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Steve Atkinson MA(Oxon) MBA FIoD FRSA
Chief Executive

Date: **21 January 2015**

Hinckley & Bosworth Borough Council

A Borough to be proud of

To: **Members of the Scrutiny Commission**

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

Members of the Finance, Audit & Performance Committee

Mr PR Batty	Mr JS Moore
Mrs R Camamile	Mr K Morrell
Mr PAS Hall	Miss DM Taylor
Mrs L Hodgkins	

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 De Montfort Suite - Hub on **THURSDAY, 29 JANUARY 2015** at **6.30 pm** and your attendance is required.

Members of the **FINANCE, AUDIT & PERFORMANCE COMMITTEE** are invited to participate in the meeting during debate on items 6, 7, 8 and 9.

The agenda for the meeting is set out overleaf.

Yours sincerely

RKOwen

Rebecca Owen
Democratic Services Officer

SCRUTINY COMMISSION - 29 JANUARY 2015

A G E N D A

1. APOLOGIES AND SUBSTITUTIONS

2. MINUTES (Pages 1 - 4)

   To confirm the minutes of the meeting held on 13 November 2014.

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. GENERAL FUND BUDGET (Pages 5 - 22)

   Report of the Deputy Chief Executive (Corporate Direction).

7. HRA BUDGET (Pages 23 - 34)

   Report of the Deputy Chief Executive (Corporate Direction).

8. CAPITAL PROGRAMME (Pages 35 - 52)

   Report of the Deputy Chief Executive (Corporate Direction).

9. TREASURY MANAGEMENT & PRUDENTIAL INDICATORS (Pages 53 - 68)

   Report of the Deputy Chief Executive (Corporate Direction).

10. PLANNING APPEALS (Pages 69 - 74)

    Report of the Deputy Chief Executive (Community Direction).

11. FINANCIAL CONTRIBUTIONS TOWARDS PLAY AND OPEN SPACE (Pages 75 - 78)

    Report of the Deputy Chief Executive (Community Direction).

12. LEICESTER ROAD FOOTBALL GROUND (Verbal Report)

    Verbal update.

13. ANY OTHER ITEMS OF BUSINESS WHICH THE CHAIRMAN DECIDES HAVE TO BE DEALT WITH AS MATTERS OF URGENCY

HINCKLEY AND BOSWORTH BOROUGH COUNCIL

SCRUTINY COMMISSION

13 NOVEMBER 2014 AT 6.30 PM

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

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

Officers in attendance: Steve Atkinson, Bill Cullen, Julie Kenny, Lisa Kirby, Sanjiv Kohli, Darren Moore, Rebecca Owen and Jacqueline Puffett

262 APOLOGIES AND SUBSTITUTIONS

Apologies for absence were submitted on behalf of Councillors Ladkin and Mayne.

263 MINUTES

It was moved by Councillor Moore, seconded by Councillor Taylor and

RESOLVED – the minutes of the meeting held on 2 October be confirmed and signed by the Chairman.

264 ADDITIONAL URGENT BUSINESS BY REASON OF SPECIAL CIRCUMSTANCES

The Chairman reported that he had agreed to accept an urgent item of business on Members' Allowances to allow for scrutiny of the recommendations of the Independent Remuneration Panel prior to consideration by Council.

265 DECLARATIONS OF INTEREST

Councillor Batty asked for advice on whether members had a pecuniary interest in the item on Members' Allowances. In response it was noted that a decision was not being made at this meeting.

266 CLEAN NEIGHBOURHOODS STRATEGY

The Scrutiny Commission was updated on the delivery of the Clean Neighbourhood Strategy. Progress with regard to dog fouling and littering cases was reported, and members requested that prosecutions be well publicised as this had proven to be a deterrent. Discussion ensued regarding:

- Recent considerations by Leicestershire County Council with regard to allowing parishes and districts to take on care of verges which had now concluded and the decision had been made by LCC to continue providing the service
- The mess left behind by the County Council following grass cutting
- The need to keep on top of leaf blowing in the autumn
- The litter picking volunteer scheme which had been popular in the urban area and was now being promoted in the rural parishes. It was requested that this be taken to the Parishes Forum.

Councillor Bessant arrived at 6.43pm.

RESOLVED –

(i) The report be noted and work of the Clean Neighbourhood Service be endorsed;

(ii) The litter picking volunteer scheme be presented to the next Parishes Forum.

267 INTRODUCTION OF CHARGES FOR GREEN WASTE COLLECTION

Members received a report on the introduction of charges for green waste collection that had been referred by Council for consideration and agreement of the consultation questions. It was reported that the proposed closing date for the consultation would be 31 December and that there would be an article in the Borough Bulletin. In addition, it would be advertised via the website and social media. It was reported that the anticipated take-up for the service was around 50% and that concessions would be available.

Some members expressed concern about the costs of changing the service so people had to 'opt in' and pay the £30 charge, as there would be costs associated with administration, billing and collecting unused bins. It was also suggested that the cost of providing the service would not reduce proportionately to the reduction in the number of customers, as the collection lorries would still need to follow the same routes as customers would be spread across the Borough.

As an alternative to the suggested £30 charge per year for collection of green waste, a member asked about the additional charge that would need to be placed on Council Tax to enable continuation of the provision of green waste collection for every household. In response it was reported that there would need to be a 10% increase on the Borough precept, which would mean an additional £10.08 per year for the average band D property. This would enable the universal recycling service to be maintained, without the need for a separate charge. Members were reminded, however, that in order to increase the Council Tax by 10%, a referendum would be required at three different levels of costs ranging from £45,000 to £110,000, depending on the timing of the referendum. Should the referendum be successful, there would then be costs for re-billing which would cost around £66,000. It was also reiterated that the authority would not then be eligible for any freeze grant that the Government may offer.

The risk of needing the go through the same process in future, should the County Council withdraw the dry recycling credits, was highlighted by some members. Others felt that the increase in the Council Tax base at this stage would avoid the need to do so by an amount exceeding 2.0% again in the near future.

Concern was expressed by some members that, if a third option of increasing Council Tax by 10% was added to the consultation options, residents who would have opted for the £30 charge would opt for the Council Tax increase, or no increase at all, as it would seem a preferable increase, and as such it would not give a clear steer. Other members felt that the option should be given. It was moved by Councillor Lay and seconded by Councillor Bessant that a third option be included in the consultation: for a 10% increase in Council Tax. Upon being put to the vote, the motion was LOST. It was therefore

RESOLVED – the consultation as recommended with two options be endorsed.

268 MEMBERS' ALLOWANCES

The Scrutiny Commission gave consideration to the report of the Independent Remuneration Panel who had recommended the same increase in allowances and decrease in mileage rate payable that had been rejected by Council the previous year. The Panel had felt that HBBC Councillors received far lower remuneration than other Councillors from all other neighbouring authorities and were now no longer receiving a level of remuneration which would be considered fair for the work undertaken and responsibilities held.

Members acknowledged the reasoning behind the recommendations of the Panel and reiterated that their responsibilities and powers had increased enormously, yet no increase in allowances had been agreed since 2005. In relation to the mileage, they felt that the rate currently paid was still appropriate and necessary and did not support the reduction in line with the HMRC rate.

With regard to future reviews of members' allowances, it was noted that the Independent Remuneration Panel would meet annually. Members asked that future assessments bring HBBC in line with other local authorities. It was moved by Councillor Batty, seconded by Councillor Nichols and

RECOMMENDED to Council –

(i) The recommendations of the Independent Remuneration Panel in relation to the basic allowance and special responsibility allowances be approved;

(ii) The recommendation of the Panel in relation to the decrease in mileage allowance be rejected;

(iii) The Panel be recommended to bring the HBBC members' allowances in line with other authorities in future reviews.

(The Meeting closed at 7.58 pm)

CHAIRMAN

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Hinckley & Bosworth Borough Council
A Borough to be proud of

SCRUTINY COMMISSION – 29TH JANUARY 2015

2015/16 GENERAL FUND BUDGET
REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)

WARDS AFFECTED: ALL WARDS

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1. PURPOSE OF REPORT

1.1 To review the 2015/16 General Fund budget ahead of approval by Council.

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 31st 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 budget for 2014/15 and 2015/16 shown in section 3.2
- The Special Expenses area budget for 2014/15 and 2015/16 shown in section 3.4
- The proposed movement in General Fund Reserves and balances for 2014/15 and 2015/16 show in sections 3.16-.22

2.2 That Scrutiny Commission note that a revised Medium Term Financial Strategy (MTFS) will be presented to Council on 24th March 2015.

3. BACKGROUND TO THE REPORT

3.1 The General Fund revenue budget for 2015/16 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:

- To align expenditure on services to the Council's Corporate Plan.
- To provide for reductions in grant funding for 2015/16 and future years
- To encourage identification of savings and income generation opportunities across the Council.
- To maintain acceptable and viable levels of General Fund balances and reserves to make provisions for known future funding and expenditure pressures.
- To maintain an acceptable and viable level of balances in the Special Expenses Area.
- 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 2014/15, revised budget for 2014/15 (based on November 2014 outturn) and the proposed budget for 2015/16 are set out below. Total service expenditure is budgeted to increase by £87,790 (0.8%) and net budget requirement to reduce by £58,427 (-0.6%) ie a net decrease "below the line" of £146,217.

	Original Estimate 2014/15 £	Revised Estimate 2014/15 £	Original Estimate 2015/16 £
Central Services	2,969,918	3,674,605	2,955,997
Leisure and Environment	6,600,531	6,829,829	6,481,827
Housing (General Fund)	986,276	1,374,408	913,845
Planning	1,857,450	2,150,032	1,732,080
Direct Service Organisations	(115,500)	(141,795)	(178,880)
Further Savings in Year	0	(2,190,000)	0
Total service expenditure	**12,298,675**	**11,697,079**	**11,904,869**
Less:			
Special Expenses Area	*(616,940)*	*(616,940)*	(618,130)
Capital Accounting Adjustment	*(1,473,822)*	*(1,473,822)*	(1,360,840)
Net external interest (received)/paid	*2,490*	*58,040*	(4,100)
IAS19 Adjustment	*(131,880)*	*(131,880)*	(129,980)
Revenue Contributions to Capital	*0*	*24,500*	0
Carry forwards from 13/14	*0*	*(217,422)*	0
Transfer to reserves	*280,500*	*3,743,178*	667,000
Transfer from reserves	*(452,730)*	*(1,526,862)*	(838,232)
Transfer from unapplied grants	*0*	*(619,957)*	0
Transfer to/(from) pensions reserves	*25,260*	*25,260*	3,880
Transfer to/(from) balances	*(200,089)*	*(1,229,710)*	*48,570*
HBBC Budget Requirement	**9,731,464**	**9,731,464**	**9,673,037**

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 above 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 was presented to the Hinckley Area Committee on 28th January 2015 detailing the recommendations contained in this report.

	Original Estimate 2014/15 £	Revised Estimate 2014/15 £	Original Estimate 2015/16 £
Expenditure	616,940	616,940	618,130
Transfer to/(from) balances	9,000	14,423	0
Transfer to/(from) reserves	61,467	56,044	(43,909)
Net Expenditure	687,407	687,407	574,221
New Homes Bonus	(127,343)	(127,343)	0
Budget Requirement	560,064	560,064	574,221

3.5 Council approved the removal of the allocation of New Homes Bonus to Parish Councils and the Special Expense Area on 23rd September 2014.

3.6 Balances in the Special Expenses Area (SEA) are estimated as follows:

	£
Balance at 1st April 2014	56,270
Transfer to/(from) Balances 2014/15	14,423
Estimated Balance at 31st March 2015	70,693
Transfer to/(from) Balances 2015/16	0
Estimated Balance at 31 March 2016	70,693

Total Council Budget for 2015/16

3.7 The total overall budget for 2015/16 in the direct control of the Council is therefore:

	Original Estimate 2014/15	**Revised Estimate 2014/15**	**Original Estimate 2015/16**
	£	**£**	**£**
HBBC Budget Requirement	9,731,464	9,731,464	9,673,037
Special Expenses Budget Requirement	560,064	560,064	574,221
Total Council Controlled Budget Requirement	**10,291,528**	**10,291,528**	**10,247,258**

Revised Original Budget 2014/15

3.8 As part of setting the budget for 2015/16, a formal revised budget for 2014/15 has not been prepared. The original budget for 2014/15 has, in accordance with the Council's Financial Procedures, been revised during the year to take account of approved supplementary budgets and virements. Section 3.2 however identifies that additional income and savings of £2,190,000 (net) have been identified to November 2014. The key movements leading to this variance have been detailed below:

	Saving/ (Over Spend) £
Savings on bank charges	13,000
Pension costs charged to the HRA and Revenues and Benefits Partnership	64,000
Additional legal costs and benefits overpayment income forecast to be recovered following changes in recovery methodology	55,000
The Council was notified on 30th June 2014 of £658,430 of "section 31 grant" income, designed to reimburse for changes announced in the 2012 and 2013 Autumn Statements. The level of this grant that may be retained by the Council will not be known until year end and therefore this grant has been placed in the Business Rates pooling reserve until this point **	658,000
Charitable Relief no longer charged to the General Fund (under Business Rates Retention)	70,000
Fuel savings following review of vehicle use	39,000
Anti social behavior project no longer taking place	22,000
Additional recycling and waste income (credits, trade waste and sale of plastics)	157,000

Reduction in waste vehicle running and leasing costs	51,000
Recycling improvements budgets no longer required	40,000
Additional cost of recycling contract due to contamination charges	(86,000)
Season ticket income from Leicestershire County Council	48,000
NNDR rebate for Crescent site whilst under development	14,000
Additional development control income received due to a number of large applications	519,000
Savings in production of planning policy documents. Of this amount, £263,000 will be required in future years and therefore will be placed back into the Local Development Reserve **	397,000
Council offices - reduction in service charges and operating costs	42,000
Legal costs reimbursed by developers	22,000
Other smaller variances > £5k	65,000

** It should be noted that these amounts will be placed in reserves and therefore do not reflect a true underspend against the General Fund balance

Original Budget 2015/16 – assumptions and process

3.9 The 2015/16 General Fund revenue budget has been prepared following a robust budget process outlined in the 2015/16 Budget Strategy (the Strategy).

