March	85,478	86,566	97,100	93,440
<b>Actual Gross Debt</b>	<b>70,952</b>	<b>70,952</b>	<b>70,952</b>	<b>70,952</b>
<b>Under Borrowed</b>	<b>14,526</b>	<b>15,614</b>	<b>26,148</b>	<b>22,488</b>

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2014/15 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Deputy Chief Executive (Corporate Direction) reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

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total of the CFR in the preceding year plus the estimates of any additional CFR for 2014/15 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Chief Executive Corporate Direction reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

### Treasury Indicators: limits to borrowing activity

**The operational boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Table 8

Operational boundary £m	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
Total	85,478	86,566	97,100	93,440

- 6 **The authorised limit for external debt.** A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

The Council is asked to approve the following authorised limit:

Table 9

Authorised limit £m	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
General Fund	15,878	16,966	27,500	23,840
HRA	72,000	72,000	72,000	72,000
Bus Station*	7,000	7,000	0	0
Total	94,878	95,966	99,500	95,840
Addl Leisure Centre	0	1,350	0	0
	94,878	97,316	99,500	95,840

\* Possible maximum temporary borrowing for the Bus Station.

Separately, the Council is also limited to a maximum HRA CFR through the HRA self-financing regime. This limit is currently:

HRA Debt Limit £m	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
HRA debt cap	72.0	72.0	72.0	72.0
HRA CFR	70.3	70.3	70.3	70.3

HRA headroom	1.7	1.7	1.7	1.7
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### Expected Movement in Interest Rates

7 The Council has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives our central view.

Annual Average %	Bank Rate %	PWL B Borrowing Rates % (including certainty rate adjustment)		
		5 year	25 year	50 year
Dec 2013	0.50	2.50	4.40	4.40
Mar 2014	0.50	2.50	4.40	4.40
Jun 2014	0.50	2.60	4.50	4.50
Sep 2014	0.50	2.70	4.50	4.50
Dec 2014	0.50	2.70	4.60	4.60
Mar 2015	0.50	2.80	4.60	4.70
Jun 2015	0.50	2.80	4.70	4.80
Sep 2015	0.50	2.90	4.80	4.90
Dec 2015	0.50	3.00	4.90	5.00
Mar 2016	0.50	3.10	5.00	5.10
Jun 2016	0.75	3.20	5.10	5.20
Sep 2016	1.00	3.30	5.10	5.20
Dec 2016	1.00	3.40	5.10	5.20
Mar 2017	1.25	3.40	5.10	5.20

Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth has rebounded during 2013 to surpass all expectations. Growth prospects remain strong for 2014, not only in the UK economy as a whole, but in all three main sectors, services, manufacturing and construction. One downside is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are under pressure, although income tax cuts have ameliorated this to some extent. A rebalancing of the economy towards exports has started but as 40% of UK exports go to the Eurozone, the difficulties in this area are likely to continue to dampen UK growth. There are, therefore, concerns that a UK recovery currently based mainly on consumer spending and the housing market, may not endure much beyond 2014. The US, the main world economy, faces similar debt problems to the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth.

The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:

- Although Eurozone concerns have subsided in 2013, Eurozone sovereign debt difficulties have not gone away and there are major concerns as to how these will be managed over the next few years as levels of government debt to GDP ratios, in some countries, continue to rise to levels that could result in a loss of investor confidence in the financial viability of such countries. Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2014/15 and beyond;
- Borrowing interest rates have risen significantly during 2013 and are on a rising trend. The policy of avoiding new borrowing by running down spare cash balances

has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring even higher borrowing costs, which are now looming ever closer, where authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt, in the near future;

- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

### **Borrowing Strategy 2014/15 - 2016/17**

- 8 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow have been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is high and will be maintained for the borrowing, excluding the HRA reform settlement.

Against this background and the risks within the economic forecast, caution will be adopted with the 2014/15 treasury operations. The Deputy Chief Executive (Corporate Direction) will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates, e.g. due to a marked increase of risks around relapse into recession or risks of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.*
- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.*

### **Borrowing In Advance**

9. The Council will not borrow more than or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the current reporting mechanism.

### **Debt Restructuring**

- 10 As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;

- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

### Treasury Management Limits on Activity

11 There are four further treasury activity limits, which were previously prudential indicators. The purpose of these are to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However if these are set to be too restrictive they will impair the opportunities to reduce costs/improve performance. The indicators are:

- Upper limits on variable interest rate exposure – This identifies a maximum limit for variable interest rates based upon the debt position net of investments.
- Upper limits on fixed interest rate exposure – Similar to the previous indicator this covers a maximum limit on fixed interest rates.
- Maturity structures of borrowing – These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.
- Total principal funds invested for greater than 364 days - these limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

12 The Council is asked to approve the limits:

Table 10

£m	2014/15	2015/16	2016/17
<b>Interest rate Exposures</b>			
	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>
<b>Limits on fixed interest rates based on net debt</b>	16	16	16
<b>Limits on variable interest rates based on net debt</b>	4	4	4
<b>Maturity Structure of fixed interest rate borrowing 2013/14</b>			
	<b>Lower</b>	<b>Upper</b>	
Under 12 months	0%	100%	
12 months to 2 years	0%	100%	
2 years to 5 years	0%	100%	
5 years to 10 years	0%	100%	
10 years and above	0%	100%	
<b>Maximum principal sums invested &gt; 364 days</b>			
Principal sums invested > 364 days	£5m	£5m	£5m

### Annual Investment Strategy

#### Investment policy

- 13 The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then return.

In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies with a full understanding of these reflect in the eyes of each agency. Using our ratings service potential counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

Further, the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk.

The intention of the strategy is to provide security of investment and minimisation of risk.

Investment instruments identified for use in the financial year are listed in appendix 5.4 under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices – schedules

- 14 **Creditworthiness Policy** The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- **It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and**
- **It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.**

The Deputy Chief Executive (Corporate Direction) will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that

which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

The minimum rating criteria uses the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies, one meets the Council's criteria, the other does not, the institution will fall outside the lending criteria. Credit rating information is supplied by Capita Asset Services our treasury consultants, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating watch applying to a counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions. Additional background in the approach taken is attached at Appendix 2

15 The criteria for providing a pool of high quality investment counterparties (both Specified and Non-specified investments) is:

- **Banks 1 - Good Credit Quality** – the Council will only use banks which:
  - i) Are UK banks; and/or
  - ii) Are non-UK and domiciled in a country which has a minimum Sovereign long term rating of AAA.

And have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated):

- i) **Short Term** – F1
  - ii) **Long Term** – A
  - iii) **Individual / Financial Strength** – C (Fitch / Moody's only)
  - iv) **Support** – 3 (Fitch only)
- **Banks 2 – Part Nationalised UK Banks** – These banks will be included if they continue to be part nationalised or they meet the ratings criteria in Bank 1 above.
- **Banks 3** - The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.
- **Bank Subsidiary and Treasury Operations** – the Council will use these where the parent bank has the necessary ratings outlined above.
- **Building Societies** – the Council will use all Societies which:
  - i) meet the ratings for banks outlined above
  - Or are both:
  - ii) Eligible Institutions; and
  - iii) Have assets in excess of £500m.
- **Money Market Funds** - AAA

- **UK Government** (including gilts and the DMADF)
- **Local Authorities, Parish Councils etc**
- **Supranational institutions**

A limit of 100% will be applied to the use of Non-Specified investments.

16. **Country and sector considerations** - Due care will be taken to consider the country, group and sector exposure of the Council's investments. In part the country selection will be chosen by the credit rating of the Sovereign state in Banks 1 above. In addition:

- no more than 5% will be placed with any non-UK country at any time;
- limits in place above will apply to Group companies;
- Sector limits will be monitored regularly for appropriateness.

17 **Use of additional information other than credit ratings** – Additional requirements under the Code of Practice requires the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

18 **Time and Monetary Limits applying to Investments** - The time and monetary limits for institutions on the Council's Counterparty List are as follows (these will cover both Specified and Non-Specified Investments):

	<b>Fitch (or equivalent)</b>	<b>Money Limit</b>	<b>Time Limit</b>
Bank 1 Category	AAA	£5m	1yr
Bank 2 Category	AA	£5m	3yrs
Bank 3 Councils Own Bank	A	£3m	2yrs
Other Institution Limits	-	£2m	1yr
Local Authorities	N/A	£3m	1yr
Money Market Funds	AAA	£3m	liquid
DMADF	N/A	£5m	6 months

### **Annual Investment Strategy Approach 2013/14 – 2016/17**

19 **In-house funds.** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

20 **Investment returns expectations.** Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 2 of 2016. Bank Rate forecasts for financial year ends (March) are:

- 2013/14 0.50%
- 2014/15 0.50%
- 2015/16 0.50%
- 2016/17 1.25%



There are upside risks to these forecasts (i.e. start of increases in Bank Rate occurs sooner) if economic growth remains strong and unemployment falls faster than expected. However, should the pace of growth fall back, there could be downside risk, particularly if Bank of England inflation forecasts for the rate of fall of unemployment were to prove to be too optimistic.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year for the next four years are as follows:

2014/15	0.50%
2015/16	0.50%
2016/17	1.00%
2017/18	2.00%

- 21 **Investment treasury indicator and limit** - total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit: -

<b>Maximum principal sums invested &gt; 364 days</b>			
<b>£m</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
Principal sums invested > 364 days	£0	£0	£0

Where appropriate, for its cash flow generated balances, the Council will seek to utilise its business "Call Account" in order to minimise risk.

- 22 These benchmarks are simple guides to maximum risk and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the Mid-Year or Annual Report.

- 23 **Security** - The Council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

- 0.24% historic risk of default when compared to the whole portfolio.

- 24 **Liquidity** – In respect of this area the Council seeks to maintain:

- Bank overdraft - £0.250m
- Liquid short term deposits of at least £1m available with a week's notice.
- Weighted Average Life benchmark is expected to be 0.5 years, with a maximum of 1 year.

- 25 **Yield** - Local measures of yield benchmarks are:

- Investments – Internal returns above the 7 day LIBID rate and in addition that the security benchmark for each individual year is:

	<b>1 year</b>	<b>2 years</b>	<b>3 years</b>	<b>4 years</b>	<b>5 years</b>
Maximum	0.24%	0.78%	1.48%	2.24%	3.11%

Note: This benchmark is an average risk of default measure, and would not constitute an expectation of loss against a particular investment.

The proposed criteria for investments are shown in Appendix 1 for approval.

Table 12

<b>£m</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
<b>Interest rate Exposures</b>			
	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>
<b>Limits on fixed interest rates based on net debt</b>	16	16	16
<b>Limits on variable interest rates based on net debt</b>	4	4	4
<b>Maturity Structure of fixed interest rate borrowing 2013/14</b>			
	<b>Lower</b>	<b>Upper</b>	
Under 12 months	0%	100%	
12 months to 2 years	0%	100%	
2 years to 5 years	0%	100%	
5 years to 10 years	0%	100%	
10 years and above	0%	100%	
<b>Maximum principal sums invested &gt; 364 days</b>			
Principal sums invested > 364 days	£5m	£5m	£5m

### Performance Indicators

- 26 The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking. Examples of performance indicators often used for the treasury function are:
- Debt - Borrowing - Average rate of borrowing for the year compared to average available
  - Debt - Average rate movement year on year
  - Investments - Internal returns above the 7 day LIBID rate

The results of these indicators will be reported in the Treasury Annual Report.

### Treasury Management Advisers

- 27 The Council uses Sector as its treasury management advisers. The company provides a range of services which include:
- Technical support on treasury matters, capital finance issues and the drafting of Member reports;
  - Economic and interest rate analysis;
  - Debt services which includes advice on the timing of borrowing;
  - Debt rescheduling advice surrounding the existing portfolio;
  - Generic investment advice on interest rates, timing and investment instruments;

- Credit ratings/market information service comprising the three main credit rating agencies;

28 Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remains with the Council. This service is subject to regular review.