3.10 The 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).

3.11 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 between 2-3% in year, the application of 0% represents an effective saving on running costs. For contracts, an inflation rate of 3% 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 2015/16 estimates includes the agreed 2.2% pay increase as outlined by the NJC in November 2014. The Council operates a disciplined process of challenging recruitment and filling of posts and therefore a salary saving rate of 5% (£465,878 – General Fund and HRA) has been applied to posts to reflect the savings which will result from this challenge. This rate is unchanged from that used in 2014/15.

3.13 Service Growths totaling £982,806 endorsed by the Strategic Leadership Board have been included in the draft budget. Of this amount:

- £345,792 relates to the gap arising from the withdrawal of green waste recycling credits by the County Council from 2015/16. A one off contribution from reserves has been made to compensate for this gap as outlined in the reserves section of this report
- £398,100 relates to the withdrawl of funding from the County Council for delivery of Sure Start Programmes from 2015/16. This service will transfer to the County Council and therefore the Council will also save the running costs of this service to the same amount.
- £125,600 relates to an increase in the budget for restructuring costs that may arise in year. The total "severance" budget is therefore £175,000 for 2015/16.
- £120,000 relates to a potential VAT claim connected to the Greenfields site

3.14 In comparison, service managers and the Corporate Operations Board (COB) have identified £1,732,638 savings through review of income streams and expenditure levels. The most significant of these savings are:

- Removal of budgets for delivering Sure Start Programmes (£398,100) as outlined above
- £343,711 base budget saving from removal of New Homes Bonus allocation to parish councils. This was based on the 2014/15 budget. The actual allocation for 2015/16 is £1,974,742 and therefore the total reduction in budget is £493,686
- £259,000 additional growth in the income budget for planning fees. This reflects the ongoing increase in applications made to this service
- £92,000 rental income due to the Council in 2015/16 from the units owned on the Crescent development (Block C)
- £50,000 additional income legal costs recovered from revenues and benefits cases. This reflects the high levels of recovery that have been achieved in previous 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 16.4% will be used with an additional 0.9% being included for Ill Health retirement insurance. In addition a lump sum value of £371,000 is payable to the Local Government Pension Scheme which is contained in a corporate budget. These rates have been confirmed with the Pension Scheme provider.

Original Budget 2015/16 – 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 addressed in the budget is provided below

Balances

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 2014/15 this would determine a need for £973,146 of General Fund balances and £967,304 based on the 2015/16 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/deficit earned/incurred by the Direct Service Organisations will be transferred to/from General Fund balances. Any such balance on the Housing Repairs DSO account is transferred to/from the Housing Repairs Account held within the Housing Revenue Account

3.18 The projected movement of the General Fund Balances is detailed below and indicates that sufficient balances are forecast as at 31st March 2016. It should be noted that the transfer from balances for 2014/15 includes £1,153,000 of excess balances that were moved to reserves in line with the principles in 3.17 and therefore does not represent over spends.

	Total	General Fund	Special Expenses
	£'000	**£'000**	**£'000**
Balances at 1 April 2014	2,205,636	2,149,366	56,270
Amount Taken to /(from) Balances 2014/15	(1,215,287)	(1,229,710)	14,423
Balances at 31 March 2015	990,349	919,656	70,693
Amount Taken to/(from)Balances 2015/16	48,570	48,570	0
Balances at 31 March 2015	**1,038,919**	**968,226**	**70,693**
Net Budget Requirement	9,673,611	9,673,037	574
Minimum Balance requirement	967,361	967,304	57
Balance surplus /(requirement)	71,558	922	70,636

Ear marked Reserves

3.19 Appendix 1 provides a summary of earmarked General Fund reserves together with estimated movements during 2014/15 and 2015/16.

3.20 The following uses of reserves for revenue purposes require approval by Council for 2015/16. Use of reserves for capital purposes are detailed in the Capital Programme.

Reserve	Transfer from £	Use
Benefits Reserve	80,000	The cost of funding voluntary redundancy payments for the Leicestershire Revenues and Benefits Partnership. See section 3.37 onwards
Local Plan Reserve	371,500	All costs associated with production of Local Plan documents are funded from a dedicated reserve set up for this purpose.
Waste Management Reserve	345,792	Following a decision by the County Council to remove green waste credits in 2015/16, this Council will have a budget pressure of £549,070 – representing the income currently received. This pressure is offset by savings in gate fees arising from the changes of £203,278. It was approved by Council on 16th December 2014 that a transfer be made to the Waste Management Reserve in 2014/15 from savings identified in year to offset this pressure in 2015/16 only.
Planning Delivery Grant Reserve	10,940	Annual contribution towards salary costs of planning officer.
Elections Reserve	30,000	The cost of both the General and Local Elections to this Council in 2015 are forecast to be £113,279.19. The Council will receive a grant for these costs of £83,279.19 and therefore this transfer represents the balance to be funded from internal reserves.

3.21 The following transfers to reserves require approval by Council:

Reserve	Transfer to 2014/15 £	Transfer to 2015/16 £	Use
Hub Future Rental Management Reserve	183,000	0	A transfer from this reserve was made to the Leisure Centre reserve in 2014/15 to fund the cost of the moveable floor in the new facility. It was endorsed by Council that this reserve should be reinstated in future years as a contingency for any fluctuations in rental costs/income at the Hinckley Hub.
Local Plan *	0	165,000	As outlined in the Medium Term Financial Strategy, contributions will be made to the Local Plan Reserve annually in order to fund the costs of producing the documents within the Plan.
Business Rates Reserve	0	7,000	As outlined in section 3.26, this Council would need to lose £176,903 of Business Rates before a safety net payment will be made under the Business Rates Retention Scheme. This transfer therefore increases the balance (less any section 31 grant) to this level.
Leisure Centre Reserve *	0	250,000	As endorsed by Council, excess balances are transferred to this reserve to reduce the cost of borrowing for this scheme.
Elections Reserve	0	25,000	Annual contribution to fund the cost of future elections.
Transformation Reserve	100,000	100,000	This reserve is in place to fund any "spend to save" schemes and initiatives that the Council may introduce going forward (e.g. costs arising from the set up of a Local Housing Company).
Appeals *	21,000	100,000	Funding set aside to finance potential large appeals and associated legal costs that may arise.
Enforcement *	0	20,000	Reserve set aside to fund future large enforcement claims against the Council.

*Denotes those reserves identify as "priority" by Council on 3rd December 2014

3.22 Based on these calculations, it is estimated that the Council will hold £4,161,119 in earmarked reserves as at 31st March 2015 and £3,572,348 at 31st March 2016. This amount excludes any "unapplied grants and contributions" which are treated as earmarked reserves in accordance with accounting regulations but relate to specific grants where conditions have not yet been met. A full review of the earmarked reserves position will be performed in April 2015 as part of the outturn reporting process.

Local Government Finance Settlement

3.23 The Council's budgets are highly sensitive to changes in the finance settlement and Government policy. The funding for this Council announced in the 2015/16 Draft Local Government Finance Settlement, along with additional elements of financing is detailed below:

	2014/15	2015/16	Mvt	Mvt
	£	£	£	%
			Inc/ (Dec)	Inc/ (Dec)
Revenue Support Grant	1,949,297	1,120,574	(828,723)	(42.5%)
Council Tax Support Grant	544,764	544,764	0	0.0%
National Non Domestic Rates	2,251,383	2,294,404	43,021	1.9%
2% Rates Cap	24,570	0	(24,570)	(100.0%)
Council Tax Freeze Grant 2011/2012	104,445	104,047	(398)	(0.4%)
Council Tax Freeze Grant 2013/2014	42,281	84,399	(395)	(0.5%)
Council Tax Freeze Grant 2014/15	42,513			
Core Funding	***4,959,253***	***4,148,188***	***(811,065)***	**(16.4%)**
Council Tax Freeze Grant 2015/16	0	42,300	42,300	100.0%
New Homes Bonus	1,401,891	1,974,742	572,851	40.9%
Collection Fund Surplus	38,416	91,669	53,253	138.6%
Council Tax payer	3,331,904	3,416,138	84,234	2.5%
Total Financing	**9,731,464**	**9,673,037**	**(58,427)**	**(0.6%)**

3.24 The following points should be noted:

- The reduction in core funding for the Council is 16.4%.
- The Medium Term Financial Strategy included a projection for a reduction of 16.2% and therefore this outcome has been adequately planned for
- For 2015/16, the Council Tax Freeze grant for the previous two years have been rolled into the core funding allocation
- The 2015/16 freeze grant has been separately announced at 1% (£42,300 for this Council) and the referendum limit is 2%. This amount and eligibility will be confirmed following approval of the Council Tax for 2015/16
- The settlement for 2015/16 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 previous years.
- Once the Settlement is taken into account with other funding streams, the Council's funding is moderately comparable to prior year (0.6% decrease).
- The draft Settlement in previous years also included a provisional allocation for the forthcoming year. This detail for 2016/17 was not provided by Government and therefore forecast of financing within the next iteration of the Medium Term Financial Strategy will be increasingly speculative.

Business Rates Retention and Pooling

3.25 The Council's NNDR1 form forecasts the level of Business Rates expected to be collected by the Council in year, after taking into account discounts, collection rates and appeals estimates. Of the total income forecast, 50% is paid to central government. The remaining 50% (locally retained share) is shared between the Borough and preceptors.

3.26 The retained business rates of this Council are subject to a tariff set out in the 2015/16 Local Government Finance Settlement (£8,9767,259). Any growth over a set baseline (£2,358,703) is subject to a "levy" payment which is paid using the same proportions indicated above. The settlement announced that a safety net threshold for all Councils of 7.5%. On this basis, this Council would need to lose £176,903 of Business Rates before a safety net payment will be made.

3.27 The NNDR1 form for this Council is due to Government by 31st January 2015 and therefore was not complete at the time of writing this report. The final budget report to Council will contain details of forecasts for 2015/16 as set out in the final claim.

3.23 The accuracy of these forecasts will be monitored on a regular basis and will be validated only at year end as part of the completion of the NNDR3 form. Due to the volatility of the economy and continual changes in guidance in this area, no growth has been included in the budget for 2015/16.

3.24 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)

3.25 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 (the pool). Per a legal agreement drawn up between all parties, any surplus made on the pool would be transfer to the Leicester and Leicestershire Enterprise Partnership (LLEP) for distribution to schemes in the County. The final position for the pool for 2013/2014 was a surplus of £706,390 made up as follows:

	Levy £	**Safety Net £**
Blaby	0	(90,816)
Charnwood	0	(284,505)
Harborough	903,204	0
Hinckley & Bosworth	187,032	0
Melton	52,146	0
North West Leicestershire	0	0
Oadby & Wigston	0	(60,671)
Total	**1,142,382**	**435,992**
Surplus (Deficit)	706,390	

3.26 Based on forecasts for business rates and uncertainties around appeal results, the pool was disbanded for 2014/15. The surplus above has been retained by the County Council pending any decision on pooling for forthcoming years. In practical terms, the absence of a pool in 2014/15 means that any levy payments due from this Council will be made directly to Central Government.

3.27 On 9th January 2015, the Leicestershire Treasurers Association (LTA) unanimously agreed that the pool should be reinstated for 2015/16. Per below, it is forecast that the pool will make a surplus of £2,581,251. This increase is due to large levels of development and growth in Boroughs such as Blaby and North West Leicestershire.