#### **4. FINANCIAL IMPLICATIONS (IB)**

These are contained in the body of the report.

#### **5. LEGAL IMPLICATIONS (AB)**

These are contained in the body of the report.

#### **6. CORPORATE PLAN IMPLICATIONS**

Delivery of the Prudential Indicators contributes to the achievement of Strategic Objective 3: “Deliver the Councils Medium Term Financial 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”.

#### **7. CONSULTATION**

None.

#### **8. RISK IMPLICATIONS**

The following significant risks associated with this report/decision were identified from this assessment:

<b>Management of Significant (Net Red) Risks</b>		
<b>Risk Description</b>	<b>Mitigating Actions</b>	<b>Owner</b>
Failure to achieve planned level of capital expenditure on the Capital Programme	Monitor expenditure via Budget Monitoring process and Capital Forum	Ilyas Bham
Failure to generate sufficient Capital Receipts and/or grants and other external funding to support the proposed programme	Look to revise the programme to bring spend into line with available resources	Ilyas Bham

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

Schemes in the Capital Programme cover all services and all areas of the Borough including rural areas.

#### **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

- Voluntary Sector Implications
- 

Background Papers

Capital Programme 2013/14 to 2016/17

The CIPFA Prudential Code

Treasury Management Policy

Revenue Budget 2013/14

Contact Officer: Ilyas Bham, Group Accountant ext 5924

Executive Member: Cllr KWP Lynch

**Treasury Management Practice (TMP) 1 – Credit and Counterparty Risk Management**

The CLG issued Investment Guidance in 2010, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which are under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for Councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council adopted the Code on 30 June 2003 and will apply its principles to all investment activity. In accordance with the Code, the Deputy Chief Executive (Corporate Direction) has produced its treasury management practices (TMPs). This part, TMP 1(5), covering investment counterparty policy requires approval each year.

**Annual Investment Strategy** - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Council is:

**Strategy Guidelines** – The main strategy guidelines are contained in the body of the treasury strategy statement.

**Specified Investments** – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account deposit facility, UK Treasury Bills or a Gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A local authority, parish council or community council.
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category 4 this covers pooled investment vehicles, such as money market funds, rated AAA by Standard and Poor's, Moody's or Fitch rating agencies.
5. A body that is considered of a high credit quality (such as a bank or building society). For category 5 this covers bodies with a minimum short term rating of F1 (or the equivalent) as rated by Standard and Poor's, Moody's or Fitch rating agencies.

**Non-Specified Investments** – Non-specified investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments would include any sterling investments with:

	<b>Non Specified Investment Category</b>	<b>Limit (£ )</b>
a.	<p><b>Supranational Bonds greater than 1 year to maturity</b></p> <p><b>(a) Multilateral development bank bonds</b> - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.).</p> <p><b>(b) A financial institution that is guaranteed by the United Kingdom Government</b> (e.g. The Guaranteed Export Finance Company {GEFCO})</p> <p>The security of interest and principal on maturity is on a par with the Government and so very secure, and these bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	<p>AAA long term ratings</p> <p>£3m</p> <p>£3m</p>
b.	<p><b>Gilt edged securities</b> with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	£3m
c.	<p><b>The Council's own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.</b></p>	£3m
d.	<p><b>Building societies not meeting the basic security requirements under the specified investments.</b> The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use such building societies which were originally considered Eligible Institutions and have a minimum asset size of £500m, but will restrict these type of investments to £2m</p>	£2m
e.	<p>Any <b>bank or building society</b> that has a minimum long term credit rating of A, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).</p>	£5m
f.	<p>Any <b>non rated subsidiary</b> of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to a limit of £2m for a period of 6 months</p>	£2m

**The Monitoring of Investment Counterparties** - The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Sector as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Deputy Chief Executive (Corporate Direction), and if required new counterparties which meet the criteria will be added to the list.

## Security, Liquidity and Yield Benchmarking

### Benchmarking and Monitoring Security, Liquidity and Yield in the Investment Service

- A proposed development for Member reporting is the consideration and approval of security and liquidity benchmarks.

These benchmarks are targets and so may be breached from time to time. Any breach will be reported, with supporting reasons in the Annual Treasury Report.

Yield - These benchmarks are currently widely used to assess investment performance. Local measures of yield benchmarks are:

- Investments - Internal returns above the 7 day LIBID rate

Security and liquidity benchmarks are already intrinsic to the approved treasury strategy through the counterparty selection criteria and some of the prudential indicators. However they have not previously been separately and explicitly set out for Member consideration. Proposed benchmarks for the cash type investments are below and these will form the basis of future reporting in this area. In the other investment categories appropriate benchmarks will be used where available.

Liquidity - This is defined as “having adequate, though not excessive cash resources, borrowing arrangements, overdrafts or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives” (CIPFA Treasury Management Code of Practice). In respect of this area the Council seeks to maintain:

- Bank overdraft - £0.250m
- Liquid short term deposits of at least £1m available with a week’s notice.

The availability of liquidity and the term risk in the portfolio can be benchmarked by the monitoring of the Weighted Average Life (WAL) of the portfolio – shorter WAL would generally embody less risk. In this respect the proposed benchmark is to be used:

- WAL benchmark is expected to be 0.75 years, with a maximum of 1 year.

Security of the investments - In context of benchmarking, assessing security is a much more subjective area to assess. Security is currently evidenced by the application of minimum credit quality criteria to investment counterparties, primarily through the use of credit ratings supplied by the three main credit rating agencies (Fitch, Moody’s and Standard and Poors). Whilst this approach embodies security considerations, benchmarking levels of risk is more problematic. One method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the Council’s investment strategy. The table beneath shows average defaults for differing periods of investment grade products for each Fitch/Moody’s Standard and Poors long term rating category over the last 20 years.

Years	1	2	3	4	5
AAA	0.00%	0.02%	0.06%	0.09%	0.13%
AA	0.02%	0.04%	0.14%	0.28%	0.36%
A	0.09%	0.25%	0.43%	0.60%	0.79%
BBB	0.23%	0.65%	1.13%	1.70%	2.22%
BB	0.93%	2.47%	4.21%	5.81%	7.05%
B	3.31%	7.89%	12.14%	15.50%	17.73%
CCC	23.15%	32.88%	39.50%	42.58%	45.48%

The Council's minimum long term rating criteria is currently "A", meaning the average expectation of default for a one year investment in a counterparty with a "A" long term rating would be 0.09% of the total investment (e.g. for a £1m investment the average loss would be £900). This is only an average - any specific counterparty loss is likely to be higher - but these figures do act as a proxy benchmark for risk across the portfolio.

The Council's maximum security risk benchmark for the whole portfolio, when compared to these historic default tables, is:

- 0.055% historic risk of default when compared to the whole portfolio.

And in addition that the security benchmark for each individual year is:

	<b>1 year</b>	<b>2 years</b>	<b>3 years</b>	<b>4 years</b>	<b>5 years</b>
Maximum	0.24%	0.68%	1.19%	1.79%	2.42%

These benchmarks are embodied in the criteria for selecting cash investment counterparties and these will be monitored and reported to Members in the Investment Annual Report. As this data is collated, trends and analysis will be collected and reported. Where a counterparty is not credit rated a proxy rating will be applied.



## SCRUTINY COMMISSION – 16 JANUARY 2014

### HINCKLEY AND BOSWORTH LOCAL PLAN (2006 – 2026): SITE ALLOCATIONS AND DEVELOPMENT MANAGEMENT POLICIES DEVELOPMENT PLAN DOCUMENT – PRE-SUBMISSION DOCUMENT REPORT OF THE DEPUTY CHIEF EXECUTIVE (COMMUNITY DIRECTION)



#### WARDS AFFECTED: ALL WARDS

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#### 1. PURPOSE OF REPORT

The purpose of the report is to seek Members endorsement to consult on the Site Allocations and Development Management Policies Development Plan Document (DPD) pre-submission version, sustainability Appraisal, consultation report and supporting documents in accordance with the Town and Country Planning Regulations (Local development) (England) 2004 (as amended) and the Local Development Scheme. It also seeks endorsement for subsequent submission of the DPD to the Secretary of State for Examination in Public. Copies of the documents are available to view in the Members room and on the internet as part of the committee documents.

#### 2. RECOMMENDATION

That the Scrutiny Commission;

- (i) Review and endorse the publication of the pre-submission draft Site Allocations and Development Management Policies DPD, Sustainability Appraisal, consultation report and supporting documents due for consultation during the period 17 March 2014 to 2 May 2014 in accordance with the Town and Country Planning Regulations (Local Development) (England) 2004 (as amended).
- (ii) Note the planned submission of the Site Allocations and Development Management Policies DPD, sustainability appraisal, consultation report and supporting documents to the Secretary of State for Examination in Public following analysis of the representations received during the consultation period.
- (iii) Forward comments and recommendations on the documents to Council for consideration.

#### 3. BACKGROUND TO THE REPORT

- 3.1 The overarching strategy for Hinckley and Bosworth Local Plan (2006 – 2026) is the adopted Core Strategy (December 2009). This sets out the spatial objectives, directions for growth, long term vision and strategic core policies for the borough and forms the basis for subsequent development plan documents. The intention to prepare the Site Allocations and Development Management Policies DPD to allocate individual sites is set out within the Core Strategy.
- 3.2 The Site Allocations and Development Management Policies DPD must be in conformity with the adopted Core Strategy. The DPD allocates land for specific uses such as housing, employment, various typologies of open space, and community uses in accordance with the provisions set out within the Core Strategy and to reflect the adopted evidence which include;

- Areas of Separation Review (2012)
- Biodiversity Assessment (2009)
- Community, Cultural and Tourism Facilities Review (2013)
- District, Local and Neighbourhood Centre Review (2012)
- Employment Land and Premises Review (2013)
- Green Wedge Review and Green Wedge Allocations Topic Paper (2011)
- Phase 1 Habitat Survey (2012)
- Hinckley Area Cycle Network Plan (1999)
- Hinckley and Bosworth Rural Parishes Cycle Network Plan (2003)
- Landscape Character Assessment (2006)
- Leicester and Leicestershire HMA Employment Land Study (2012)
- Open Space, Sport and Recreational Facilities Study (2011)
- Renewable Energy Capacity Study (2013)
- Retail Capacity Study (2007)
- Strategic Flood Risk Assessment (2007)
- Strategic Housing Land Availability Assessment (2013)

All of the studies are available to view on the Borough Council's website ([www.hinckley-bosworth.gov.uk](http://www.hinckley-bosworth.gov.uk)).

- 3.3 The housing sites included within the pre-submission draft of the DPD have been robustly assessed to ensure they are; suitable, available and achievable and they will meet the residual requirements of the Core Strategy.
- 3.4 The following allocations; employment land, the different typologies of open spaces throughout the borough, community, cultural and tourism facilities, conservation area boundaries, district, local and neighbourhood centres, and green wedge boundaries are all reflected within the DPD. The Site Allocations and Development Management Policies DPD does not include allocations for gypsy and travellers, these allocations shall be made in the Gypsy and Traveller Allocations DPD.
- 3.5 The council commissioned consultant DTZ to undertake a Viability and Deliverability Assessment of the DPD. The assessment takes into account the cost of development, together with the consideration of competitive returns to land owners and developers that will enable the development to be deliverable. Having tested the policy requirements of the Core Strategy against a series of residential site archetypes, reflective of the profile sites featured in the Site Allocations DPD, the study concluded (notwithstanding site specific abnormal costs) that the residential allocations are deliverable in the context of reasonable flexibility in the interpretation and application of Core Strategy Policy.
- 3.6 Supporting the implementation of the Core Strategy and the site allocations are the Development Management Policies. The 25 policies set out in the document are intended to be used in day to day decision making on planning applications. The policies cover the following topic areas;
- Presumption in Favour of Sustainable Development
  - Delivering Renewable Energy and Low Carbon Development
  - Infrastructure and Delivery
  - Safeguarding the Countryside and Settlement Separation
  - Enabling Rural Worker Accommodation
  - Enhancement of Biodiversity and Geological Interest
  - Preventing Pollution
  - Safeguarding Open Space, Sport and Recreational Facilities
  - Safeguarding Natural and Semi-Natural Open Spaces

- Development and Design
- Protecting and Enhancing the Historic Environment
- Heritage Assets
- Preserving the Borough's Archaeology
- Replacement Dwellings in the Rural Area
- Redundant Rural Buildings
- Telecommunications
- Highway Design
- Vehicle Parking Standards
- Existing Employment Sites
- Provision of Employment Sites
- Locating Sustainable Town Centre Uses
- Vitalising District, Local and Neighbourhood Centres
- High Quality Shop Fronts and Advertisements
- Preserving the Borough's Cultural and Tourism Facilities
- Safeguarding Community Facilities

3.7 The pre-submission version of the Development Management Policies have changed significantly from those consulted upon in 2009 'preferred option' consultation paper. The changes reflect the introduction of the NPPF which has seen a dramatic change in policy at the national level which the Borough Council's plans must be in line with. The NPPF has placed a requirement on Council's to include policies in their plans that were not required before the change in national policy. Also the abolition of the East Midlands Regional Plan has had implications in terms of policy voids.

3.8 The Site Allocations and Development Management Policies DPD has the following benefits;

- Once adopted the council will have a secure 5 year housing land supply
- It will provide the Council with a strong case to refuse speculative planning applications
- The Green Wedge boundary has been reviewed to make it more robust and defensible in the future, this includes extensions to both of the green wedges.
- Identifies and safeguards three times as many open spaces as the 2001 Local Plan
- Identifies and safeguards three times as many Community Facilities as the 2001 Local Plan
- Identifies, safeguards and supports the provision of employment sites
- For the first time safeguards rural public houses from redevelopment to other uses
- For the first time identifies and safeguards Cultural and Tourism Facilities
- Settlement separation is for the first time a key consideration in the determination of all applications outside settlement boundaries and not just within specific areas
- For the first time shopping areas are categorised into a hierarchy of provision with tailored policies to each hierarchy
- Recognition and designation of the new Bilstone Conservation Area
- Recognition and designation of the extended Bosworth Battlefield
- For the first time protection is afforded to locally important heritage assets through the Local List
- Settlement boundaries have undergone a robust review and amendment more accurately reflected the built form of settlements
- County Highways Parking standards are for the first time applied as a minimum requirement

3.9 It is intended to consult on the pre-submission Site Allocations and development Management Policies DPD for a period of 6 weeks from **Monday 17 March 2014 to 5pm on Friday 2 May 2014**. After this consultation period, a Government inspector will assess the document at a public examination to make sure that it has been prepared in accordance with the Duty to Cooperate, legal and procedural requirements, and whether it has passed the four tests of soundness. These four tests are contained within the National Planning Policy Framework (NPPF) and are to ensure that the plan is:

- **Positively prepared** - the plan should be prepared based on a strategy which seeks to meet objectively assessed development and infrastructure requirements, including unmet requirements from neighbouring authorities where it is reasonable to do so and consistent with achieving sustainable development;
- **Justified** – the plan should be the most appropriate strategy, when considered against the reasonable alternatives, based on proportionate evidence;
- **Effective** – the plan should be deliverable over its period and based on effective joint working on cross-boundary strategic priorities; and
- **Consistent with national policy** – the plan should enable the delivery of sustainable development in accordance with the policies in the NPPF.

When making representations on the Pre-submission document, the representations should focus on explaining in what way:

- The Council has not followed the correct legal procedures (e.g. been produced in line with the proper regulations); or,
- The Proposed Submission document has failed one or more of the tests of soundness. This could be one or more parts of the document and representations should identify the changes needed to make it sound.

#### 4. FINANCIAL IMPLICATIONS [KB]

4.1 The cost of the Site Allocations document is forecast to be approximately £90,000 in 2013/2014 and £200,000 for 2014/2015. At the time of producing this report, it is forecast that approximately £29,500 of the spend for the current year will be requested for carry forward at the year end.

4.2 The Council has in place an earmarked reserve to fund the costs associated with the production of all documents included in the Local Plan. Taking into account current forecasts, the balance on this reserve as at 31<sup>st</sup> March 2014 is forecast to be £373,500. Additional transfers to this reserve to fund the completion of all Local Plan documents was approved by Council in December 2013.

#### 5. LEGAL IMPLICATIONS [AB]

5.1 Contained in the body of the report

#### 6. CORPORATE PLAN IMPLICATIONS

6.1 The Site Allocations and development Management Policies DPD supports the following aims of the Corporate Plan 2013 – 2016:

- Creating a vibrant place to work and live
- Empowering communities
- Supporting individuals
- Providing value for money and pro-active services

## 7. CONSULTATION

- 7.1 The production of the Site Allocations and Development Management Policies document has been based on ongoing consultation with the local community and key stakeholders. A wide range of comments were received during the public consultation exercises in November 2003 to December 2003 on the LDF Issues Papers – ‘A vision for our future’ and ‘The Shape of Things to Come’ during summer 2005. In August-September 2007 the Site Allocations and Generic Development Control Policies Issues and Options Papers were consulted upon. These papers set out a number of issues and options for comment and respondents were also invited to submit further issues facing the Borough and additional sites.
- 7.2 In 2009 the Borough Council undertook an eight week public consultation on the Preferred Options version of the document which, at the time, was called the Site Allocations and Generic Development Control Policies DPD. Throughout this consultation period the Borough Council undertook many public consultation workshops and exhibitions to explain the proposals to members of the public and as a result the Council received 13,500 representations to the document. All of the representations received were reviewed and summarised in the Statement of Consultation Responses (July 2011) and have been taken into account while producing this pre-submission version.
- 7.3 The majority of the 13,500 representations related to the allocation of Gypsy and Traveller sites with the borough. As stated above the allocation of Gypsy and Traveller sites will be undertaken through a separate DPD. Below are some of the issues raised during the consultation period, please note that these do not represent all the comments raised these can be found in Appendix 6 of the Consultation Report which can be found on the Council’s web-site [www.hinckley-bosworth.gov.uk](http://www.hinckley-bosworth.gov.uk).
- Lack of facilities (including, for example; schools, GP Surgery’s, Dentists, Libraries, and community centres) development will put a strain on existing facilities
  - High concentration of Travellers
  - Impact of increased traffic, highway safety, access and capacity
  - Brownfield sites should be allocated and not Greenfield (or Green Belt) please note that Green Belt is a national designation and no land in the borough bestows this designation.
  - Concerns regarding flooding and drainage
  - Support for the railway station at Bagworth, but concerns raised about sufficient car parking provision
  - Concerns over Wildlife and habitat Impact
  - Employment sites have overtime been redeveloped for housing therefore why are additional employment sites required?
  - There is a lack of employment sites
  - Accessibility by public transport
  - Protection of allotments and green spaces is supported
  - Additional houses are required to support local facilities and services
  - Landscape and visual impact of proposals
  - Loss of countryside, green wedge, and open space
  - Loss of good quality agricultural land
  - Increase number of public open spaces required including sports pitches.

- Proposals would increase commuting and car use.

- 7.4 As a result of the consultation it emerged that the Borough Council needed to undertake further work to ensure that the document was 'sound'. Officers have now undertaken this work and the documents listed in paragraph 3.2 above are the result of this additional work.
- 7.5 Where housing allocations have been required to meet the residual housing requirement of settlements in the borough, Members have been invited to meet with Officers to discuss the background and reasoning for the specific allocations.
- 7.6 The draft Development Management Policies have been discussed with a cross party Member working group and informal consultation with statutory consultees and key stakeholders. All the comments and suggested changes made during this informal consultation have been incorporated into the policies.
- 7.7 All the previous consultations have helped inform the preparation of the Site Allocations and Development Management Policies pre-submission version.

## 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 / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
Consultation not undertaken in conformity with the statutory requirements.	Ensure consultation is undertaken with the Statement of Community Involvement (SCI)	Policy and Regeneration Manager.
Publication of the DPD legally compliant and conforms to the 'Test of Soundness'.	Undertake legal compliance self-assessment prior to submission of the DPD to the Secretary of State.	Policy and Regeneration Manager.
Risk of speculative planning applications.	Proceed with the finalisation of the DPD in accordance with the recommendation of this report.	Policy and Regeneration Manager.

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

- 9.1 The Site Allocations and Development Management Policies DPD addresses the needs of both urban and rural areas equally and is in conformity with the spatial strategy of the Core Strategy. The balance of green spaces has been considered and where deficits exist, whether rural or urban, this document seeks to secure provision for the future. The policies also aim to safeguard and preserve; community facilities, cultural and tourism facilities, the countryside, open space, sport and recreational facilities, natural and semi-natural open space. Policies also aim to support the provision of new employment within suitable locations which are defined within the

policy. There are policies relating to protecting and enhancing the Historic Environment and relating to heritage assets.

## 10. **CORPORATE IMPLICATIONS**

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

- Community Safety implications – None arising from this report
- Environmental implications – Contained within the Sustainability Appraisal
- ICT implications – None arising from this report
- Asset Management implications – Contained within the DPD, Council owned land has been allocated for development.
- Human Resources implications – None arising from this report
- Planning Implications – Contained within the body of the report
- Voluntary Sector – None arising from this report.

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Background papers: Site Allocations and Development Management Policies DPD Pre-submission report  
Sustainability Appraisal  
Site Allocations and Generic Development Control Policies DPD  
Preferred Option Consultation Report  
Viability and Deliverability Assessment  
Settlement Boundary Topic Paper

Further supporting evidence which has previously been approved by the Executive are available to view on the council's website.

Contact Officer: Sally Smith – Policy and Regeneration Manager (x5792)  
Executive Member: Councillor Stuart Bray

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**WARDS AFFECTED: ALLWARDS**

1. **PURPOSE OF REPORT**

To inform Members of the Planning and Enforcement appeal determinations that have been made contrary to the decision of the Local Planning Authority.

2. **RECOMMENDATION**

The report is noted.

3. **BACKGROUND TO THE REPORT**

3.1 Since the last report to the Scrutiny Commission in January 2013 there have been 33 appeal decisions made by the Planning Inspectorate. 16 appeals allowed, 16 appeals dismissed; and 1 appeal with a split decision.