	Levy £	Safety Net £
Blaby	699,573	0
Charnwood	0	(142,446)
Harborough	981,441	0
Hinckley & Bosworth	134,385	0
Melton	341,798	0
North West Leicestershire	499,484	0
Oadby & Wigston	67,016	0
Total	**2,723,697**	**(142,446)**
Surplus (Deficit)	2,581,251	

3.28 Budgeting for business rates is extremely difficult given the level of volatility in the market and delays in processing of appeals and applications for relief. On this basis the 2015/16 budget does not reflect any growth. Ongoing monitoring will be performed of the position in year as in 2014/15 and reported to the Finance, Audit and Performance Committee quarterly. As outlined in Appendix 1 a reserve is in place to compensate for any loss of business rates income up to the safety net threshold.

Implementation of a Local Council Tax Scheme (LCTS)

3.29 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.

3.30 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 2014/15, this cap was increased to 12%, meaning that individuals will be required to pay 3.5% more then in previous year. The scheme has remained unchanged for 2015/16.

New Homes Bonus

3.31 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.

3.32 Based on the number of new properties brought into council tax from October 2013 to October 2014 this Council has been allocated £1,974,742 in New Homes Bonus for 2015/16. This includes the element of funding from previous allocations. As outlined below, this allocation is £62,743 more then “best case” scenario used in the Medium Term Financial Strategy. This can be attributed to the results of an empty property review (carried out by Capacity Grid) which identified a large number of properties that are no longer vacant and therefore have been brought “back into the base”.

	2015/16	2015/16	Mvt	Mvt
	£	£	£	%
Scenario	**MTFS**	**Draft Settlement**	**Inc (Dec)**	**Inc (Dec)**
Worst Case	1,656,945	1,974,742	317,797	19%
Forecast	1,784,472	1,974,742	190,270	11%
Best Case	1,911,999	1,974,742	62,743	3%

3.33 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 2015/16, 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 Increases and Reductions

3.34 A significant proportion of the Council's overall income comes from fees and charges levied on 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 2015/16 budget. These include:

- £19,750 additional rent and service charge income for the Hinckley Hub to reflect new tenants that have moved into the building
- £259,000 additional growth in the income budget for planning fee income. This reflects the ongoing increase in applications made to this service
- £92,000 rental income due to the Council in 2015/16 from the units owned on the Crescent development (Block C)
- An increase in income received from Building Control services of £40,000. This reflects that officers are no longer shared with Oadby and Wigston Borough Council and therefore will be able to attract additional income for this service.
- Following the success of the trade waste and sales of plastic, income budgets have been increased by £50,500 for 2015/16
- Season ticket income of £30,000 to reflect the income received by Leicestershire County Council for parking spaces at the Hinckley Hub
- Car Parking income for pay and display has been forecast at similar levels as in 2014/15. Whilst the Council has lost the use of two car parks since development has started in the town centre, income from the remaining sites has exceeded budget. On this basis a similar income stream is deemed reasonable.
- Market income has been adversely affected in 2014/15 due to a decrease in street sellers and adverse weather conditions. The 2015/16 budget includes a reduction in income of £20,450 to reflect this downturn
- A reduction in income from Leicestershire County Council for green waste credits. This reduction of £549,070 is offset by savings in gate fees arising from the changes of £203,278.

3.35 Members will recall that from 2015/16, the Council will also be in receipt of Management Fees from the provider of the new leisure centre. The average income over the life of the contract is £899,293 (before financing costs). The income received for the first 5 years of the contract, plus the interim payment until completion is as follows:

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Year	**Interim**	**1**	**2**	**3**	**4**	**5**
Management Fee £	40,323	408,367	907,547	1,015,747	1,012,647	935,809

3.36 The 2015/16 budget should be read in conjunction with the Council's Fees and Charges book for 2015/16 which is be presented to Executive in January 2015. This document reflects the annual review of all Council income streams and any variations in charging regimes. The following new charges have been endorsed by Executive for 2015/16:

- Off peak rates for tennis at Hollycroft Park
- Renewals and variations of licenses for sex establishments
- Charges for new documents produced (e.g. Land Availability Studies, Earl Shilton and Barwell Action Plan and Renewable Energy Capacity Study)
- General waste – bin replacement
- Pre application advice – domestic
- New Occupancy (provision of 3 bins and internal caddy)
- Failure to comply with a Community Protection Notice, under the Anti-social Behaviour, Crime and Policing Act 2014

Leicestershire Revenues and Benefits Partnership

3.37 The budget for the Leicestershire Revenues and Benefits Partnership (the Partnership) was approved by the Partnership Joint Committee on 29th January 2014. The total cost of the Partnership is split between Hinckley and Bosworth Borough Council, Harborough District Council and North West Leicestershire District Council based on a percentage rate which reflects the case load dealt with by the Partnership. The resulting contributions for 2015/16 are detailed below. The contribution for this Council has been included within the General Fund budget and reflects a saving compared to 2014/15 of £53,700:

	Total £	**HBBC £**	**HDC £**	**NWLDC £**
2015/16 Contribution	3,621,140	1,362,180	1,040,710	1,218,250
2014/15 Contribution	3,589,240	1,415,880	1,014,350	1,159,010
Difference – Increase/(Decrease)	31,900	(53,700)	26,360	59,240

3.38 It should be noted that the Partnership budget detailed above is a holding budget and will be revised following completion of the current review of the service. It is envisaged that once implemented, the review will generate in excess of £300,000 savings arising from restructuring and more efficient methods of working. A further report on this outcome will be brought to Council later in the financial year.

3.39 As part of this restructure, the Joint Committee and Management Board of the Partnership have agreed 12 voluntary redundancies (10.78 FTE posts) which will result in £211,369 of one off redundancy payments. These costs are to be met by the partners in line with agreed percentage split. The 2015/16 Budget for this Council includes £79,665 to meet the costs relating to redundancy payments. This cost will be met by the Benefits Reserve as outlined in section 3.20

Investment Income

3.40 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.

3.41 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 2015/16 budget to ensure that a prudent level of investment income is assumed.

3.42 Conversely, the Council is able to borrow from the Public Works Loan Board (PWLB) to fund the Capital Programme. Loans are acquired at preferential rates from this source which reduces the level of interest payable from the General Fund.

3.43 Net interest income for this Council have been estimated at £4,100 and is 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.

	£
Interest payable loans	254,174
Interest receivable (investments)	(84,229)
Interest receivable on Crescent Loan	(174,041)
Total interest payable (receivable)	**(4,096)**

Major Projects

3.44 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 (RGF)
- Build of the new facility for the Hinckley Squash and Racket Club

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

Council Tax

3.45 One of the directions of the Comprehensive Spending Review (CSR10) published in October 2010 was that Council's should seek to set a zero increase in council tax where possible for the years of the spending review. Freeze Grants have been offered for a number of years to incentivize Council's to not increase their tax levels.

3.46 For 2015/16 the Council has announced a 1% Council Tax Freeze Grant for eligible Council's. This equates to a grant of £42,300 for this Council and will be confirmed following approval of Council Tax levels at this meeting.

3.47 In order to curb excessive increases in council tax, the Secretary of State for Communities and Local Government has announced that for 2015/16 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. On this basis an increase of Council Tax of at least 3% would be required to cover these costs.

3.48 That said, the impact of not introducing any Council Tax increase since 2009/10 has meant an erosion of the basis and reduction of over £800,000 in spending power in real terms.

Medium Term Financial Strategy

3.49 This Council's Medium Term Financial Strategy (MTFS) for 2014/15 onwards was approved by Council in May 2014. The MTFS contained 3 scenarios (Best case, worst case and forecast), with the best case being the only scenario that would be sustainable in the medium term. The budget for 2015/16 has managed to achieve a budget position that is consistent with this best case scenario due to the inclusion of a number of "targets" contained in the MTFS.

3.50 Given the significant changes in Local Government Financing and locally for the Council since this time, a revised document will be produced and reported to Council in March 2015.

4. FINANCIAL IMPLICATIONS [KP]

As contained in the report

5. LEGAL IMPLICATIONS [EH]

5.1 The Council has a legal duty to set a balanced budget.

5.2 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

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	A budget strategy is produced to ensure that the objectives of the budget exercise are known throughout the organisation. The budget is scrutinised on an ongoing basis to ensure that assumptions are robust and reflective of financial performance. Sufficient levels of reserves and balances are maintained to ensure financial resilience	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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Executive Member : Councilor K.W.P. Lynch

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Appendix 1

	1st April 2014 Balance	To Reserves review	From Reserves review	From Carry forwards	To/From Budgeted transfers	From Orig Budget spend (revenue)	From Capital spend - Per final Cap Prog	To Supplementary budgets	From Supplementary budgets Revenue	Forecast closing balance 31st March 2015	To Transfers to reserves	From Revenue spend	From Capital spend	Forecast closing balance 31st March 2016
	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Car Parking Income Reserve	(25,000)									**(25,000)**				**(25,000)**
Market Income Reserve	(15,000)									**(15,000)**				**(15,000)**
Commutation & Feasability Reserve	(126,774)									**(126,774)**				**(126,774)**
Benefits Reserve	(256,268)					11,000				**(245,268)**		80,000		**(165,268)**
Hub Future Rental Management Reserve	(915,000)	(85,000)						(183,000)	889,678	**(293,322)**				**(293,322)**
Special Expenses Reserve	(317,664)		8,000		(64,044)		124,770			**(248,938)**		43,909	3,270	**(201,759)**
Local Plan Procedure	(361,070)			123,199	(152,000)	375,500			(263,096)	**(277,467)**	(165,000)	371,500		**(70,967)**
Business Rates Pooling	(170,270)							(658,000)		**(828,270)**	(7,000)			**(835,270)**
Relocation Reserve	(101,132)									**(101,132)**				**(101,132)**
Leisure	(2,650,867)	(526,000)					4,066,545	(889,678)		**0**	(250,000)			**(250,000)**
Year End Carry Forwards	(217,422)				217,422					**(0)**				**(0)**
Troubled Families	(30,000)					30,000				**0**				**0**
Maint Fund - Green Towers	(5,000)									**(5,000)**				**(5,000)**
Land Charges Reserve	(218,851)								218,851	**0**				**0**
Pensions Contribution	(133,411)				(28,000)					**(161,411)**				**(161,411)**
ICT Reserve	(212,500)						57,000			**(155,500)**			117,000	**(38,500)**
Waste Management Reserve	(262,865)	(100,000)			(25,500)	9,000	96,555	(350,000)		**(632,810)**		345,792	131,590	**(155,428)**
Project Management/Master Plan Reserve	(203,000)									**(203,000)**			99,770	**(103,230)**
Planning Delivery Grant Reserve	(61,543)					10,940				**(50,603)**		10,940		**(39,663)**
Workforce Strategy Reserve	(13,000)									**(13,000)**				**(13,000)**
Election Reserve	(87,000)				(25,000)					**(112,000)**	(25,000)	30,000		**(107,000)**
Grounds Maintenance	(58,295)									**(58,295)**				**(58,295)**
Transformation	(29,120)	(150,000)					20,000	(100,000)		**(259,120)**	(100,000)		22,000	**(337,120)**
Appeals	0	(200,000)						(21,000)	48,500	**(172,500)**	(100,000)			**(272,500)**
Enforcement	0	(100,000)			(33,710)				40,000	**(93,710)**	(20,000)			**(113,710)**
Planning Capacity	0							(100,000)	17,000	**(83,000)**				**(83,000)**
City Deals	0				(16,290)	16,290				**0**				**0**
Total	**(6,471,051)**	**(1,161,000)**	**8,000**	**123,199**	**(127,122)**	**452,730**	**4,364,870**	**(2,301,678)**	**950,933**	**(4,161,119)**	**(667,000)**	**882,141**	**373,630**	**(3,572,348)**

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Hinckley & Bosworth Borough Council
A Borough to be proud of

SCRUTINY COMMISSION – 29TH JANUARY 2015

HOUSING REVENUE ACCOUNT BUDGET 2015/16
REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)

WARDS AFFECTED: ALL WARDS

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1. PURPOSE OF REPORT

1.1 To review the 2015/15 Housing Revenue Account (HRA) budget, including the Housing Repairs Account ahead of submission to Council for approval.

2. RECOMMENDATION

2.1 That the following be noted:

- The revised Housing Revenue and Housing Repairs Account budgets for 2014/15 shown in Appendix 1 and Appendix 2
- The Housing Revenue and Housing Repairs Account budgets for 2015/16 shown in Appendix 1 and Appendix 2
- The proposed movement in reserves shown in Appendix 3

2.2 That Scrutiny Commission endorse the recommendation to Council that delegated authority be granted to the Deputy Chief Executive (Corporate Direction) to action any budget changes required to reflect forthcoming decisions made by Executive on charging for Housing Related Support services

2.3 That Scrutiny Commission endorse the recommendation that void properties are re-let at formula rent from 1st April 2014.

2.4 That Scrutiny Commission note that a revised Housing Revenue Account Investment Plan will be presented to Council on 24th March 2015.

3. BACKGROUND TO THE REPORT

3.1 The budgets covered by this report relate to the Council's responsibilities as the landlord of around 3,300 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.