3.2 **Of the 16 allowed, 3 were recommended to committee for refusal and Members resolved to refuse the applications; 9 were recommended for approval and Members resolved to refuse the applications; 3 were officer delegated refusals and 1 was against a planning condition attached to an application recommended for approval and approved by Members.**

3.3 The table below provides a summary of the 33 appeal decisions:

<b>Appellant</b>	<b>Site Address</b>	<b>Appeal Decision</b>	<b>Decision Level</b>	<b>Recommendation</b>
Lighthouse Property Ltd	Gladstone Terrace/London Road, Hinckley	Dismissed (costs dismissed)	Committee	Member refusal contrary to officer recommendation
Jeffrey Allen	Land Adjacent Medworth, Desford Lane, Ratby	Allowed	Delegated	Officer Refusal
Sachkhand Nanak Dham	Stretton House, Watling Street, Burbage	Dismissed	Committee	Member refusal contrary to officer recommendation
Bloor Homes Ltd	Groby Road, Ratby	Dismissed	Committee	Member refusal as recommended by officers
Mr S Hallam	7 Brenfield Drive, Hinckley	Split Decision	Delegated	Officer Refusal
Mrs Clarke	66 Church Street, Burbage	Dismissed	Committee	Member refusal as recommended by officers
Mrs S McGrady	37 The Fairway, Burbage	Allowed (costs dismissed)	Committee	Member refusal contrary to officer recommendation
Frank Downes	36 Bowling Green Road,	Allowed (costs	Committee	Member refusal contrary to officer

	Hinckley	dismissed)		recommendation
Paul Cerone	29 Cunnery Close, Barlestone	Dismissed	Committee	Member refusal contrary to officer recommendation
Mr Choudry	102 Rugby Road, Hinckley	Allowed	Committee	Member refusal as recommended by officers
Mr Broderick	2 Aldridge Road, Burbage	Allowed	Committee	Member refusal contrary to officer recommendation
Benchmark	Wharf Yard, Coventry Road, Hinckley	Allowed	Committee	Member approval as recommended by officers
Mr Sohki	Bubbleboyz, Watling Street, Hinckley	Allowed (full costs allowed)	Committee	Member refusal contrary to officer recommendation
Mr R Jarvis	33 Newbold Road, Kirkby Mallory	Dismissed	Committee	Member refusal as recommended by officers
Miss Julie Hogben	1B Newtown Linford Lane, Groby	Allowed	Committee	Member refusal contrary to officer recommendation
David Wilson Homes	Shilton Road, Barwell	Dismissed	Committee	Member refusal as recommended by officers
Mr and Mrs Adcock	Barons Park, Leicester Lane, Desford	Dismissed	Committee	Member refusal as recommended by officers
Mr G Wragg	Barn B, Common Farm, Barton Road, Carlton	Dismissed	Committee	Member refusal as recommended by officers
Mr A Ingram	Gnarley Farm, Osbaston Hollow, Osbaston	Allowed	Delegated	Officer Refusal
Mr Chotai	18 Manor Road, Desford	Dismissed	Delegated	Officer Refusal
Asda Stores Ltd	Barwell Lane, Hinckley	Allowed	Committee	Member refusal contrary to officer recommendation
Helena Bull	3 Kinross Way, Hinckley	Dismissed	Delegated	Officer Refusal
Mr P Godden	Upper Grange Farm, Ratby	Allowed (full costs awarded)	Committee	Member refusal as recommended by officers
Mr H Egerton	Elms Farm, Atherstone Road, Appleby Parva	Dismissed	Committee	Member refusal contrary to officer recommendation
Mr S Johnson	3 Markfield Lane, Botcheston	Dismissed	Committee	Member refusal as recommended by officers
Sophie Johnson	1a Tithe Close, Stoke Golding	Allowed	Delegated	Officer Refusal
David Wilson Homes	Britannia Road, Burbage	Allowed (full costs	Committee	Member refusal contrary to officer

		awarded)		recommendation
David Wilson Homes	Britannia Road, Burbage	Allowed (full costs awarded)	Committee	Member refusal contrary to officer recommendation
Mr & Mrs Thompson	Lindridge Wood, Lindridge Lane, Desford	Dismissed	Delegated	Officer Refusal
Mr P Dodd	34 The Fairway, Burbage	Dismissed	Delegated	Officer Refusal
Lighthouse Property Ltd	Gladstone Terrace / London Road, Hinckley	Allowed	Committee	Member refusal contrary to officer recommendation
Mr Steve Powers	82 Coventry Road, Burbage	Allowed (Partial costs awarded)	Committee	Member refusal contrary to officer recommendation
Mr P Godden	Upper Grange Farm, Ratby Lane Markfield	Dismissed	Enforcement Notice	

#### 4. **APPEALS ALLOWED**

- 4.1 Appeal by Mr Jeffery Allen against the refusal to grant outline planning permission for the demolition of redundant buildings and erection of one dwelling at land Adjacent Medworth, Desford Lane, Ratby. The application was refused under delegated powers on the grounds of unsustainable development.

The Inspector agreed with the local authority in that the scheme fails to meet the objectives of policies RES5 and NE5 which seek to restrict development to within existing urban and rural settlements. However, the Inspector considers in this instance the benefits in ensuring the removal of the current infrastructure that persists on site would outweigh the conflict relating to sustainable development.

- 4.2 Appeal by Mr S McGrady against the refusal to grant planning permission for a first floor extension to dwelling at 37 The Fairway, Burbage. The application was refused by Members contrary to Officer recommendation on the grounds that it would have an overbearing and unacceptable adverse impact on the amenities of the neighbour.

The Inspector noted that the existing kitchen window at the neighbouring property was compromised already by the boundary wall and the existing single storey extension at the appeal site and therefore it was questioned how living conditions would be further impaired. The Inspector recognized that the extension would be visible from the neighbours window but due to the shape of the site and orientation of the extension at a 45 degree angle it was considered that the extension would be acceptable and would not result in undue loss of daylight to the neighbours window.

The appellant applied for an award of costs but the Inspector concluded that the reason for refusal was specific and sufficiently realistic and therefore the Council had not acted unreasonably as such the costs application was dismissed.

- 4.3 Appeal by Mr Frank Downes against the refusal to grant planning permission for the erection of one dwelling at 36 Bowling Green Road, Hinckley. The application was refused by Members contrary to Officer recommendation on the grounds that the scale, footprint and siting of the dwelling would be harmful to the character of the area and would result in an overbearing impact, overshadowing and loss of amenity to the neighbours at No 34.

The Inspector noted that the site was well screened and that there was a varied character in the immediate area as such it was considered the proposal would not be out of keeping with the character and appearance of the surrounding area. The Inspector considered the impact on neighbours and concluded that the proposed property was sited at the far end of the garden of No 34, away from the common boundary; and it was a chalet design and, as such, whilst there would be some loss of sunlight to the rear portion of the garden it was not considered that the proposal would impact upon neighbours amenity.

The appellant applied for an award of costs but the Inspector concluded that the Council had not acted unreasonably in refusing the application.

- 4.4 Appeal by Mr Choudry against the refusal to grant planning permission under Section 73 to vary the opening hours under condition No. 4 of planning permission 10/00908/COU to 07:30 – 21:00 for one year at The Pantry, 102 Rugby Road, Hinckley. The application was refused by Members as recommended by Officers on the grounds of impact on the amenities of neighbouring properties by virtue of noise and general disturbance.

The Inspector noted that in the original appeal the previous Inspector concluded that the closing time of 8pm would likely disturb the neighbouring occupants in particular No 100 Rugby Road but no mention was made of the new development to the south. The Inspector considered that the new development to the south comprising a number of residential properties, an office and a car park serving the office would change the traffic movements in the area, and that Rugby Road remains relatively busy into the early evening and deliveries are carried out after 6pm adding to the ambient noise level. The Inspector also noted that No 100 Rugby Road was now in the ownership of the appellant and occupied by a member of the family involved in the business. As such the Inspector considered this appeal was appreciably different to the previous one and concluded that the extended opening hours would not give rise to any noise and disturbance to nearby residents and that it would be unnecessary to apply them on a temporary trial basis.

- 4.5 Appeal by Mr M Broderick against the refusal to grant planning permission under Section 73 to remove condition No. 4 of planning permission 09/00266/FUL and retain the existing access at 2 Aldridge Road, Burbage. The application was refused by Members contrary to Officer recommendation on the grounds that the retention of the access point would have an adverse impact upon highway safety by virtue of the close proximity of the access point to the junction of Aldridge Road and Rugby Road.

The Inspector considered that whilst Rugby Road is an important local route and there are times that drivers do not adhere to the speed limit the sight-lines and visibility from the site are good. There is no record of accidents or serious issues and therefore the Inspector considered that the situation would be little different to many situations within suburban areas throughout the country. The Inspector noted that the Council failed to explain why the application would not comply with the County Council's highway requirements and that County Highways had no objections.

- 4.6 Appeal by Mr R Sohki against refusal to grant planning permission for the retrospective change of use to hand vehicle wash at Land at Russell Francis Interiors, Watling Street, Hinckley. The application was refused by Members contrary to Officer recommendation on the grounds of the intensification of the use of an existing access and traffic turning onto or off the A5 Trunk Road to the detriment of highway safety.

The Inspector concluded that the Local Plan policy T5 makes no reference to highway safety and that it only applies to a change of use which involves a new access. He noted that although the road is heavily trafficked with a high proportion of

heavy goods vehicles the entrance is set well back from the highway and visibility was clear across the highway. He also noted that the use had been in place for 3 years with no Highway Agency records to suggest that serious accidents have occurred as a direct result of the use. He considered right turning would be difficult and an undesirable manoeuvre but it was a long established access and users would have to use common sense and a degree of care when exiting the site.

The appellant applied for a full award of costs on the grounds that the authority should have provided reasonable planning grounds for taking the decision and produced relevant evidence in appeal to support the decision. The Inspector noted the decision had been taken by elected Members contrary to Officer recommendation. He found that the Council had failed to produce relevant and substantive evidence of any intensification of use resulting in highway danger contrary to the view of the highway consultees as such he found unreasonable behaviour resulting in a full award of costs. The costs claim has been submitted and totals £1500.

- 4.7 Appeal by Miss Julie Hogben against refusal of the change of use for flat 2 to accommodate treatment rooms at 1B Newtown Linford Lane, Groby. The application was refused by Members contrary to Officer recommendation on the grounds of impact on neighbouring occupiers by virtue of the comings and going associated with the use leading to a level of noise and general disturbance; and that the applicant had failed to demonstrate an appropriate level of parking on site could be provided.

The Inspector noted that premises is located above an existing hairdressers and the pedestrian access was via a stairway shared with an existing adjoining flat and considered that the due to the size of the premises it would not be likely to generate substantial footfall by customers or staff. The use had been in place for some time during which the occupant of the flat has experienced no inconvenience or disturbance, which is also the case for the occupiers of No 3, the adjacent property. The Inspector concluded that through the control of the intensity of the use and a condition to ensure compliance with approved plans the use would not harm the living conditions of the occupiers of adjacent residential properties. The Inspector also noted that there are 3 existing parking spaces on the forecourt with one additional space for staff parking, along with on-street parking in the vicinity. In addition there is existing off-street parking nearby at the Village Hall and the Groby ex-Servicemen's Social Club as such there is sufficient parking to serve the development.

- 4.8 Appeal by Mr A Ingram against the refusal to grant planning permission for the change of use of existing lakes to a commercial fishing use. Change of use of fields for playing fields with portakabin style changing rooms. New access track and car parking to serve the fishing and playing fields at Gnarley Farm, Osbaston Hollow, Osbaston. The application was refused by Officers under delegated powers on the grounds of it being an unsustainable location and an unacceptable impact to the character and appearance of the surrounding countryside.

The Inspector considered as the appeal site access would only be located a few metres beyond the settlement boundary and that the playing fields would be in a reasonable walking and cycling distance for the village, the location would be sustainably located in relation to Barlestone. He also considered that the fishing lakes would also be sustainably located and with the amount of equipment that anglers use, travel other than predominantly by private car would be unrealistic. The Inspector noted that some hedgerow would need to be removed for visibility purposes the depth of highway grass verge would result in the predominantly rural appearance being retained. The Inspector considered that whilst the access track would cut through arable land it would only be visible to passers-by in glimpsed views along the site access and as such would not have a material effect on the character

and appearance of the area. The Inspector concluded that the car parking area along with the proposed portakabin changing room would be heavily screened from public vantage points by mature vegetation and would also not materially effect the character and appearance of the area.

- 4.9 Appeal by Asda Stores Limited against the refusal to grant permission to vary the condition relating to opening hours at Asda, Barwell Lane, Hinckley. The hours of opening were controlled by condition attached to an appeal decision in 2004, these were 08:30-20:00 Monday to Friday, 08:00-20:00 on Saturday and 10:00 to 16:00 on Sunday. The variation sought 07:00-22:00 Monday to Saturday with no change on Sunday. The application was refused by Members contrary to Officer recommendation on the grounds that the extended opening hours would lead to an increase use of the site which would increase the level of noise and general disturbance to the detriment of the amenities of neighbouring residents.

The Inspector noted the history of the site in particular the 2004 appeal where the previous Inspector considered Sunday opening would harm the living conditions of nearby local residents but that it would be outweighed by other considerations, namely a reduction in noise during the rest of the week through a proposed acoustic fence. The Inspector noted that the acoustic fence was now in place and that a noise assessment submitted with the application concluded that recommended reasonable guidelines would be achieved inside habitable rooms with windows open. The Inspector considered the report to be robust and noted that the findings were accepted by Environmental Health. He concluded that the extended hours would only have a limited impact on the amenity of neighbouring residents.

- 4.10 Appeal by Patrick Godden against the refusal of permission to vary the condition relating to the hours of operation at Upper Grange Farm, Ratby Lane, Markfield. The hours of operation were controlled by condition attached to a 2009 permission and restricted training classes to taking place between 18:00 to 20:00 Mondays to Fridays excluding bank holidays and between 10:00 to 18:00 on Saturdays, Sundays and Bank Holidays. The variation sought training classes to taking place between 10:00 to 20:00 Mondays to Fridays excluding bank holidays and between 10:00 to 18:00 on Saturdays, Sundays and Bank Holidays. The application was refused by Members as recommended by Officers on the grounds that the applicant had failed to demonstrate that the proposed use would not result in an adverse noise impact upon the amenities of nearby residents.

The Inspector noted that he fully understood the concerns of the Council and neighbours regarding the general noise and disturbance generated by dog training, however he also noted that the training fields were a substantial distance from the nearest residential properties, which were at a much higher level than the fields and separated by a combination of acoustic fencing, a large car park, an indoor training hall and the main dog kennel and reception building. The Inspector considered the variation in hours would allow dog training to take place during the day, a far less sensitive time to hold classes than during evenings and weekends which have already been found to be acceptable. Furthermore the use of the show field for dog training during the day was considered to be acceptable by the Council with planning permission granted for use of this field which is nearer to residential properties than the appeal site. As such the Inspector concluded that the variation of hours as proposed would not adversely impact on neighbours amenity.

The appellant applied for a full award of costs, the Inspector noted that the Council had refused the application to vary the hours of operation for dog training but had approved planning permission for dog shows and dog training on the show field. He also noted that both applications were recommended for refusal by officers but that the one for the show field was overturned by Members of Planning Committee. The Inspector considered that the dog training on one field would not be substantially

different to dog training on another field particularly as it is on a field further from residential properties. He concluded that the Council had acted unreasonably leading to unnecessary expense to the applicant in having to address the adequacy of information which was considered acceptable to justify other similar resulting in a full award of costs. The costs claim has been submitted and totals £3,128.

- 4.11 Appeal by Sophie Johnson against the refusal of planning permission for the conversion of a free standing garage and change of use to beauty salon at 1a Tithe Close, Stoke Golding. The application was refused under delegated powers on the grounds of loss of off-street parking provision resulting in overdevelopment of the site and impact upon neighbouring residents and the residential character of the area.

The Inspector noted that No 1a Tithe Close comprises a bungalow with a small detached garage which has been converted into the salon. The salon is run by the granddaughter of the occupier of No 1a, she is newly qualified and this is a start up business. The Inspector considered the arrangement is akin to home working, as the granddaughter lives next door, which is encouraged by local policy as it contributes to local needs and helps to sustain the village providing employment opportunities. The proposal is supported by the local Parish Council and Ward Member. Whilst the concerns of the Local Planning Authority and neighbours are appreciated, since if the business ceased to be a low-key operation or if the bungalow were occupied in the future by car users, activity may occur that could affect residential amenities or give rise to a parking shortage. However the Inspector refers to the NPPF which indicates that decision makers should look for solutions and should consider whether development could be made acceptable through the use of conditions. On this basis the Inspector considered a personal condition restricting the use of the salon to the period during which the appellants grandmother occupies the bungalow is appropriate.

- 4.12 Two appeals by David Wilson Homes against the refusal of planning permission for a re-plan and substitution of housetypes on Plots 40-45 and 47-49 of planning permission 12/00154/FUL (Appeal A) and the erection of 9 dwellings and associated infrastructure (Appeal B) at land off Britannia Road, Burbage. The applications were refused at planning committee against officer recommendation on the grounds of a poor layout by virtue of creating a poor visual end stop to the street scene (Appeal A) and unsustainable location outside the settlement boundary and within the countryside and that the applicant failed to demonstrate there was a need within the Borough that justifies the development of this Greenfield site for which there is no residual housing requirement (Appeal B).

The Inspector noted there was an identified need within Burbage for residential development and considered that Appeal B would help meet that need, it was considered that it would be sustainable development and that it would not be possible to accommodate all of the residual need within the existing settlement boundary on brownfield sites. The acceptability of Appeal B results in a requirement to re-plan part of the overall approved site and therefore Appeal A falls on the basis that the layout proposed would lead to the extension to the overall site and would not result in an unacceptable layout in design terms. Furthermore, the matter of an appropriate end stop to the layout could have been adequately address through the imposition of a condition.

The appellant applied for a full award of costs, the Inspector considered that the Council did not adequately demonstrate why the layout would be harmful, as such it was concluded that the Council had acted unreasonably by persisting in its objection and because it would have been possible to impose a condition on any approval. With regards to appeal B, the Inspector noted that there was no substantial evidence submitted at the appeal to warrant a refusal reason on the grounds of sustainability. Further the Inspector considered that it was demonstrated easily that there was a

residual requirement for residential development in Burbage and therefore refusal on these grounds was also unreasonable. This resulted in a full award of costs, the appellant has not yet submitted their claim and as such the costs are currently unknown.

- 4.13 Appeal by Benchmark against the granting of planning permission subject to condition No. 14 relating to the surfacing material for the driveway at Wharf Yard, Coventry Road, Hinckley. The application was reported to Planning Committee with a recommendation for approval subject to conditions and members subsequently approved the application. The Appeal was submitted against the condition requiring the surfacing of driveway, the reason for the condition was to reduce the possibility of deleterious material being deposited on the highway.

The Inspector considered that the site access is poorly surfaced and contains a number of potholes. It was noted that the site is a considerable distance from Coventry Road and at a slight incline therefore it would be unlikely that any loose material would be carried onto the highway. The Inspector considered the request to finish the surface in the vicinity of the appeal site with a solid bound material unreasonable as to leave the site would necessitate negotiating the unfinished track. The Inspector considered the retention of the condition in its current form unreasonable and unnecessary, failing to meet tests in Circular 11/95 as such the appeal was allowed and planning permission varied by the deletion of the condition and the substitution with a further condition that requires surfacing details to be submitted and approved prior to first use and occupation.

## 5. **APPEALS SPLIT DECISION**

- 5.1 Appeal by Mr S Hallam against the refusal to grant planning permission for the change of use of land to residential cartilage including extensions and alterations to dwelling and sunroom. The application was refused under delegated powers on the grounds of impact upon streetscene and visual amenity of the area.

The Inspector broadly agreed with the local authority that the introduction of a large featureless expanse of brick flank wall would be a dominant feature in the streetscene and the extension would unbalance the symmetry that currently exists between the semi-detached pair. The Inspector however noted that the local authority did not object to the change of use of the land, erection of fence and erection of sunroom and on this basis he issued a split decision to dismiss the appeal in respect of the house extension and allow the appeal in respect of the change of use of land, erection of fence and erection of sunroom.

## 5. **FINANCIAL IMPLICATIONS (KP)**

- 5.1 The Council has a total net budget for the administration of appeals for 2013/2014 of £149,740. This includes a budget of £46,310 specifically for legal costs
- 5.2 As at 31<sup>st</sup> December 2013, the Council had expended £18,336 of the legal fees budget noted above. Of this amount £4,593 relates to the costs awarded for those appeals detailed in section 4.
- 5.3 A proposal to set up an appeals reserve to manage costs associated with the appeals process was taken to Scrutiny Commission in November 2013. Establishment of this reserve will be proposed as part of the 2014/2015 budget setting process.

## 6. **LEGAL IMPLICATIONS (MR)**

- 6.1 None. The report is for information only.



7. **CORPORATE PLAN IMPLICATIONS**

7.1 The Council needs to manage its performance through its Performance Management Framework in relation to appeals.

8. **CONSULTATION**

8.1 None

9. **RISK IMPLICATIONS**

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

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

9.3 The following significant risks associated with this report / decisions were identified from this assessment:

<b>Management of Significant (Net Red) Risks</b>		
<b>Risk Description</b>	<b>Mitigating Actions</b>	<b>Owner</b>
Financial implications to the Authority in defending appeals	Take into account the risk in refusing planning applications and the likely success of an appeal	Nic Thomas / Tracy Miller

10. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

10.1 None

11. **CORPORATE IMPLICATIONS**

11.1 None

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Background papers: Application files and appeal documentation

Contact Officer: Tracy Miller, Development Control Manager, ext 5809

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## SCRUTINY COMMISSION – 16 JANUARY 2014

### FINANCIAL CONTRIBUTIONS TOWARDS PLAY AND OPEN SPACE REPORT OF DEPUTY CHIEF EXECUTIVE (COMMUNITY DIRECTION)



Hinckley & Bosworth  
Borough Council

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### WARDS AFFECTED: ALLWARDS

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#### 1. PURPOSE OF REPORT

- 1.1 To update and inform members of the Scrutiny Commission of the position in respect of the monies towards play and open space that have been received and spent over the last 10 years via planning condition and Section 106 Agreement or Unilateral Undertaking.

#### 2. RECOMMENDATION

- 2.1 The report is noted.

#### 3. BACKGROUND TO THE REPORT

- 3.1 Developers / applicants can be requested to make financial contributions to make a planning application acceptable, where it would otherwise be refused, towards infrastructure needed as a consequence of their development, e.g. towards play and open space, libraries, education facilities etc. The contribution request has to meet the three statutory tests set out in Regulation 122 of the Community Infrastructure Levy Regulations 2010. In addition, any contribution requested prior to the 27 March 2010 had to meet the tests in Circular 05/2005: Planning Obligations.
- 3.2 This can be done through entering into an agreement or the acceptance of a Unilateral Undertaking pursuant to Section 106 of the Town and Country Planning Act 1990 both of which identify the amount of contribution and when the contributions need to be paid, e.g. on the commencement of development or first occupation. Historically, monies were also secured through the imposition of a planning condition. This has secured over £0.5m in S106 receipts as detailed below. However, legal advice regarding the imposition of the condition considered that its imposition may be challengeable. There are some instances where developments have been commenced and monies requested by planning condition have not been recovered. This has been only a small proportion against the level of funding secured by this method (see below).
- 3.3 Over the last 10 years (since December 2003) the Local Authority has received £552,150.75 towards play and open space across the Borough through the imposition of a planning condition; of these monies a total of £345,274.75 has been spent on play and open space by the parish councils and the Borough Council. This should be read in the context of the amount that the Local Authority has not been able to recover due to the developers challenging the use of the condition, this totals £18,642.00.
- 3.4 The total amount secured towards play and open space by way of Section 106 agreement or Unilateral Undertaken is significantly higher, with the amount received over the last 10 years totalling £4,219,039.91 across the Borough; of these monies a total of £2,137,601.47 has been spent on play and open space by the Parishes and the Borough Council, the remaining money is held by the Borough Council for expenditure by either the Parish or Town Councils or the Green Spaces Team of the Borough Council.

- 3.5 The use of either a Unilateral Undertaking or planning condition has no claw-back period. Section 106 agreements have a claw-back period normally of 5 years, on the basis that if the infrastructure improvements are not in place by then, there is no need for the facility. The period for claw-back is currently under review.
- 3.6 The contributions are monitored through a database set up on a parish basis and are available to the parish councils on request as well as being available on-line and being circulated to all parishes on a quarterly basis. This enables parish councils to clearly see what funds may come forward to help them plan for improvements in their area.
- 3.7 The database is complex, owing to the amount of information held. Over recent months the Planning and Finance Services have been working together to ensure the records align. This process has highlighted a few anomalies which are currently being investigated. Work is also underway to bring the Finance and Planning database together into one database.
- 3.8 The database shows 3 payments that are nearing the 5 year claw-back, these are as follows:

Parish	Site	Contribution £	5 year date
Earl Shilton	South of Breach Lane	44,730.00	11.08.14
Hinckley	Mill Hill Business Centre	46,217.73	12.10.14
Carlton	83 Main Street	11,867.90	15.06.15

- 3.9 In addition to the above 3, we are currently holding £43,857.32 from the development of land off Candle Lane, Earl Shilton, this can now be paid to the Town Council for the maintenance of off-site play and open space. A further £19,196.35 is being held from the development of 13 Hill Street, Barwell, this has passed the 5 year claw back date but the developer went into liquidation a number of years ago and therefore is unlikely to be clawed back so is available for expenditure.
- 3.10 The last Scrutiny Report reported that discussions were underway with David Wilson Homes regarding the contribution towards community facilities from the Montgomery Road, Earl Shilton development. The contribution, totalling £150,000.00 was received on 22 January 2008 and therefore reached the 5 year claw-back period on 22 January 2013. Despite the Borough Council's and the Town Council's best efforts, David Wilson Homes would not agree to an extension of time and requested the return of the monies plus interest as provided for under the terms of the Section 106 Agreement. David Wilson Homes submitted their claim to arbitration and the Borough Council has in the last week conceded the claim as there was no legal case for pursuing a defence of the claim. David Wilson Homes' solicitors will submit their claim for costs, estimated to be in the region of £10,000.