Budget summary

3.2 The original Housing Revenue Account budget for 2014/15, revised budget for 2014/15 (based on November 2014 outturn) and the proposed budget for 2015/16 is set out in Appendix 1.

3.3 The original Housing Repairs Account budget for 2014/15, revised budgets for 2014/15 (based on November outturn) and the proposed budget for 2015/16 is set out in Appendix 2

Revised 2014/15 Budget

3.4 As part of setting the budget for 2015/16, a formal revised budget for 2014/15 has not been prepared. The original budgets for 2014/15 have, in accordance with the Council's Financial Procedures, been revised during the year to take account of approved supplementary budgets and virements.

3.5 Appendix 1 identifies £37,000 of additional costs on the Housing Revenue Account to year end. This is to due to an increase on the "void loss" in year. No other significant changes are currently forecast.

3.6 In addition, Appendix 1 identifies £118,000 of savings on the Housing Repairs Account to year end. This relates to savings in responsive repairs which have been achieved from more efficient working methods and contract renegotiations. Members should be assured that this saving is not due to decreased levels of activity and that the number of responsive repairs jobs completed will be comparable to previous years.

2015/16 Budget

Service Priorities and links to other documents

3.7 The 2015/16 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).

3.8 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

3.9 The 2015/16 Housing Revenue Budget has been prepared following a robust process outlined in the 2015/16 Budget Strategy (the Strategy).

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

3.11 The salaries and wages budgets form one of the most significant element of the revenue budget. For pay costs, the 2015/16 estimates includes the agreed 2.2% pay increase as outlined by the NJC in November 2014. The Council operates a disciplined process of challenging recruitment and filling of posts and therefore a salary saving rate of 5% (£465,878 – General Fund and HRA) has been applied to posts to reflect the savings which will result from this challenge. This rate is unchanged from that used in 2014/15.

3.12 Service Growths totaling £136,057 endorsed by the Strategic Leadership Board have been included in the draft budget. Of this amount:

- £75,000 relates to the creation of the severance budget for the HRA similar to that in place within the General Fund
- £30,137 represents an increase in equipment budgets for Sheltered Schemes to ensure appropriate replacements can be made
- £25,000 relates to the element of Local Housing Allowance payments that can be charged to the HRA as approved by the Department for Work and Pensions (DWP)

Rents

Policy to 2014/15

3.13 As part of the previous Housing Subsidy regime, rents were calculated on the basis of an annual determination issued by the Department of Communities of Local Government (DCLG). The methodology included in this determination was highly prescriptive and offered little flexibility for landlords in setting rent levels.

3.14 One of the key objectives of rent setting under the Housing Subsidy regime was to ensure that the rents payable by Council tenants were brought into line with those paid by tenants of other Social Landlords (target rent) by a set date. This concept is known as “convergence”.

3.15 Under self financing, Council landlords were granted additional flexibility in setting rent levels and rent determinations were no longer published to prescribe the process. That said, the principle of rental convergence currently still applied and Councils were encouraged to implement formula which was broadly based an increase of RPI + ½% plus a proportion of the difference between inflated and target rent for the property. In order to ensure that rents were not increased excessively, the previous rental formula included rental constraint devices (known as caps and limits). The cap dictated the total amount that can be charged for each property based on the number of bedrooms. In addition, the limit stated that no tenants’ rent could be increased by more then RPI + 0.5% + £2 year on year.

Policy from 2015/16

3.16 In May 2014, the Government announced a revised rent policy which would apply for ten years from 2015/16. The objectives of this policy was “in recognition of the benefit of long-term certainty to landlords, in helping them to plan for future investment – and so provide more new affordable homes, improve existing affordable homes, and provide good services to their tenants.”[1]

3.17 The revised policy outlines that a “formula” rent as at 2000/01 should be calculated using the formula below. This calculation incorporates a number of local factors deemed to impact the rental market rather than blanket increases that have previously been used:

(70% of national average rent x relative county earnings x bedroom weight) + (30% of national average rent x relative property value)[2]

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[1] Guidance on Rents for Social Housing – DCLG October 2014

[2] *National average rent* is average rent in April 2000

Relative county earnings is the average manual earnings for the county in which property is located divided by the national average manual earnings – both at 1999

3.18 Once the 2000/01 formula rent is calculated, it is then uplifted annually to 2014/15 by Retail Price Index (RPI) at September of the previous year plus an additional amount. In 2001/02, that additional amount is 1.0%; for all other years, it is 0.5%.

3.19 The revised rent policy then changes the uplift from 2015/16 to Consumer Price Index (CPI) at September of the previous year plus 1.0%. The move from RPI to CPI follows the Office for National Statistics' announcement in January 2013 that the formula used to produce the RPI does not meet international standards. As a result, the Government is looking to move to the CPI, where possible, where an inflation-index is currently being used in policy.

3.20 CPI at September 2014 was 1.2%.

3.21 Whilst use of this formula is not mandated, the DCLG states that it **expected** that Councils will set rents in this manner.

Hinckley and Bosworth Rents

3.22 Based on this calculation, the average rental increase for this Council for 2015/16 is calculated at **9.76%**. This level of increase is due to historical decisions made by members to not increase rents in line with formula. As a comparison, the actual rent charged in 2014/15 is on average £5.64 (6.69%) less than the recommended formula rent.

3.23 This proposed rental increase of 9.76% was not endorsed by the Executive who proposed a rent increase of **6.5%** for approval on 28th January 2014**.** After factoring in void losses of 2%, this increase will generate forecast rental income of £13,262,955 in 2015/16. This is £441,709 less than the rental income that would be generated if the formula rent increase was approved.

3.24 In order to compensate for loss of income from sub-formula rents, Executive also endorsed that void properties will be re-let at formula rent from 1st April 2015.

Supporting People Income

3.25 The Council is currently contracted by Leicestershire County Council to provide Housing Related Support services (HRS) to older people living in the Borough. A grant of £411,630 was received in 2014/15 to deliver this service. The contract for this service is due to end in September 2015.

3.26 In light of these announcements, Executive have considered the following options for the future of this service:

- “Do nothing” and continue to provide the service. This will create a budget pressure for the HRA of £411,630 per annum; being the value of the grant lost
- Abolish the service altogether. This would save the Council £581,791 per annum less redundancy costs. This represents the current net cost of providing the service
- Implementation of a charging regime for tenants in Sheltered Schemes which will recoup the income lost. This scenario has been supported in principle by the Executive.

3.27 At the time of writing this report, the decision on charging was pending and therefore the 2015/16 budget has been set using the same basis as 2014/15. If charging were to be introduced, virements would be required to establish the required budgets, though the net impact on the HRA would be minimal. Council are therefore asked to

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Relative property value – individual property value divided by national average property value – both at 1999 approve that these changes are delegated to the Deputy Chief Executive (Corporate Direction) following approval by Executive.

Housing Repairs budgets

3.28 The housing repairs operational budgets (Planned and Responsive repairs) have been prepared taking into forecast need based and the capacity for this to be delivered in 2015/16. It is envisaged that costs of repairs will remain comparable to 2014/15.

3.29 On the basis of these costs and the efficiencies identified in year, the housing repairs account is forecast to achieve an operating surplus (i.e before transfer to reserves) of £650,370 and £863,060 in 2014/15 and 2015/16 respectively.

Working balances

3.30 The Council has the following policies relating to levels of balances and reserves in the HRA:

- Maintain HRA balances (non earmarked) of £250 per property. For the 2015/16, this equates to minimum balances of £840,750 based on 3,363 properties at the point of rent setting
- Maintain a breakeven position within the Housing Repairs Account with all surpluses transferred to earmarked reserves
- 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.

3.31 The projected movement of the Housing Revenue Account balance is detailed below and indicates that sufficient balances are forecast as at 31st March 2016 based on the minimum balance thresholds outlined in 3.30. Required transactions to achieve minimum balances for 2014/15 will be considered as part of the outturn process.

	2014/15	**2014/15**	**2015/16**
	ORIGINAL	**LATEST**	**ORIGINAL**
	ESTIMATE	**ESTIMATE**	**ESTIMATE**
	£	**£**	**£**
Opening Balance at 1st April	(775,419)	(1,155,596)	(904,034)
Closing Balance at 31st March	(846,500)	(904,034)	(840,750)

3.32 The Housing Repairs Account balance is forecast as follows:

	2014/15	**2014/15**	**2015/16**
	ORIGINAL	**LATEST**	**ORIGINAL**
	ESTIMATE	**ESTIMATE**	**ESTIMATE**
	£	**£**	**£**
Opening Balance at 1st April	(237,374)	(483,255)	(452,885)
Closing Balance at 31st March	(239,874)	(452,885)	(367,825)

Reserves

3.33 Appendix 3 provides a summary of earmarked HRA reserves, together with estimated movements during 2014/15 and 2015/16. Based on these calculations, it is estimated that the Council will hold £8,143,159 in earmarked HRA reserves as at 31st March 2015 and £7,362,533 at 31st March 2016. This amount excludes any "unapplied grants and contributions" which are treated as earmarked reserves in accordance with accounting regulations but relate to specific grants where conditions have not yet been met.

3.34 The following transfers to reserves require approval by Council:

Reserve	**Transfer £**	**Use**
2014/15		
Regeneration Reserve	1,900,000	When self financing was introduced, a Repayment Reserve was set up to fund costs should the Council wish to repay HRA debt earlier then planned. The approved HRA Investment Plan forecasts that debt will be paid back in line with original schedule set by PWLB and therefore it is proposed that this reserve is transferred to the Regeneration Reserve for use on capital schemes
2015/16		
Piper Alarm Reserve	10,400	Reserve set aside for additional costs that may be incurred on provision of the Piper Alarm service. This service is currently under review by the Council
Regeneration Reserve	3,623,320	This reserve has been set up to fund the implementation of the Housing Investment Plan. The transfer to reserves has been funded by both the HRA and the Housing Repairs Account

3.35 It is proposed that HRA reserves will only be used for capital purposes in 2015/16. Full details are included in the Capital Programme.

HRA Business Plan

3.36 The HRA Business and Investment plan outlines how the HRA business will deliver services and capital projects over a 30 year period. This document is currently being revised and will be brought to Council for approval in March 2015.

4. FINANCIAL IMPLICATIONS [KP]

4.1 Contained in the body of the report

5. LEGAL IMPLICATIONS [EH]

5.1 This budget is must drawn up and approved in accordance with the Statutory requirements as to the keeping of a Housing Revenue Account (HRA), as contained in the Local Government and Housing Act 1989 ('the Act'). It is a duty of each local authority to approve its HRA budget in the January and February immediately before the commencement of the financial year to which it relates.

5.2 The provisions include a duty, under Section 76 of the Act, to budget to prevent a debit balance on the HRA and to implement and review the budget. The Account must relate to the income of the authority for the year from rents and other charges in respect of houses and other property within their Housing Revenue Account and the expenditure of the authority for the year in respect of the repair, maintenance, supervision and management of such property and any other requirements of the Secretary of State.

6. CORPORATE PLAN IMPLICATIONS

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

7. CONSULTATION

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

7.2 A full consultation exercise on priorities for Housing investment was conducted in 2013/2014, the results of which were considered in preparation of the Housing Investment Plan

7.3 Together for Tenants were consulted on the proposed rent levels and recommended an increase of 6.5%

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	A budget strategy is produced to ensure that the objectives of the budget exercise are known throughout the organisation. The budget is scrutinised on an ongoing basis to ensure that assumptions are robust and reflective of financial performance. Sufficient levels of reserves and balances are maintained to ensure financial resilience	S. Kohli

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

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

10. **CORPORATE IMPLICATIONS**

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

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

Background papers: None

Contact Officer: Katherine Plummer, Head of Finance ext 5609
Executive Member: Cllr K Lynch