#### 4. **FINANCIAL IMPLICATIONS (KP)**

- 4.1 Contained in the body of the report

#### 5. **LEGAL IMPLICATION (MR)**

- 5.1 The report sets out the relevant legal provisions relating to the subject matter of the report.

#### 6. **CORPORATE PLAN IMPLICATIONS**

- 6.1 This document contributes to Aim 1 of the Corporate Plan – Creating a vibrant place to work and live.

7. **CONSULTATION**

7.1 None

8. **RISK IMPLICATIONS**

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

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

8.3 The following significant risks associated with this report / decisions were identified from this assessment:

<b>Management of Significant (Net Red) Risks</b>		
<b>Risk Description</b>	<b>Mitigating Actions</b>	<b>Owner</b>
If monies are paid within the timescale but not used for the purpose identified or not used at all, then these may be clawed back by the developer / applicant.	Monitoring of database  Quarterly reports to all Parish Councils highlighting contributions at risk of being clawed back in the near future	Nic Thomas / Tracy Miller

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

9.1 The effective monitoring of the database enables parish councils to clearly see what funds may come forward, to help them plan for improvements in their area.

10. **CORPORATE IMPLICATIONS**

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

- Community Safety Implications
- Environmental Implications
- ICT Implications
- Asset Management Implications
- Human Resources Implications
- Voluntary Sector Implications

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Background papers: Section 106 Database

Contact Officer: Tracy Miller, Development Control Manager, ext 5809

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**SCRUTINY – 16 JANUARY 2014**

**BROADBAND CONTRIBUTION**  
**REPORT OF BILL CULLEN**

**WARDS AFFECTED: ALL WARDS**



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1. **PURPOSE OF REPORT**

- 1.1 The purpose of this report is to seek Member's approval of £58,820 funding to extend fibre broadband coverage within Hinckley & Bosworth, invested through Leicestershire County Council's contract with BT. An amount of £18,820 has been set aside already from reserves, but Council approval is needed for the whole amount to be allocated - £58,820

2. **RECOMMENDATION**

- 2.1 That Scrutiny Commission endorse the following recommendations to Council:

- i) Members approve the £40,000 capital budget for the rural Broad band Scheme.
- ii) Members approve the virement of £37,350 from the Grants to the Home Improvement Agency scheme budget.
- iii) Members approve a supplementary budget of £3,470 to fund the remainder of the project from general fund contributions.
- iv) Approves delegated authority to the Chief Executive to sign the Collaboration Agreement between Hinckley & Bosworth Borough Council and Leicestershire County Council subject to agreement of the terms

3. **BACKGROUND TO THE REPORT**

- 3.1 Super-fast fibre broadband will encourage economic growth and innovation, improve access to services and help transform the delivery of public services
- 3.2 Operators (e.g. BT and Virgin Media) have committed to deliver fibre broadband to 73.6% of residential and business premises in this Borough without public investment. Public investment is necessary to reduce the "Digital Divide" and help ensure all premises can access the benefits of fibre broadband.
- 3.3 It is estimated that total public investment in fibre broadband in Leicestershire will unlock economic growth of £92m by 2021.

4. **MATTERS FOR CONSIDERATION**

- 4.1 Super-fast broadband is a critically important infrastructure which will drive economic growth and innovation, improve access to services and help transform the delivery of public services. Within Hinckley & Bosworth, BT and Virgin Media have or will deliver to 73.6% of premises without the need for public investment. The Leicestershire average is 75%. Within Hinckley & Bosworth this includes, for example parts of Hinckley, Earl Shilton and Desford. Without public investment the remaining 26.4% of premises in the Borough, primarily in rural areas, will be stuck in the "slow lane" unable to access the benefits of super-fast fibre broadband.
- 4.2 Leicestershire County Council (LCC) is leading the Superfast Leicestershire partnership programme to reduce the "Digital Divide" and increase take-up of digital services. In August 2013 LCC awarded a £16.9m contract to BT to extend super-fast broadband coverage to 92.3% of Leicestershire business and residential premises.

Investment includes £4m (LCC), £1.2m (European Regional Development Fund), £3.3m (Department for Culture, Media and Sport (DCMS)) and £8.3m (BT). Within Hinckley & Bosworth it is expected that 9,121 premises will have access to super-fast broadband through the contract, increasing coverage to 92.2%. A map showing expected fibre broadband coverage across Leicestershire is available in Appendix 1. The first areas will Go Live in late September 2014 and it is anticipated the deployment will take 18 months. More information about the LCC-led programme is available at [www.leics.gov.uk/broadband](http://www.leics.gov.uk/broadband)

4.3 The Government's initial objective was to ensure 90% of UK premises have access to super-fast broadband by 2015, supported by investment of £0.5bn. Government has revised its objective to 95% coverage by 2017 supported by a further £250m. Under the contract all premises will receive a minimum of 2Mbit/s. In total there are c.40 County projects which are managed by DCMS through its agency Broadband Delivery UK (BDUK). DCMS established a national procurement Framework contract which included BT and Fujitsu. Only BT submitted a bid on any of the County-led contracts.

4.4 BT's preferred super-fast deployment solution is Fibre to the Cabinet (FTTC). This involves deploying fibre cable from or through the telephone exchange to the green on-street Cabinet. The connection then travels through the existing copper wires to the premises. In part, broadband speeds are increased by reducing copper cabling in the network and moving the exchange infrastructure closer to premises. Download speeds of up to 80Mbit/s can be achieved through this technology. In a very small number of instances Fibre to the Premises (FTTP) may be deployed whereby fibre is deployed right to the premise. This will deliver speeds of up to 330Mbit/s. More information is available at <http://www.superfast-openreach.co.uk/the-big-build/>.

4.5 LCC's procurement documents and contract identified that District Councils in Leicestershire have, in principle, allocated c.£1.15m of additional potential investment to extend coverage into the so-called "Final 10%". A breakdown of investment by District is identified below:

- Blaby District Council	£50,000
- Charnwood Borough Council	£100,000
- Harborough District Council	£530,000
- Hinckley and Bosworth Borough Council	£58,820
- Melton Borough Council	£360,000
- North West Leicestershire	£54,000
- Oadby and Wigston Borough Council	£0

4.6 The "Final 10%" is the area which is currently not expected to receive super-fast broadband through either the commercial rollout or the LCC/BT Contract, as outlined in paragraphs 4.1 and 4.2 respectively. The BT/LCC contract has a Final 8%, totalling c.22,500 premises.

4.7 The LCC/BT Contract includes an agreed mechanism to make changes, including the incorporation of additional investment, subject to legal and state aid considerations. In November 2013 LCC issued a Change Request to BT, seeking re-modelling to identify the extent and location of additional coverage as a result of the District investment. The following key points were agreed by all parties:

*Finance*

- BT will identify the level of commercial investment it would make against the £1.15m. This will be consistent with the current BT/LCC Contract.
- District funding cannot be ring-fenced to respective Districts. It is not possible to identify full invoiced costs by District area.
- Districts will be able to compare coverage for all Districts to help assess value for money.



- District Councils and LCC will agree a payments schedule. This will align to the phasing within the deployment timetable.
- **It is not possible to amend the District contribution without undertaking full remodelling at cost.**

#### Coverage

- The Speed Coverage Template (SCT), submitted by BT, will identify additional premises connected and the expected implementation phasing.
- Coverage is subject to an on-site survey of BT's infrastructure to confirm deliverability. If issues are identified during the planning process then discussions will be held between LCC, BT and the affected District. Coverage may be reduced or additional investment may be required.
- It is not possible to "cherry-pick" preferred communities. Modelling is based on the most economic deployment to secure the highest coverage
- The deployment will be undertaken as part of existing phasing within the BT/LCC Contract.

#### Legal

- Funding will not be formally committed until the Collaboration Agreement, to be signed collectively by District Councils with LCC, is executed by BT and LCC signing the Change Authorisation.
- Provision of additional funding does not represent a risk to the BT/LCC Contract. Additional potential funding was identified in the tendering documents and the BT/LCC Contract.
- The Change Authorisation will be signed by LCC and BT at the end of January 2014.

#### Governance

- All District Councils will need to secure political approval to formally commit investment. Some Districts have awarded delegated authority.
- Funding District Councils will collectively be represented in the BT contract governance structure.

- 4.8 BT modelling has identified that £58,820 investment will extend coverage of super-fast broadband (greater than 24Mbit/s) to an additional 572 premises in Hinckley & Bosworth. This represents an increase in coverage to 93.3% within this area, leaving 3,289 premises (6.7%) without super-fast broadband. Atkins, LCC's technical support, has conducted a value for money review. Evidence from this is included in the companion Exempt Report, containing commercially sensitive information.
- 4.9 If the allocation of District investment is approved then the Council is expected to sign a Collaboration Agreement with LCC as soon as possible, subject to the agreement of terms. This partnership document outlines responsibilities, liabilities, assumptions, confidentiality, FOIA, governance and the investment timetable.
- 4.10 LCC is working with partners to further extend superfast broadband coverage to premises within the Final 8%. This could involve a range of technological solutions. DCMS is current exploring deployment and funding options as part of its Superfast Extension Programme. Further information is expected in February/March 2014.
- 4.11 In February 2014, LCC will launch a demand campaign to support the Superfast Leicestershire deployment programme, including a new website. This will encourage take up and articulate the benefits of fibre broadband to businesses and communities. All communications will be co-ordinated by LCC, in partnership with BT and other local partners.

## 5 Investment Requirement.

- 5.1 Investment of £58,820 is to extend super-fast broadband coverage within the District. Coverage is subject to survey of BT's infrastructure. Additional investment may be required to ensure coverage. LCC and BT will discuss any requirement for further investment with the District Council if this emerges as an issue. Options could include deferral, funding from incurred savings, or additional funding. In additional funding is required then public partners will discuss how this will be funded.
- 5.2 The BT/LCC Contract contains the following value for money controls. These would apply to the District funding if committed:
- State aid clawback to prevent over-subsidy
  - Investment ratio to ensure supplier investment
  - Contracted reporting and audit
  - On-site verification of infrastructure and deployment
  - Supplier payment by results
  - Detailed evidence required to support payment claims
  - Supplier assurance of costs
  - LCC contracted technical and commercial support (Atkins)

If approved, LCC will require District investment at an appropriate time prior to LCC incurring costs for District coverage under the Contract. The timetable will be included in the Collaboration Agreement

## 6. FINANCIAL IMPLICATIONS [IB]

The gross cost will is estimated to be £58,820. An amount of £18,000 has already been set aside for the provision of project.

From the £40,000 requested £37,350 can be funded from savings from the Home Improvement Agency budget. Due to changes in how home improvement grants are administered through the Papworth Trust. This budget is no longer required.

The balance of £3,470 can be met from in year contributions from the general fund.

## 7. LEGAL IMPLICATIONS ( )

The following legal implications have been identified:

- It is proposed that District investment is invested via the LCC/BT Contract. Additional potential funding from Districts was identified in the tender and the contract to reduce the risk of a material challenge.
- The Collaboration Agreement is legally binding and formally commits District investment. The Collaboration Agreement, even once signed by District Councils, is not executed until LCC and BT sign a Change Authorisation to the BT/LCC Contract at the end of January 2014. All District Council legal advisors have supported the development of the Collaboration Agreement.
- Under the terms of the BT/LCC Contract, once the infrastructure has been built there are no on-going liabilities on public funding bodies.
- Currently, the BT/LCC Contract and DCMS Framework Contract is the only legal

mechanism, under EU State Aid rules, for public agencies to invest in super-fast broadband. A separate procurement would be required to allocate investment.

7. CORPORATE PLAN IMPLICATIONS

The report has synergy with the Corporate Plan's aim of 'Creating a vibrant place to live and work' and the priority within this to 'sustain economic growth'.

8. CONSULTATION

A broadband survey was conducted when LCC initiated their Superfast Leicestershire programme in 2012. A summary of the findings are available at <http://www.leics.gov.uk/broadband>

As part of the BT/LCC Contract procurement a state aid compliant public consultation was undertaken to confirm coverage of commercially delivered superfast broadband. This identified the area which is not eligible for state aid. DCMS has delegated authority from the EU to monitor state aid compliance.

9. RISK IMPLICATIONS

The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owners
Contractual arrangements	Under the proposal of this report District investment will be allocated within the BT/LCC Contract. The Contract was part of a national Framework contract managed by DCMS. This contract has EU State Aid approval.	Both County Council and Leicestershire Districts
Funding and Legal commitments	District funding is not legally committed until LCC and BT jointly sign the Change Authorisation to the BT/LCC contract at the end of January 2013. In advance of this District Councils will collectively sign a Collaboration Agreement which outlines terms under which the funding is made.	Both County Council and Leicestershire Districts

10. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

LCC is undertaking an Equality Impact Assessment on the programme. This will consider the impact of the deployment and communications.

The outcome of the Borough Council contributing funding towards broadband provision will help enable effective broadband to an increased number of householders and businesses.

It is expected that deployment of super-fast broadband within the Final 8% will require a range of options including, fibre deployment using the LCC/BT Contract and community-led solutions. A range of technologies may also be required.

11. CORPORATE IMPLICATIONS

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

- Community Safety implications: None
- Environmental implications: None
- ICT implications: None
- Asset Management implications: None
- Human Resources implications: None
- Planning Implications: None
- Voluntary Sector: None

12. Appendix 1 (see separate sheet)

Map of expected fibre broadband coverage in Leicestershire through LCC/BT contract.

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Background papers: None

Contact Officer: Judith Sturley, Senior Economic Regeneration Officer, ext. 5855

Executive Member: Councillor Stuart Bray

**APPENDIX 1 – Map of expected fibre broadband coverage in Leicestershire through LCC/BT contract**

# Expected deployment of fibre broadband by 2018 in Leicester and Leicestershire



## Purpose and notices

This map shows an overview of the expected rollout of fibre broadband to around 95% of residential and business premises in Leicestershire by the end of March 2016.

This rollout includes deployment by private companies (e.g. BT and Virgin Media) by 2016 (shaded grey) and as a result of investment made by the County Council, Government, EU and BT through the County Council led project. This will be delivered by the end of March 2016 (shaded dark green and light green).

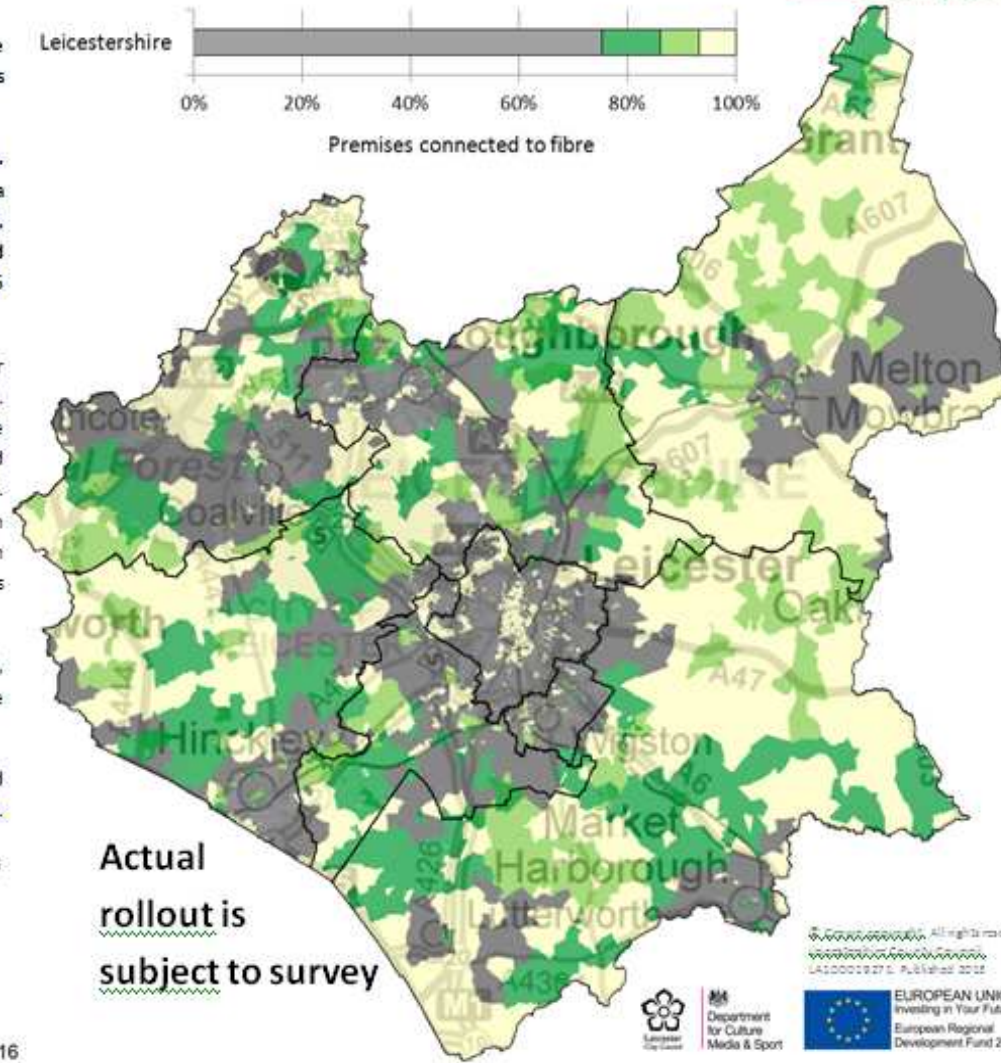
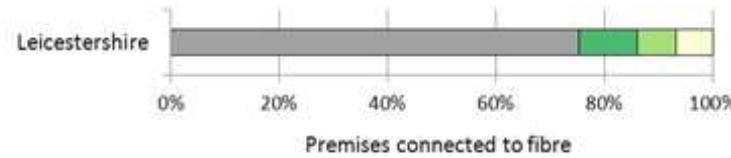
This map is high-level only. It is not accurate to premise or postcode level and should not be interpreted as such. Detailed planning is currently underway. The first Exchange areas will be announced in the New Year and an updated version of this map is expected to be published in spring 2014. This will be followed by more detailed information as each rollout phase is confirmed. Communities will be notified in advance of fibre-broadband being available in their area. This map will be reviewed on a regular basis.

Further investment is planned by the County Council, Government and District Councils for areas due to be addressed by 2018 (shaded light yellow).

Maps, announcements and responses to frequently asked questions will be available at [www.leics.gov.uk/broadband](http://www.leics.gov.uk/broadband).

### Existing and expected commercial coverage up to 2016

- Private Operators
- Broadband Leicestershire Contract**
- Expected deployment from summer 2014
- Expected deployment from summer 2015
- Further Investment - Target Completion by 2018**
- With all areas receiving a minimum 2Mbit/s by summer 2016



Actual rollout is subject to survey

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# Overview and Scrutiny Work Programme 2013-2015

**ISSUE 2013/04: JANUARY 2014**

# SCRUTINY COMMISSION

## TIMETABLE

Scrutiny Commission - Thursday 16 January 2014						
Function	Activity/ Objective	Reason	Desired Outcome	Vision, Values and Aims	Responsible (member/officer)	External Involvement
Scrutiny Topics	Leisure Centre	Update on tender process / selection	Scrutiny of process	Safer & healthier borough	Deputy Chief Executive (Community Direction)	
Performance Management Information						
Participation in Policy Development Issues	Budget (joint with FAP)	Scrutiny prior to council decision	Awareness and scrutiny of detail	All Corporate Aims	Deputy Chief Executive (Corporate Direction)	
	Site allocations	Scrutiny prior to council decision	Scrutiny of detail	Strong & Distinctive communities	Deputy Chief Executive (Community Direction)	
	Broadband contributions	To get a steer from members to commit to project prior to council decision	Obtain views of members	Strong & Distinctive Communities	Deputy Chief Executive (Community Direction)	
Tracking of implementation with previous recommendations	Planning & Enforcement appeal decisions	Follow up of previous discussions, identification of trends and scrutiny of decision making	Assurance of quality of decision-making and recommendations for improvement where necessary	Strong & Distinctive Communities	Deputy Chief Executive (Community Direction)	
	Developer Contributions	Tracking of recommendations	Ensure process is followed, used appropriately and necessary action is taken to allocate funds	Strong & Distinctive Communities	Deputy Chief Executive (Community Direction)	
Committee Management Issues	Work Programme	Review work load for the year	Agreed forward work programme	All Corporate Aims		

**Scrutiny Commission - Thursday 27 February 2014**

<b>Function</b>	<b>Activity/ Objective</b>	<b>Reason</b>	<b>Desired Outcome</b>	<b>Vision, Values and Aims</b>	<b>Responsible (member/officer)</b>	<b>External Involvement</b>
Scrutiny Topics						
Performance Management Information						
Participation in Policy Development Issues	Green Space Delivery Plan	Scrutiny prior to council decision	Scrutiny of plan	Cleaner, greener neighbourhoods	Head of Street Scene Services	
Tracking of implementation with previous recommendations	Community Safety Partnership review / Community Policing provision					
Committee Management Issues	Work Programme	Review work load for the year	Agreed forward work programme	All Corporate Aims		

**Scrutiny Commission - Thursday 10 April 2014**

<b>Function</b>	<b>Activity/ Objective</b>	<b>Reason</b>	<b>Desired Outcome</b>	<b>Vision, Values and Aims</b>	<b>Responsible (member/officer)</b>	<b>External Involvement</b>
Scrutiny Topics	High Speed Broadband	Request of Commission	Satisfaction that project is achieving value for money	Thriving Economy		Leicestershire County Council
Performance Management Information						
Participation in Policy Development Issues						
Tracking of implementation with previous recommendations						
Committee Management Issues	Work Programme	Review work load for the year	Agreed forward work programme	All Corporate Aims		

**Scrutiny Commission - Thursday 22 May 2014**

<b>Function</b>	<b>Activity/ Objective</b>	<b>Reason</b>	<b>Desired Outcome</b>	<b>Vision, Values and Aims</b>	<b>Responsible (member/officer)</b>	<b>External Involvement</b>
Scrutiny Topics						
Performance Management Information						
Participation in Policy Development Issues						
Tracking of implementation with previous recommendations						
Committee Management Issues	Work Programme	Review work load for the year	Agreed forward work programme	All Corporate Aims		

To be programmed

Scrutiny review: Out of hours provisions

Scrutiny review: Care homes – public v private

Scrutiny review: Skills & employment

Scrutiny review: Older people – take up of voluntary services v request for provision of social events

LTP3 update – summer 2014

Rural bus services - update.