Appendix 1

HOUSING REVENUE ACCOUNT	2014/15 ORIGINAL ESTIMATE £	2014/15 LATEST ESTIMATE £	2015/16 ORIGINAL ESTIMATE £
INCOME			
Dwelling Rents	(12,642,773)	(12,642,773)	(13,262,955)
Non Dwelling Rents (garages & land)	(78,261)	(78,261)	(80,616)
Contributions to Expenditure	(16,340)	(16,340)	(16,830)
	(12,737,374)	**(12,737,374)**	**(13,360,401)**
EXPENDITURE			
Supervision & Management (General)	1,733,285	1,736,466	1,895,802
Supervision & Management (Special)	552,846	605,152	608,948
Contribution to Housing Repairs A/C	3,192,165	3,192,165	3,192,165
Depreciation (Item 8 Debit)	2,883,000	2,883,000	2,974,420
Capital Charges : Debt Management	3,790	3,910	4,150
Increase in Provision for Bad Debts	110,500	110,500	144,000
Lump sum Pension Contribution	0	0	53,000
Interest on Borrowing	2,088,620	2,087,800	2,099,100
Further net pressures identified in year	0	37,000	0
	10,564,206	**10,655,993**	**10,971,585**
Net (Income)/Cost of Services	**(2,173,168)**	**(2,081,381)**	**(2,388,816)**
Transfer from Major Repairs Reserve	(850,780)	(850,780)	(778,000)
Interest Receivable	(16,850)	(16,850)	(30,020)
IAS19 Adjustment	(16,610)	(16,610)	(19,120)
Transfer from unapplied grants and contributions	0	(30,000)	0
Net Operating (Income)/Cost	**(3,057,408)**	**(2,995,621)**	**(3,215,956)**
CONTRIBUTIONS			
Contribution to/(from) Piper Alarm Reserve	10,400	10,400	10,400
Contribution to/(from) Service Improvement Reserve	50,000	50,000	(20,000)
Contribution to Pension Reserve	3,910	3,910	3,520
Revenue Contributions to Capital Outlay	0	15,500	0
Contributions from Reserves / Carry Forwards	0	(41,333)	0
Transfer to Major Repairs Reserve	0	0	800,000
Contribution to Regeneration Reserve	2,922,017	3,232,017	2,485,320
Contribution from Regeneration Reserve	0	(23,311)	0
(Surplus) / Deficit	**(71,081)**	**251,562**	**63,284**
Relevant Year Opening Balance at 1st April	**(775,419)**	**(1,155,596)**	**(904,034)**
Relevant Year Closing Balance at 31st March	**(846,500)**	**(904,034)**	**(840,750)**

Appendix 2

HOUSING REPAIRS ACCOUNT	2014/15 ORIGINAL ESTIMATE £	2014/15 LATEST ESTIMATE £	2015/16 ORIGINAL ESTIMATE £
Administration			
Employee Costs	341,060	408,986	362,350
Transport Related Expenditure	7,250	7,250	7,250
Supplies & Services	119,840	119,840	121,710
Central Administrative Expenses	246,300	246,300	250,620
Further savings in year	0	(118,000)	0
Total Housing Repairs Administration	**714,450**	**782,376**	**741,930**
Programmed Repairs	**558,600**	**556,210**	**560,230**
Responsive Repairs	**1,202,655**	**1,269,989**	**1,202,655**
GROSS EXPENDITURE	**2,475,705**	**2,608,575**	**2,504,815**
Contribution from HRA	(3,192,165)	(3,192,165)	(3,192,165)
Interest on Cash Balances	0		
Interest on Borrowing	0		
Other Income	(2,010)	(2,010)	(2,010)
IAS19 Adjustment	(4,030)	(4,030)	(3,580)
TOTAL INCOME	**(3,198,205)**	**(3,198,205)**	**(3,197,755)**
Contribution to HRA Reserves	720,000	720,000	778,000
Carry forwards	0	(100,000)	0
NET EXPENDITURE / (INCOME)	**(2,500)**	**30,370**	**85,060**
Relevant Year Opening Balance at 1st April	**(237,374)**	**(483,255)**	**(452,885)**
Relevant Year Closing Balance at 31st March	**(239,874)**	**(452,885)**	**(367,825)**

Appendix 3

	Opening balance - 1st April 2014	Items in 2014/15 Original Budget	Supplementary Budgets - Revenue	Final Capital Programme forecast	Revised Balance - 31st March 2015	Transfer to reserves	Revenue spend	Capital spend	Forecast Balance 31st March 2016
						2015/16	2015/16	2015/16	
	£	£	£	£	£	£	£	£	£
Piper Alarm Reserve	(137,811)	(10,400)	0	0	(148,211)	(10,400)	0	0	(158,611)
Communal Furniture Reserve	(4,913)	0	0	0	(4,913)	0	0	0	(4,913)
Regeneration Reserve	(4,384,967)	(3,642,017)	(1,900,000)	1,986,949	(7,940,035)	(3,263,320)	0	4,034,346	(7,169,009)
Repayment Reserve	(1,900,000)	0	1,900,000	0	0	0	0	0	0
Service Improvement Reserve	0	(50,000)	0	0	(50,000)	0	20,000	0	(30,000)
Pension Contribution Reserve	(28,820)	0	0	0	(28,820)	0	0	0	(28,820)
Total	**(6,427,691)**	**(3,702,417)**	**0**	**1,986,949**	**(8,143,159)**	**(3,273,720)**	**20,000**	**4,034,346**	**(7,362,533)**

Hinckley & Bosworth Borough Council
A Borough to be proud of

SCRUTINY COMMISSION - 29TH JANUARY 2015

RE: CAPITAL PROGRAMME 2014/2015 TO 2017/2018
REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)

WARDS AFFECTED: ALL WARDS

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1. PURPOSE OF REPORT

1.1 To seek endorsement of the Capital Programme for the years 2014/2015 – 2017/2018 ahead of submission to Council for approval.

2. RECOMMENDATION

2.1 That Scrutiny Commission endorse the proposed Capital Programme for the years 2014/2015 – 2017/2018 for 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 overall Capital Programme for 2014/2015 – 2017/2018 is contained within Appendix 1 along with supporting schedules showing spend by scheme.

<u>Proposed Capital Programme – General Fund</u>

3.6 As outlined in the Medium Term Financial Strategy, the General Fund Capital Programme is concentrated around achievement of four priority capital projects namely:

- The Hinckley Bus Station Redevelopment - "The Crescent"
- Build of the new Hinckley Leisure Centre and demolition of the current site
- Capital works associated with the Regional Growth Fund
- Build of the new Hinckley Squash and Rackets Club facility

<u>The Crescent</u>

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 16th 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 in October 2015. The Council's £4,500,000 investment has therefore been included in the Programme in 2015/2016, to be funded by prudential borrowing.

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 January 2016). In order to minimise borrowing costs on the Leisure Centre, this receipt has been assumed in the Programme though it is acknowledged that the timing and amount cannot be guaranteed.

<u>Hinckley Leisure Centre</u>

3.10 The current Leisure Centre building on Coventry Road was opened in 1975 and reached the end of its design life in 2014. 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 The preferred bidder (DC Leisure, now re-named Places For People Leisure Management Ltd) for the New Leisure Centre was approved by Council on 21st January 2014 and the contract signed with Places For People Leisure Management Ltd on 24th September 2014.

3.12 The final agreed scheme has an estimated capital cost of £15.150million. This amount includes the cost of ground works required on the Leisure Centre site and also the cost of a moveable floor in the main pool which was approved by Council on 2nd September 2014. Based on the current development programme, completion of the Leisure Centre is expected in October 2015.

3.13 The capital cost of the final scheme will be expended and financed as follows:

	2014/2015	2015/2016	2016/2017	Total
	£	£	£	£
Expenditure	**4,594,023**	**9,849,841**	**705,890**	**15,149,754**
Financed from:				
Leisure Centre Reserve	4,066,545	0	0	4,066,545
Capital Receipts	527,478	1,722,522	0	2,250,000
Temporary Financing	0	3,235,814	0	3,235,814
Long Term Borrowing	0	4,891,505	705,890	5,597,395
Total financing	**4,594,023**	**9,849,841**	**705,890**	**15,149,754**

3.14 The capital receipts noted in the table above mainly relate to the proceeds from the sale of the current depot site on Middlefield Lane, assuming this land is not gifted to a Local Housing Company. The receipt for this site (forecast to be around £2million) is expected to be received before the end of 2014/2015. The balance relates to miscellaneous sales. Whilst the receipts from the sale of Block C of the Crescent (see section 3.10) and the current Leisure Centre site will not directly finance the cost of the new facility, they will be used to repay the temporary financing above. It is therefore important to ensure that both receipts are received by June 2016 to ensure that this financing does not extend to over 1 year and therefore attract Minimum Revenue Provision costs.

3.15 Any cost of financing the new facility will reduce the management fee payable by Places For People Leisure Management Ltd to the Council (£899,293 gross on average). Assuming that the financing profile above is achieved, it is forecast that an average net management fee of £465,064 will be achieved. Any delay in capital receipts or increases in interest rates will reduce this income for the General Fund.

3.16 The Programme also includes the capital cost of demolishing the current Leisure Centre building, details of which are provided in 3.22.

Regional Growth Funding

3.17 During 2012/2013, the Secretary for State for Business Innovation and Skills (BIS) confirmed that Hinckley and Bosworth Borough Council would receive £19,474,000 in Regional Growth Funding (RGF) to support the development of the MIRA Enterprise Zone and wider economy. This funding has subsequently been reduced to £17,671,000 as the difference (£1,803,000) has now been transferred to be spent directly by the Highways Agency as “Pinchpoint” funding.

3.18 Both streams of 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.

3.19 The capital works associated with this project are due to conclude in 2014/2015. The £179,230 included in the Programme relates to retention works that will be paid to the main contractor during 2015/2016.

Hinckley Squash and Rackets Club

3.20 Following Council approval on 1st July 2014, Hinckley and Bosworth Borough Council will fund the land acquisition and construction costs of a new squash facility for Hinckley Squash and Rackets Club (HSRC). The cost of this scheme will be financed by the Compulsory Purchase Order (CPO) payments due to HSRC for moving from their current site as well as £110,000 of HSRC's own cash. In both cases, the funds have been passed to Hinckley and Bosworth Borough Council to expend and therefore the scheme is included as fully funded in the Programme.

3.21 The contracts for the transaction were signed by all parties on 14th November 2014**.** The scheme has a 40 week build programme and is expected to be completed by summer 2015**.** On completion the Council will grant a 125 year peppercorn lease to the HSRC, after which the land and building will be transferred to HSRC for a nominal sum.

New Schemes

3.22 Following review of submitted proposals, the following new schemes from 2015/2016 onwards have been included in the Programme for approval:

	2014-2015	**2015-2016**	**2016-2017**	**2017-2018**	**Total**
	£	**£**	**£**	**£**	**£**
Leisure Centre Demolition- Costs associated with the demolishing the current Leisure Centre ahead of disposal. This includes the cost of carrying out in depth ground conditions and archeological surveys to ensure that the site is appropriate for sale.					
Total Annual Expenditure (ALL HBBC)	10,000	100,000	370,000	0	**480,000**
Additional Bins - Additional bins required because of increased numbers of properties in the Borough. This budget has been included within the "Waste Management Receptacle" budget scheme in section 1 of the Appendix.					
Total Annual Expenditure (ALL HBBC)	0	24,590	39,870	46,690	**111,150**
Block C Fit Out - The capital cost of fitting out the 9 retail and leisure units in Block C of The Crescent development in order to attract tenants. The cost of this work will be funded from the Masterplan Reserve.					
Total Annual Expenditure (ALL HBBC)	0	99,770	0	0	**99,770**
Channel Shift– Costs associated with rolling out the Council's Channel Shift Strategy. This initiative aims to create effective and efficient channels that are most appropriate for customers and organisations. The Council has secured Government funding to finance this scheme of £694,000, elements of which will be passported to other Councils in the ICT Partnership to facilitate their strategy.					

Total Annual Expenditure (Grant Funded)	20,000	694,000	0	0	**714,000**
E Budget Module - Cost of implementing a budget monitoring module within the current financial ledger. This will allow for more effective and efficient budget monitoring.					
Total Annual Expenditure (ALL HBBC)	0	22,000	0	0	**22,000**
Software Windows Upgrade -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)	0	60,000	20,000	60,000	**140,000**
Total Proposed Growths	**110,000**	**306,360**	**429,870**	**106,690**	**952,920**

Potential Schemes

3.23 In order to promote growth and investment in the local economy, the Council is continuing to look for further opportunities for capital investment. The following two projects are currently being investigated for inclusion in the Programme going forward:

- Capital investment into creative industries projects within the town centre. It is envisaged that Heritage Lottery will be contacted to establish the availability of funding to support such projects
- The set up of a Local Housing Company owned solely by the Council to deliver new housing in the Borough. This Company will be financed from the General Fund on commercial terms and will provide an interest return as well as contributing towards running cost incurred by the Council. In the longer term, assets built by the Company will either be retained to be rented on a commercial/affordable basis or sold on the open market to generate receipts for reinvestment in new stock. If this Company is set up, the Council may opt to gift the former depot and current Leisure Centre site to the Company and borrow in lieu of these receipts.

3.24 Updates on all projects, along with the budget impact will be brought to members in due course

Existing schemes

3.25 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 General Renewals budget has been reduced by £18,000 in 2015/2016 to reflect the reduction in demand for works given the age of the Council’s new office buildings.
- Parish and Community Initiative Grants have been retained at £100,000 following approval by Council in September 2014 not to increase these contributions.
- 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

3.26 The proposed Capital Programme for the Housing Revenue Account (the HRA Programme) is included in Section 5 of the Appendix. The HRA Programme reflects the main investment priorities included in the Housing Revenue Account Investment Plan which was approved by Council in July 2013. These were:

- Ongoing investment to existing stock
- Service improvements
- Affordable Housing

Stock Enhancement/Investment

3.27 £15,334,850 of investment has been proposed over the life of the HRA Programme into existing stock. The sequence of these works is based on the outputs of the most recent stock condition survey.

3.28 Included in this budget is £620,000 of kitchen and bathroom "enhancement" works which will fund additional kitchen and bathroom refurbishments and give tenants additional bathroom location and equipment options.

3.29 The Programme also includes £350,000 for sheltered scheme enhancements. In 2014/2015 this budget related to internal decorations but going forward will also fund alterations to a number of the Council's the old warden houses to increase capacity.

Affordable Housing

3.30 The original proposed HRA Investment Plan included £10,000,000 over the next four years for investment in New Affordable housing. This is a key priority for this Council in the medium to long term to improve housing supply in the Borough.

3.31 At the date of drafting this report, there are two schemes have been confirmed within the Affordable Housing arm of the Programme. These are:

- Dragons Lane, Newbold Verdon - The purchase of four units of two bedroom affordable housing to be owned and managed by the Council. The properties are part of a section 106 obligation on behalf of Bloor Homes.
- Southfield Road Hinckley - A development in partnership with Westleigh Homes and Nottingham Community Housing Association for the development of 68 units of affordable housing. The Council will own and manage 30 of these units, comprising of 12 one bed flats, 8 two bed houses, 5 three bed houses and 5 two bed bungalows, all for affordable rent.

Financing

3.32 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 the sale of HRA properties

Funding Implications

3.33 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

3.34 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 therefore the timings of these receipts are crucial to achieve prudent capital investment:

	2014/15	2015/16	2016/17	2017/18
	£	£	£	£
Opening Balance	1,384,000	1,305,611	2,026,595	1,350,476
In Year Receipts	1,485,000	2,600,000	2,600,000	400,000
Repayment of Debt Leisure Centre	0	0	(3,235,814)	
In Year Application (Non Leisure Centre)	(985,911)	(156,494)	(40,305)	-431,305
In Year Application Leisure Centre	(577,478)	(1,722,522)	0	0
Closing Balance	**1,305,611**	**2,026,595**	**1,350,476**	**1,319,171**

3.35 Receipts assumptions are based on the following:

	2014/15	2015/16	2016/17	2017/18
	£	£	£	£
Right to Buys	450,000	300,000	300,000	300,000
Depot Site	0	2,200,000	0	0
Stoke Rd	1,035,000	0	0	0
Misc. Sales	0	100,000	100,000	100,000
Bus Station	0	0	0	0
Leisure Centre	0	0	2,200,000*	0
Total Receipts	**1,485,000**	**2,600,000**	**2,600,000**	**400,000**

*This gross receipt is offset by the cost of demolishing the old Leisure Centre as outlined in 3.22 and therefore the "net" receipt payable to the Council is estimated to be £1.7million - £1.8million

Borrowing

3.36 As outlined in section 3.2, the Council is permitted to borrow within approved limits to finance capital expenditure. This "authorised limit" is recommended as part of the Treasury Management Policy and Prudential Indicators each year and is based on the level of borrowing that is recommended by the s151 officer as being sustainable, affordable and prudent.

3.37 The total borrowing for the General Fund Programme is detailed below. In addition, the Council has loans of £67,652,000 within the Housing Revenue Account relating to the self financing settlement. These will start being repaid in 2019/2020.

	2014/15	2015/16	2016/17	2017/18
	£	£	£	£
General Borrowing	286,378	590,025	963,855	233,855
Leisure Centre Borrowing	0	4,891,505	705,890	0
Leisure Centre Temporary Financing	0	3,235,814	0	0
Crescent Borrowing	0	4,500,000	0	0
Total General Fund Borrowing	**286,378**	**13,217,344**	**1,669,745**	**233,855**

3.38 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:

	2014/15	2015/16	2016/17	2017/18
	£	£	£	£
Borrowing	9,026	190,165	214,873	33,313
MRP	(44)	(9,538)	137,678	46,307
Total	**8,982**	**180,627**	**352,550**	**79,629**

3.39 Further details of the Council's borrowing limits and indicators will be outlined in the 2015/2016 Treasury Management Policy.

Use of Reserves

3.40 The following reserves (excluding special expenses) have been used to finance specific capital schemes outlined in the Programme:

	Use of Reserves	Forecast balance	Use of Reserves	Use of Reserves	Use of Reserves
	2014/2015	**31st March 2015**	**2015/2016**	**2016/2017**	**2017/2018**
	£	£	£	£	£
General Fund					
Waste Management Reserve	(96,555)	632,810	(131,590)	(71,870)	(78,690)
ICT Reserve	(57,000)	155,500	(117,000)	(60,000)	(60,000)
Transformation Reserve	(100,000)	259,120	(22,000)	0	0
Masterplan Reserve	0	203,000	(99,770)	0	0
Leisure Centre Reserve	(4,066,545)	0	0	0	0
Total General Fund	**(4,320,100)**	**-**	**(370,360)**	**(131,870)**	**(138,690)**
Housing Revenue Account					
Regeneration Reserve	(1,947,340)	7,940,035	(3,692,470)	(4,552,230)	(4,397,230)

3.41 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 [EH]

5.1 The Council is legally required to set a balanced 3 year capital program.

5.2 Whilst there are no implications arising directly from the recommendation of this report there are some legal considerations which should be noted:

5.3 In relation to the property transactions identified within the report, relevant officers will need to ensure that authority is obtained from Council for any acquisition or disposal of land. This applies in relation to the Affordable Housing purchases detailed within the body of the report.

5.4 Any contracts will need to be dealt with in accordance with the constitution and all relevant authorities for spending secured as necessary.

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

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
S.11 - Failure to successfully deliver the Medium Term Financial Strategy	The financial position of the Council becomes more challenging. Members made the decision at full Council on 2nd September 20014 to add to the specification of the swimming pool in the new Leisure Centre. This will add a further £500K to £705K to the cost of the Leisure centre (this is in addition to the £1m cost of the ground remediation work that was previously reported). This now takes the total cost of construction to just over £15m. The cost of the ground works and the moveable floor has resulted in a shortfall in capital funding which has been met through utilisation of the Hub rental reserve (£1m) and by borrowing. The total impact on the Revenue funding is a further strain of just over £130K for 2015/16. This together with the known circa 16.8% reduction in RSG and reductions in budgets by the County Council having a direct impact on this Council's budgets means that the shortfall in funding for 2015/16 exceeds £500,000 and for 2016/17 could increase to £1.2m with further removal of dry recycling credits by LCC. Meetings have taken place with the ruling (Lib	Sanjiv Kohli

	Dem) group and Middle Managers to identify areas for savings and additional revenue generation. A key decision has been made by Council to withdraw the 25% of NHB support given to Parish Councils from 2015/16 but to carry on with the LCTS support to Parishes. This decision means that the Borough Council's budgets will be better off by over £350K. Further support has been demonstrated by the ruling group over introducing new charges e.g charge for pre-application planning advice for domestic planning applications and a charge for replacement bins that have been damaged by residents. Also considering introducing a charge for green waste recycling	
S.37 - Non delivey of capital projects which are interdependent	Members made the decision at full Council on 2nd September 20014 to add to the specification of the swimming pool in the new Leisure Centre. This will add a further £500K to £705K to the cost of the Leisure centre (this is in addition to the £1m cost of the ground remediation work that was previously reported). This now takes the total cost of construction to just over £15m. The cost of the ground works and the moveable floor has resulted in a shortfall in capital funding which has been met through utilisation of the Hub rental reserve (£1m) and by borrowing. This has meant that the Council can no longer consider the following capital schemes that were being considered: • Purchase/development of staff car park (est £900K) • Purchase of HUFC (est £750K) • Purchase/rescue of Springfiled Park (not quantified) • Resolution of Klondyke Meetings have taken place with the ruling (Lib Dem) group and Middle Managers to identify areas for savings and additional revenue generation. A key decision has been made by Council to withdraw the 25% of NHB support given to Parish Councils from 2015/16 but to carry on with the LCTS support to Parishes. This decision means that the Borough Council's budgets will be better off by over £350K. Further support has been demonstrated by the ruling group over introducing new charges e.g charge for pre-application planning advice for domestic planning applications and a charge for replacement bins that have been damaged by residents. Also considering introducing a charge for green waste recycling.	Sanjiv Kohli

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

Background Papers: Capital Estimates submissions

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

Lead Member: Cllr KWP Lynch

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CAPITAL ESTIMATES 2013/2014 to 2017/2018 GENERAL FUND SUMMARY

	TOTAL COST	ESTIMATE 2014-15	ESTIMATE 2015-16	ESTIMATE 2016-17	ESTIMATE 2017-18
	£	£	£	£	£
Expenditure					
SECTION 1 (Leisure and Environment)	16,468,720	4,985,350	10,196,600	992,920	293,850
SECTION 2 (Planning)	4,822,550	61,780	4,651,770	39,000	70,000
SECTION 3 (Central Services)	1,118,310	344,960	253,350	445,000	75,000
Housing (General Fund)	1,768,780	693,780	345,000	365,000	365,000
Expenditure Total	**24,178,360**	**6,085,870**	**15,446,720**	**1,841,920**	**803,850**
Financing					
General Financing					
Capital Receipts	1,614,015	985,911	156,494	40,305	431,305
Supported Borrowing GF	426,400	106,600	106,600	106,600	106,600
Unsupported Borrowing GF	1,599,216	151,281	463,425	857,255	127,255
Revenue Contribution to Capital	24,500	24,500	0	0	0
Contribution from reserves GF	814,475	173,555	370,360	131,870	138,690
Leisure Centre Financing					
Leisure Centre Reserve	4,066,545	4,066,545	0	0	0
Leisure Centre Capital Receipt	2,200,000	477,478	1,722,522	0	0
Leisure Centre Temporary Financing	3,235,814	0	3,235,814	0	0
Leisure Centre Borrowing	5,597,395	0	4,891,505	705,890	0
Capital Receipts	100,000	100,000	0	0	0
Crescent Financing					
Crescent Borrowing	4,500,000	0	4,500,000	0	0
Financing Total	**24,178,360**	**6,085,870**	**15,446,720**	**1,841,920**	**803,850**

SECTION 1

	TOTAL COST £	ESTIMATE 2014-2015 £	ESTIMATE 2015-2016 £	ESTIMATE 2016-2017 £	ESTIMATE 2017-2018 £
Parish & Community Initiatives Grants					
Total Annual Expenditure(ALL HBBC)	**415,040**	**115,040**	**100,000**	**100,000**	**100,000**
Parks Major works					
Total Annual Expenditure(ALL HBBC)	**120,000**	**30,000**	**30,000**	**30,000**	**30,000**
Richmond Park Play Area					
Total Annual Expenditure(ALL HBBC)	**22,220**	**22,220**	**0**	**0**	**0**
Burbage Common					
Total Annual Expenditure(ALL HBBC)	**28,900**	**28,900**	**0**	**0**	**0**
Woodland Grant Scheme					
Total Annual Expenditure	**12,260**	12,260	**0**	**0**	**0**
Forestry Commission Grant	**(12,260)**	(12,260)	**0**	**0**	**0**
HBBC Element	**0**	**0**	**0**	**0**	**0**
Tracking System					
Total Annual Expenditure(ALL HBBC)	**9,560**	**9,560**	**0**	**0**	**0**
Waste Vehicle					
Total Annual Expenditure(ALL HBBC)	**75,000**	**0**	**75,000**	**0**	**0**
Memorial Safety Programme					
Total Annual Expenditure(ALL HBBC)	**23,080**	**7,600**	**5,160**	**5,160**	**5,160**
Waste Management Receptacles					
Total Annual Expenditure(ALL HBBC)	**575,150**	**128,000**	**136,590**	**151,870**	**158,690**
Hinckley Squash Club					
Total Cost	**1,000,720**	**1,000,720**	**0**	**0**	**0**
Less Private Contributions	**(1,000,720)**	**(1,000,720)**			
	0	**0**	**0**	**0**	**0**
Leisure Centre					
Total Annual Expenditure(ALL HBBC)	**15,199,770**	**4,644,030**	**9,849,850**	**705,890**	**0**
Green Spaces Deliver Plan					
Total Cost	**930,090**	173,690	244,620	425,000	86,780
Less Section 106 contributions	**(336,580)**	(48,920)	(80,350)	(135,530)	(71,780)
Less other private contributions	**(460,470)**	0	(161,000)	(289,470)	(10,000)
Less Special Expenses Area reserves	**(133,040)**	(124,770)	(3,270)	0	(5,000)
HBBC ELEMENT	**0**	**0**	**0**	**0**	**0**
TOTAL GROSS EXPENDITURE	18,411,790	6,172,020	10,441,220	1,417,920	380,630
LESS TOTAL CONTRIBUTIONS	(1,943,070)	(1,186,670)	(244,620)	(425,000)	(86,780)
TOTAL HBBC ELEMENT	**16,468,720**	**4,985,350**	**10,196,600**	**992,920**	**293,850**