Year 2 of work programme

Housing & Housing repairs performance

Clean Neighbourhoods Strategy review/update

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# Agenda Item 16

## HINCKLEY AND BOSWORTH BOROUGH COUNCIL

### FINANCE, AUDIT & PERFORMANCE COMMITTEE

16 SEPTEMBER 2013 AT 6.30 PM

PRESENT: Miss DM Taylor - Chairman  
Mr R Mayne – Vice-Chairman

Mr JG Bannister (for Mr JS Moore), Mr PR Batty, Mrs R Camamile and Mr K Morrell

Officers in attendance: Cal Bellavia, Katherine Bennett, Sanjiv Kohli and Rebecca Owen

#### 167 APOLOGIES AND SUBSTITUTIONS

Apologies were submitted on behalf of Councillors P Hall and Moore, with the substitution of Councillor Bannister for Councillor Moore authorised in accordance with Council Procedure Rule 4.

#### 168 DECLARATIONS OF INTEREST

No interests were declared at this stage.

#### 169 MINUTES OF PREVIOUS MEETING

On the motion of Councillor Morrell, seconded by Councillor Camamile, it was

RESOLVED – the minutes of the meeting held on 10 June 2013 were confirmed as a correct record and signed by the Chairman.

#### 170 STATEMENT OF ACCOUNTS 2012/13

The Committee was presented with the 2012/13 Statement of Accounts. During discussion, reference was made to the following:

- The total amount of Regional Growth funding expected;
- The allocation of pinch point funding;
- The possible reasons for the increase in sickness absence and steps being taken to improve.

It was moved by Councillor Mayne, seconded by Councillor Camamile and

RESOLVED – the Statement of Accounts 2012/13 be endorsed and RECOMMENDED to Council for approval.

#### 171 ANNUAL GOVERNANCE STATEMENT 2012/13

Members received the 2012/13 Annual Governance Statement. It was moved by Councillor Camamile, seconded by Councillor Batty and

RESOLVED – the Annual Governance Statement be RECOMMENDED to Council for approval.

172 REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA260)

Alison Breadon of PricewaterhouseCoopers LLP presented the ISA260. During her presentation, Alison referred to:

- The thorough and lengthy accounts produced by the authority;
- The overall positive view;
- The good working relationship between the finance team and internal audit;
- The absence of unadjusted queries or deficiencies in internal control during the audit;
- The intention to issue an unqualified opinion on the use of resources;
- Satisfaction with the processing of RGF monies;
- The recommendation to include future investment in capital information.

It was noted that rewording was required regarding the financing of the bus station development on page 16 of the agenda, which should have read that the Council would retain 20% of the profit after the first £5m.

Concern was expressed regarding the pension fund and the provisions that were being made. It was stated that Leicestershire County Council were responsibility for carrying out the valuation and that the impending increase was as yet unknown. It was anticipated that the figure would be received in November.

On the motion of Councillor Camamile, seconded by Councillor Mayne, it was

RESOLVED – the ISA260 be endorsed.

173 AUDIT PROGRESS

Members were updated on the audit plan 2013/14, recent audit work and progress against action plans of previous audits. During discussion reference was made to:

- The link between the end of the current contract for leisure provision at Hinckley Leisure Centre and completion of a new leisure centre, and the good response to the tender process;
- The 'low risk' recommendation regarding risk management training and awareness;
- The need for a more robust way of identifying new corporate risks;
- Continuing concerns regarding purchases for which Orders had not been raised;
- The tenant recharge policy and consultation prior to possible implementation.

It was requested that a report be brought to the next meeting regarding the tenant recharge policy and the type of consultation that would be carried out and how the decision whether or not to implement it would be made.

It was moved by Councillor Camamile, seconded by Councillor Mayne and

RESOLVED –

- (i) the report be noted;
- (ii) a report on the tenant recharge policy be brought to the next meeting of the Committee.

(Councillor Bannister was absent for the vote).



174 CW AUDIT ANNUAL SATISFACTION SURVEY

CW Audit presented its customer satisfaction survey for information. It was moved by Councillor Batty, seconded by Councillor Mayne and

RESOLVED – the report be noted.

(Councillor Bannister was absent for the vote).

175 REVENUE & CAPITAL OUTTURN - 1ST QUARTER 2013/14

Members were informed of the revenue and capital outturn at the end of the first quarter of 2013/14. It was reported that the underspend recorded at the end of June was due to works in progress regarding Housing repairs and therefore a result of timing differences. Members were reassured that there was no backlog in housing repairs and that an underspend of £9,000 was forecast. It was noted that the HRA was also on track and any overspend showing was due to reverse accounting entries. It was moved by Councillor Bannister, seconded by Councillor Mayne and

RESOLVED – the report be noted.

176 PERFORMANCE & RISK MANAGEMENT FRAMEWORK

The Council's first quarter position for 2013/14 was provided to the Committee. It was highlighted that of the 47 indicators reported, only four were below target. With regard to benchmarking it was explained that the statutory benchmarking group had been disbanded, but that there appeared to be a new appetite for sharing indicators again now. On the motion of Councillor Morrell, seconded by Councillor Mayne, it was

RESOLVED – the report be noted.

177 LOCAL COUNCIL TAX REPORT & BUSINESS RATE RETENTION QUARTER 1 2013-14

The Committee was updated on the performance of Local Council Tax Support and Business Rates Retention schemes. With regard to council tax support, it was noted that there were 1600 people affected by the changes, yet the recovery rate was similar to that of standard council tax. It was reported that most authorities were achieving higher recovery rates than anticipated.

The need to consult on the level of council tax support to be provided in 2014/15 was discussed and it was noted that the transitional grant that the government had announced would also be taken into consideration in deciding the level of support. Members were reminded that the level of support would also impact on other preceptors, so this would also have to be taken into account. It was suggested that the hardship fund may have to be increased if the level of support was decreased.

With regard to business rate pooling, it was reported that the Leicestershire Pool had originally forecast a balance of £685,000 which had been reduced to £600,000 due to reduction in rates collected in some other districts since some schools had become academies and therefore been granted charitable status. It was stated that the threshold for the Pool being worthwhile was £400,000.

Discussion ensued regarding the benefits of being part of a 'pool' managed by a Local Enterprise Partnership versus the benefits of an officer group from the authorities involved managing the funds.

It was noted that this report would be a standing item at each meeting.

On the motion of Councillor Mayne, seconded by Councillor Morrell, it was

RESOLVED – the report be noted.

178 SUNDRY DEBTS UPDATE REPORT

The Committee was informed of the position with regard to sundry debts and debt recovery procedures as requested at the previous meeting. Members queried the patterns of debt and how the issues were being addressed. In response it was explained that Managers were being asked to talk to their customers about debt to try to reach a resolution.

179 WORK PROGRAMME

The work programme was considered and it was emphasised that meetings should be regular and that every effort should be made to attend training sessions.

(The Meeting closed at 8.11 pm)

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CHAIRMAN

HINCKLEY AND BOSWORTH BOROUGH COUNCIL

FINANCE, AUDIT & PERFORMANCE COMMITTEE

11 NOVEMBER 2013 AT 6.30 PM

PRESENT: Miss DM Taylor - Chairman  
Mr R Mayne – Vice-Chairman

Mr PR Batty, Mrs R Camamile, Mr PAS Hall, Mr JS Moore and Mr K Morrell

Officers in attendance: Julie Kenny, Rebecca Owen and Katherine Plummer

248 MINUTES OF PREVIOUS MEETING

On the motion of Councillor Camamile, seconded by Councillor Morrell, it was

RESOLVED – the minutes of the meeting held on 16 September be confirmed and signed by the Chairman.

249 DECLARATIONS OF INTEREST

No interests were declared at this stage.

250 ANNUAL AUDIT LETTER

Alison Breadon of PricewaterhouseCoopers LLP introduced the Annual Audit Letter, highlighting the new inclusion this year of RGF money. She explained that the letter provided a conclusion on the Council's use of resources, financial standing, how the authority was dealing with the current challenges, and actions taken to address them.

Discussion ensued and included:

- Leicestershire Revenues and Benefits Partnership: the letter had identified the absence of a separate bank account for the Partnership, and a member asked if this was ideal. In response it was explained that from a control point of view it would be easier, but from a governance aspect it would be difficult as it did not operate as a separate entity from the council. Officers had noted the point but provided assurance that the figures were accurately monitored.
- The Discretionary Discount fund: a member referred to a recent meeting which had heard that the hardship fund had so far not been accessed to the level expected, yet the press had recently reported that the fund was under pressure. Members were reassured that the fund was not under undue pressure and the position was regularly assessed and reported to the Partnership Board. It was agreed to add a report on this to the agenda for the January meeting of the Committee.

RESOLVED –

- (i) the Annual Audit letter be approved;
- (ii) a report on Council Tax Support be brought to the January meeting.

## 251 SECOND QUARTER TREASURY MANAGEMENT REPORT

Members received a report which outlined the council's Treasury Management activity during the first six months of 2013/14. It was stated that no prudential limits had been breached. Members were informed that as more of the major capital projects get underway there would be more discussion required on treasury management.

RESOLVED – the report be noted.

## 252 HOUSING REPAIRS UPDATE

Members received an update on the progress made against the action plan produced in response to the review of the Housing Repairs service. Members were reminded that the 'backlog' discussed was not a backlog in work but in 'completing' jobs on the Orchard system. It was reported that additional controls had been introduced in relation to void costs (including kitchens), that the schedule of rates was being reviewed and that capacity had been increased whilst costs remained the same. It was also noted that work was being undertaken to develop relationships between Housing Officers and the Housing Repairs team by way of shadowing and co-location in order to build a greater understanding of the work of the teams and the needs of the tenants.

Discussion ensued regarding:

- Housemark: It was explained that this benchmarking site was for monitoring purposes and was not an accreditation. Officers agreed to confirm the cost of this;
- Voids: Members wished to view completed works on voids to be aware of the current standard. It was stated that the standard hadn't been lowered as part of the action plan, but it did standardise work to prevent too much being spent on a void on unnecessary works. Members were informed that 'tenant inspectors' were used, to look at random samples of properties of their choosing. It was also felt that members should have the opportunity to see the standard of some vacated properties before work is commenced;
- Customer care: the importance of customer care and good communication skills was emphasised;
- Customer satisfaction: Some research was to be undertaken into the response rate to surveys and the type of person who usually responds;
- Staffing restructure: It was stated that there had been no cost to the restructure;
- The cost of upgrading Orchard: it was noted that the Orchard system was not just used by Housing Repairs but also by the Housing Allocations, Rents and Anti-Social Behaviour teams;
- Boiler repair contract: concern was expressed that the contractor did not provide good customer care and seemed to have to make many repeat calls. In response it was reported that a fixed fee was paid, not a fee per call out, but that repeat calls were monitored;
- Boiler replacement programme: it was reported that there was a boiler replacement programme which was procured each year depending upon the number of planned replacements in the programme;
- Improvement programmes: it was noted that there was a kitchen replacement programme in place, but that bathroom replacements were responsive;

Concern was expressed about how a potential overspend would be flagged up, and in response it was noted that there were weekly monitoring meetings and forecasting was carried out continuously.

With regard to the standard of vacated properties and the standard of voids when returned to use, officers agreed to consider how members could be made aware of this. It was also agreed to email a copy of the standards to members.

RESOLVED –

- (i) the void standard be sent to members;
- (ii) cost of Housemark membership be conveyed to members;
- (iii) the report be noted and progress made be endorsed.

253 SUNDRY DEBTS UPDATE

Members were updated on the sundry debts position as at 31 September 2013. It was reported that in the previous month the amount of debt had significantly decreased, partly due to the new initiative of contacting debtors to discuss the reasons for non-payment and possible solutions.

Members congratulated officers on recovering debt during an economically difficult time.

254 WORK PROGRAMME

Members considered the 2013-14 work programme. The following additions were requested:

- Hinckley Club for Young People: it was noted that a report was being prepared by Internal Audit and would be brought to the January meeting;
- Tenant recharge policy: members were reminded that this had been agreed for the January meeting.

(The Meeting closed at 7.46 pm)

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CHAIRMAN

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