SECTION 2

	TOTAL COST £	ESTIMATE 2014-2015 £	ESTIMATE 2015-2016 £	ESTIMATE 2016-2017 £	ESTIMATE 2017-18 £
Borough Improvements					
Total Annual Expenditure	**209,650**	59,650	50,000	50,000	50,000
Less Private contribution	**(69,950)**	(24,950)	(15,000)	(15,000)	(15,000)
HBBC Element	**139,700**	**34,700**	**35,000**	**35,000**	**35,000**
Car Park Resurfacing					
Total Annual Expenditure(ALL HBBC)	**77,260**	**21,260**	**17,000**	**4,000**	**35,000**
Barwell Shop Front Improvements					
Total Annual Expenditure	**6,698**	0	6,698	0	0
Less Private contribution	**(6,698)**	0	(6,698)	0	0
HBBC Element	**0**	**0**	**0**	**0**	**0**
Depot Relocation					
Total Annual Expenditure	**0**	0	0	0	
Total Annual Expenditure (ALL HBBC)	**5,820**	**5,820**	**0**	**0**	**0**
Public Realm Improvements					
Total Annual Expenditure	**376,000**	40,000	336,000	0	0
Less Private contribution	**(376,000)**	(40,000)	(336,000)	0	0
HBBC Element	**0**	**0**	**0**	**0**	**0**
Crescent Development					
Total Annual Expenditure (ALL HBBC)	**4,500,000**	**0**	**4,500,000**	**0**	**0**
Block C Fit Out					
Total Annual Expenditure (ALL HBBC)	**99,770**	**0**	**99,770**	**0**	**0**
TOTAL GROSS EXPENDITURE	**5,275,198**	126,730	5,009,468	54,000	85,000
LESS TOTAL CONTRIBUTIONS	**(452,648)**	(64,950)	(357,698)	(15,000)	(15,000)
TOTAL HBBC ELEMENT	**4,822,550**	**61,780**	**4,651,770**	**39,000**	**70,000**

SECTION 3

	TOTAL COST £	ESTIMATE 2014/15 £	ESTIMATE 2015/16 £	ESTIMATE 2016-2017 £	ESTIMATE 2017-2018 £
Asset Management Enhancements					
Total Annual Expenditure(ALL HBBC)	**33,700**	**33,700**	**0**	**0**	**0**
General Renewals					
Total Annual Expenditure(ALL HBBC)	**68,170**	**28,170**	**10,000**	**15,000**	**15,000**
Rolling Server Review					
Total Annual Expenditure(ALL HBBC)	**40,000**	**40,000**	**0**	**0**	**0**
Financial System					
Total Annual Expenditure(ALL HBBC)	**8,700**	**4,350**	**4,350**	**0**	**0**
Council Office Relocation					
Total Annual Expenditure	7,000	7,000	0	0	0
Less Private contribution	0	0	0	0	0
HBBC Element	**7,000**	**7,000**	**0**	**0**	**0**
Florenance House Delapidation	0	0	0	0	0
Total Annual Expenditure(ALL HBBC)	**0**	**0**	**0**	**0**	**0**
Stamp Duty - Hinckley Hub					
Total Annual Expenditure(ALL HBBC)	**0**	**0**	**0**	**0**	**0**
RGF - MIRA					
Substation and A5 improvements	12,518,720	12,339,490	179,230	0	0
Less Regional Growth Fund contribution	(12,518,720)	(12,339,490)	(179,230)	0	0
HBBC Element	**0**	**0**	**0**	**0**	**0**
Demolition of Argents Mead Offices					
Total Annual Expenditure(ALL HBBC)	**75,890**	**75,890**	**0**	**0**	**0**
Demolition of Depot					
Total Annual Expenditure(ALL HBBC)	**47,000**	**47,000**	**0**	**0**	**0**
New Election System					
Total Annual Expenditure(ALL HBBC)	**21,850**	**21,850**	**0**	**0**	**0**
MS Software					
Total Annual Expenditure (ALL HBBC)	**114,000**	**57,000**	**57,000**	**0**	**0**
Lesiure Centre Demolition					
Total Annual Expenditure(ALL HBBC)	**480,000**	**10,000**	**100,000**	**370,000**	**0**
Channel Shift					
Total Annual Expenditure	714,000	20,000	694,000	**0**	**0**
Less Grant funding	(694,000)	0	(694,000)		
HBBC Element	**20,000**	**20,000**	**0**	**0**	**0**
E budgeting					
Total Annual Expenditure(ALL HBBC)	**22,000**	**0**	**22,000**	**0**	**0**
Software Upgrade - Windows					
Total Annual Expenditure(ALL HBBC)	**180,000**	**0**	**60,000**	**60,000**	**60,000**
TOTAL GROSS EXPENDITURE	14,331,030	12,684,450	1,126,580	445,000	75,000
LESS TOTAL CONTRIBUTIONS	(13,212,720)	(12,339,490)	(873,230)	0	0
TOTAL HBBC ELEMENT	**1,118,310**	**344,960**	**253,350**	**445,000**	**75,000**

	TOTAL COST £	ESTIMATE 2014-2015 £	ESTIMATE 2015-2016 £	ESTIMATE 2016-2017 £	ESTIMATE 2017-2018 £
Major Works Assistance					
HBBC ELEMENT	**560,000**	**130,000**	**130,000**	**150,000**	**150,000**
Minor Works Assistance					
HBBC ELEMENT	**280,000**	**70,000**	**70,000**	**70,000**	**70,000**
Private Sector Leasing Scheme					
HBBC ELEMENT	**60,000**	**60,000**	**0**	**0**	**0**
Disabled Facilities Grants					
Total Annual Expenditure	1,564,780	607,780	319,000	319,000	319,000
Less Government Grant	(696,000)	(174,000)	(174,000)	(174,000)	(174,000)
HBBC ELEMENT	**868,780**	**433,780**	**145,000**	**145,000**	**145,000**
Fuel Poverty and Green Deal Programme					
Total Annual Expenditure	430,190	430,190	0	0	0
Less Government Grant	(430,190)	(430,190)	0	0	0
HBBC ELEMENT	**0**	**0**	**0**	**0**	**0**
TOTAL GROSS EXPENDITURE	2,894,970	1,297,970	519,000	539,000	539,000
LESS TOTAL CONTRIBUTIONS	(1,126,190)	(604,190)	(174,000)	(174,000)	(174,000)
TOTAL HBBC ELEMENT	**1,768,780**	**693,780**	**345,000**	**365,000**	**365,000**

SECTION 5
CAPITAL ESTIMATES 2013/2014 to 2017/2018 HOUSING REVENUE ACCOUNT SUMMARY

Expenditure	TOTAL £	ESTIMATE 2014-2015 £	ESTIMATE 2015-2016 £	ESTIMATE 2016-2017 £	ESTIMATE 2017-2018 £
Stock Enhancement/Investment					
Sheltered Scheme Enhancements	350,000	35,000	115,000	100,000	100,000
Kitchen Improvements	2,423,150	634,100	607,050	591,000	591,000
Boiler and Heating Replacement	2,232,000	558,000	558,000	558,000	558,000
uPVC Door Replacement	128,000	32,000	32,000	32,000	32,000
Electrical Testing / Upgrading	2,240,000	500,000	580,000	580,000	580,000
Programmed Enhancements	1,342,330	361,550	340,780	320,000	320,000
uPVC Window Replacement	630,000	30,000	200,000	200,000	200,000
Re-roofing	252,000	63,000	63,000	63,000	63,000
Adaptations for Disabled People	1,523,350	297,250	403,640	411,230	411,230
Major Void Enhancements	3,024,020	916,020	748,000	680,000	680,000
Kitchens and Bathrooms Enhancements	620,000	120,000	200,000	300,000	0
Conversions to Flats	66,000	0	66,000	0	0
Exceptional Extentive items and Contingencies	504,000	0	0	252,000	252,000
Service Investment					
Housing Repairs Software system	57,210	37,210	20,000	0	
Orchard System Upgrade	18,210	18,210	0	0	
Tenant Led Community Projects	20,000	20,000	0	0	0
Neighbourhood Action Hub	15,500	15,500	0	0	0
Affordable Housing					
Dragons Lane	425,000	425,000	0	0	0
Southfields Road	2,750,000	0	2,750,000	0	0
Other Affordable Housing	6,825,000	0	215,537	3,199,463	3,410,000
Expenditure Total	**25,445,770**	**4,062,840**	**6,899,007**	**7,286,693**	**7,197,230**
Financing					
Major Repairs Reserve	10,400,000	2,000,000	2,800,000	2,800,000	2,800,000
Regeneration Reserve	14,605,218	1,986,949	4,034,346	4,336,693	4,247,230
Revenue Contributions to Capital Outlay	15,500	15,500	0	0	0
1:4:1 Receipts	425,052	60,391	64,661	150,000	150,000
Financing Total	**25,445,770**	**4,062,840**	**6,899,007**	**7,286,693**	**7,197,230**

Hinckley & Bosworth Borough Council
A Borough to be proud of

SCRUTINY COMMISSION - 29TH JANUARY 2015

THE PRUDENTIAL CODE FOR CAPITAL FINANCE IN LOCAL AUTHORITIES - SETTING OF PRUDENTIAL INDICATORS 2014/15 - 2017/18 AND TREASURY MANAGEMENT STRATEGY 2014/15-17/18

REPORT OF THE DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)

WARDS AFFECTED: ALL WARDS

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1. PURPOSE OF REPORT

1.1 This report outlines the Council's prudential indicators for 2014/15 - 2017/18 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 B). 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 B);

- 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 C;

- 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 C.

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 approve the key elements of these reports:

2.1 The Prudential Indicators and Limits for 2014/15 to 2017/18 contained within Section C of the report, including the Authorised Limit Prudential Indicator.

2.2 The Minimum Revenue Provision (MRP) Statement contained within Section 3 Part B which sets out the Council's policy on MRP.

2.3 The Treasury Management Strategy 2014/15 to 2017/18 and the Treasury Prudential Indicators contained within Section C.

2.4 The Investment Strategy contained in the Treasury Management Strategy 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 2014/15 - 2017/18

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 because it will directly impact on borrowing or investment activity. As a consequence the treasury management strategy for 2014/15 to 2017/18 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

Capital Expenditure £'000	**2013/14 Actual**	**2014/15 Estimate**	**2015/16 Estimate**	**2016/17 Estimate**	**2017/18 Estimate**
Non-HRA	5,970	20,281	17,096	2,456	1,080
HRA	3,150	4.063	6,899	7,287	7,197
Total	9,120	24,344	23,995	9,743	8,277
Financed by:					
Capital receipts	1,221	1,624	1,944	190	581
Capital grants	3,854	14,195	1,650	614	276
Capital reserves	3,050	8,227	7,205	7,269	7,186
Revenue	632	40	0	0	0
Net financing need for the year	**363**	**258**	**13,193**	**1,670**	**234**

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

£'000s	Actual 2013 /14	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Capital Financing Requirement					
CFR - Non Housing	24,569	24,301	36,981	34,671	34,205
CFR - Housing	70,320	70,320	70,320	70,320	70,320
Total CFR	**94,889**	**94,621**	**107,301**	**104,991**	**104,525**
Movement in CFR	**363**	**-268**	**12,680**	**-2,310**	**-466**

Movement in CFR represented by					
Net financing need for the year (above)	363	258	13,196	1,670	234
Less MRP/ VRP and other financing movements	0	526	516	3980	700
Movement in CFR	**363**	**-268**	**12,680**	**-2,310**	**-466**

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 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.

The Use of the Council's Resources and the Investment Position

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 2013/14	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Fund balances	3,362	3,158	3,040	2,840	2,640
Capital receipts	1,386	2,027	1,350	1,319	0
Earmarked reserves	13,519	12,304	11,054	9,065	7,385
Provisions	500	500	500	500	500
Contributions unapplied	1,520	500	500	500	500
Total Core Funds	**15,829**	**16,489**	**16,444**	**14,224**	**11,025**
Working Capital*	1,000	1,000	1,000	1,000	1,000
Under borrowing	19,287	17,489	15,444	13,224	10,425
Expected Investments	**0**	**0**	**0**	**0**	**0**

*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

%	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Non-HRA	5.79	4.94	7.61	8.05
HRA	40.1	37.0	37.0	37.0

17. The estimates of financing costs include current commitments and the proposals in the 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.

Table 5

Incremental impact of capital investment decisions on the Band D Council Tax

£	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Council Tax - Band D	£0.03	-£0.27	£3.87	£1.30

19 **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.

Table 6

Incremental impact of capital investment decisions - Housing Rent levels.

£	Latest Budget 2014/15	Forward Projection 2015/16	Forward Projection 2016/17	Forward Projection 2017/18
Weekly Housing Rent levels	-£0.01	-£0.01	-£0.01	-£0.01

C) Treasury Management Strategy 2014/15 - 2015/16

1. Treasury Management is an important part of the overall financial management of the Council's affairs. The prudential indicators in this section 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

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 approporiate 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

£'000	2014/15 Revised	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
External Debt				
Debt at 1 April	94,889	94,621	107,301	104,991
Expected change in debt	-268	12,680	-2,310	-466
Debt at 31 March	94,621	107,301	104,991	104,525

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.

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 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

5. **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 £000's	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Debt	94,621	107,301	104,991	104,525
Other Long Term Liabilities	0	0	0	0
Total	94,621	107,301	104,991	104,525

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 £000s	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
General Fund	25,301	37,981	35,671	35,205
Bus Station Temporary Borrowing	14,000	0	0	0
HRA	72,000	72,000	72,000	72,000
Total	111,301	109,981	107,671	107,205

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	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 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

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 %	PWLB Borrowing Rates % (including certainty rate adjustment)		
		5 year	25 year	50 year
Mar 2015	0.50	2.20	3.40	3.40
Jun 2015	0.50	2.20	3.50	3.50
Sep 2015	0.50	2.30	3.70	3.70
Dec 2015	0.75	2.50	3.80	3.80
Mar 2016	0.75	2.60	4.00	4.00
Jun 2016	1.00	2.80	4.20	4.20
Sep 2016	1.00	2.90	4.30	4.30
Dec 2016	1.25	3.00	4.40	4.40
Mar 2017	1.25	3.20	4.50	4.50
Jun 2017	1.50	3.30	4.60	4.60
Sep 2017	1.75	3.40	4.70	4.70
Dec 2017	1.75	3.50	4.70	4.70
Mar 2018	2.00	3.60	4.80	4.80

A detailed economic commentary is given in Appendix 3

BORROWING STRATEGY 2014/15 - 2017/18

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. This a more likely scenario over the medium term than a sharp FALL

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.

INVESTMENT STRATEGY

11 Introduction: changes to credit rating methodology

The main rating agencies (Fitch, Moody's and Standard & Poor's) have, through much of the financial crisis, provided some institutions with a ratings "uplift" due to implied levels of sovereign support. More recently, in response to the evolving regulatory regime, the agencies have indicated they may remove these "uplifts". This process may commence during 2014/15 and / or 2015/16. The actual timing of the changes is still subject to discussion, but this does mean immediate changes to the credit methodology are required.

It is important to stress that the rating agency changes do not reflect any changes in the underlying status of the institution or credit environment, merely the implied level of sovereign support that has been built into ratings through the financial crisis. The eventual removal of implied sovereign support will only take place when the regulatory and economic environments have ensured that financial institutions are much stronger and less prone to failure in a financial crisis.

Both Fitch and Moody's provide "standalone" credit ratings for financial institutions. For Fitch, it is the Viability Rating, while Moody's has the Financial Strength Rating. Due to the future removal of sovereign support from institution assessments, both agencies have suggested going forward that these will be in line with their respective Long Term ratings. As such, there is no point monitoring both Long Term and these "standalone" ratings.

Furthermore, Fitch has already begun assessing its Support ratings, with a clear expectation that these will be lowered to 5, which is defined as "A bank for which there is a possibility of external support, but it cannot be relied upon." With all institutions likely to drop to these levels, there is little to no differentiation to be had by assessing Support ratings.

As a result of these rating agency changes, the credit element of our future methodology will focus solely on the Short and Long Term ratings of an institution. Rating Watch and Outlook information will continue to be assessed where it relates to these categories. This is the same process for Standard & Poor's that we have always taken, but a change to the use of Fitch and Moody's ratings. Furthermore, we will continue to utilise CDS prices as an overlay to ratings in our new methodology.

12 Investment policy

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 Welsh Government and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk.

Continuing regulatory changes in the banking sector are designed to see greater stability, lower risk and the removal of expectations of Government financial support should an institution fail. This withdrawal of implied sovereign support is anticipated to have an effect on ratings applied to institutions. This will result in the key ratings used to monitor counterparties being the Short Term and Long Term ratings only. Viability, Financial Strength and Support Ratings previously applied will effectively become redundant. This change does not reflect deterioration in the credit environment but rather a change of method in response to regulatory changes.

As with previous practice, ratings will 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.

Investment instruments identified for use in the financial year are listed in Appendix 1 under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices – schedules.

13 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, and 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 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

14 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

- **Banks 2 – Part Nationalised UK Banks** (Lloyds Banking Group & Royal Bank of Scotland) **–** 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 or has provide an appropriate guarantee.

- **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
- **Enhanced Money Market Funds**.
- **UK Government** (including gilts and the DMADF)
- **Local Authorities, Parish Councils etc**
- **Supranational institutions**
- **Property fund and Corporate Bonds** – The Council will these funds if they meet the creditworthiness criteria. No decision will be made on the use of these funds without Council approval.

15. **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.

16 **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.

17 **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):

	Fitch (or equivalent)	Money Limit	Time Limit
Bank 1 Category	AAA	£5m	1yr
Bank 2 Category	AA	£5m	3yrs
Bank 3 Councils Own Bank	A	£4m	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 2014/15 – 2017/18

18 **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).

Investment returns expectations. Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 4 of 2015. Bank Rate forecasts for financial year ends (March) are:

2015/16 0.75%
2016/17 1.25%
2017/18 2.00%

There are downside risks to these forecasts (i.e. start of increases in Bank Rate occurs later) if economic growth weakens. However, should the pace of growth quicken, there could be an upside risk.

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

2015/16	0.60%
2016/17	1.25%
2017/18	1.75%
2018/19	2.25%
2019/20	2.75%
2020/21	3.00%
2021/22	3.25%
2022/23	3.25%
Later years	3.50%

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	1.25%
2016/17	1.50%
2017/18	2.50%

19 **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: -

Maximum principal sums invested > 364 days			
£m	**2015/16**	**2016/17**	**2017/18**
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 minimise risk.

i. 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.

ii. **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.

iii. **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.

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

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

Performance Indicators

21 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

22 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;

23 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 (EH)

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:

Management of Significant (Net Red) Risks		
Risk Description	Mitigating Actions	Owner
Failure to achieve planned level of capital expenditure	Monitor expenditure via budget monitoring process.	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 2014/15 to 2017/18
The CIPFA Prudential Code
Treasury Management Policy
Revenue Budget 2015/16

Contact Officer: Ilyas Bham, Group Accountant ext 5924

Executive Member: Cllr KWP Lynch

Hinckley & Bosworth Borough Council
A Borough to be proud of

SCRUTINY COMMISSION – 29 JANUARY 2015

PLANNING AND ENFORCEMENT APPEAL DECISIONS
REPORT OF DEPUTY CHIEF EXECUTIVE (COMMUNITY DIRECTION)

WARDS AFFECTED:ALL WARDS

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1. PURPOSE OF REPORT

1.1 To inform Members of the Planning and Enforcement appeal decisions that have been made during the last 6 months of 2014.

2. RECOMMENDATION

2.1 That Scrutiny Commission notes the report.

3. BACKGROUND TO THE REPORT

3.1 Since the last report to the Scrutiny Commission on 3 July 2014 there have been 13 appeal decisions. The table below provides a summary of the appeal decisions.

3.2 The key issues and learning points arising in the appeal decisions are:

i) The Council's five-year housing land supply remains a key issue and can outweigh other planning considerations such as landscaping and the Core Strategy growth numbers *(Spinney Drive and Sketchley House)*.
ii) The Council is not considered to be a persistent under deliverer in housing numbers (*Sketchley House*)
iii) The delivery of affordable housing can be a significant positive material consideration *(Spinney Drive and Sketchley House)*.
iv) Design and impact on the character of the area needs to be significant and similar features need to be taken into account (*31 The Fairway)*

Appellant	**Site Address & Proposal**	**Method & Decision Level**	**Appeal Decision & Date of Decision**	**Recommendation**
Kidsaw Puzzle Furniture	40 High Street Earl Shilton *(Demolition of existing factory and erection of 15 dwellings (outline - access and layout only))*	Written Reps Committee	Dismissed 18.06.14 Costs submission refused.	Officer Refusal
Mr Andy Gilliver	12 Warwick Gardens, Hinckley Leicestershire *(Extensions and alterations to dwelling)*	Householder Appeal Service Officer	Dismissed 20.06.14	Officer Refusal
Mr Simon Taylor	163 The Park Market Bosworth Nuneaton *(Erection of a*	Written Reps Officer	Dismissed 08.07.14	Officer Refusal

	dwelling with associated access and parking)			
Alexander Bruce Estates Ltd	Land Off Spinney Drive and South of Brookside, Barlestone *(49 dwellings, landscaped open space & wetland habitat / access) ('Appeal A')*	Hearing Committee	Dismissed 18.08.14	Member refusal contrary to officer recommendation
Alexander Bruce Estates Ltd	Land Off Spinney Drive and South of Brookside, Barlestone *(49 dwellings with landscaped open space) ('Appeal B')*	Hearing Committee	Allowed 18.08.14	Member refusal contrary to officer recommendation
Mrs Helen Dodd	Land Adjacent To 20 Church Lane Fenny Drayton *(Erection of two detached houses)*	Written Reps Committee	Dismissed 27.08.14	Member refusal contrary to officer recommendation
Mrs Clare Goodwin	1 Temple Hall Farm Cottages Bosworth Road Wellsborough *(Extensions and alterations to dwelling (retrospective))*	Householder Appeal Service Committee	Dismissed 04.11.14	Officer refusal
Mr Roger Neep	Forest View Farm Peckleton Lane Desford *(Erection of 1 No. wind turbine measuring 24.6m to the hub and 34.2m to the tip and associated kiosk)*	Written Reps Committee	Dismissed 06.11.14	Member refusal contrary to officer recommendation
Mr & Mrs Jennings	31 The Fairway Burbage *(Extensions and alterations to dwelling house)*	Householder Appeals Service Committee	Allowed 12.11.14	Member refusal contrary to officer recommendation
Mr Robert Wright (PDTR Limited)	1 Burton Road Twycross Atherstone *(3 bedroomed detached dwelling and revised car parking layout to serve existing neighbouring dwellings)*	Written Reps Committee	Dismissed 17.11.14	Member refusal contrary to officer recommendation
Rainier	Land Surrounding	Public Inquiry	Allowed	Member refusal

Properties Ltd	Sketchley House Watling Street Burbage *(Erection of up to 135 Dwellings (Outline - Access Only)*	Committee	18.11.14	contrary to officer recommendation
Mr Patrick Reilly	Good Friday Caravan Site, Bagworth Road, Bagworth, Leicestershire	Public Inquiry Committee	Dismissed and a varied Enforcement Notice Upheld 17.12.14	Officer Refusal
Mr Patrick Reilly and others	Good Friday Caravan Site, Bagworth Road, Bagworth, Leicestershire	Public Inquiry Committee	Dismissed 17.12.14	Officer Refusal

APPEALS ALLOWED

3.3 Appeal at Land off Spinney Drive Two appeals considered together (summarised as Appeal A and Appeal B), both for 49 dwellings. In view of the lack of a 5 year housing land supply at the time of the appeal, a key issue for the Inspector related to the weight to be given to the different affordable housing offers.

3.4 In the case of Appeal A the provision of 12 units on site equates to about 24% affordable units whereas for Appeal B the 15 units is just over 30% provision. Both schemes have a tenure split close to the policy requirement. Appeal B also included an off-site affordable housing contribution of £98,000.

3.5 The appellant submitted appraisals of the schemes which were considered to be robust. However, the schemes produce different affordable housing numbers. The explanation is that in an attempt to gain permission from the Council following the initial refusal, the landowner was prepared to take less return on the land value with Appeal B than the ‘industry standard’.

3.6 Overall, in allowing the appeal the Inspector concluded that Appeal B would comprise sustainable development for which there is a presumption in favour. The adverse impacts of the development would not significantly and demonstrably outweigh the benefits, when assessed against the Framework as a whole. There are no specific policies in the Framework that indicate that development should be restricted. For Appeal A, which was dismissed, the adverse impacts, primarily the shortfall in affordable housing provision, would significantly and demonstrably outweigh the benefits such that planning permission should not be granted and the presumption in favour of sustainable development does not apply.

3.7 A costs application by the appellant was refused.

3.8 Appeal at 31 The Fairway, Burbage. The Inspector noted that the extension would project further forwards than the neighbouring bungalow, but it would also provide for some similarity in the street scene. The proposed extension was considered to be distinctive to the host property and this would be reflective of the varied character of the surrounding area.

3.9 Appeal at Land Surrounding Sketchley House, Watling Street. Following a complex appeal, the Secretary of State reached the following conclusions relating to housing land supply and need:

- The decision supports the 450 dwellings per year Assessed Housing Need as set out in the adopted Core Strategy
- The Council has not been persistent in under-delivery of housing (reducing the buffer of housing land necessary to demonstrate a five-year supply)
- The 5-year supply and the calculation of this figure should take account the complexity in the delivery of strategic sites and smaller sites being delivered first.
- The need to delivery of affordable housing (at 40% - which was over the provision sought) was a significant reason to approve the application.
- There was no landscape value that would outweigh the housing supply issues.

Leicestershire County Council Appeal

3.10 Appeal at Land rear of 44-78 Ashby Road (The Big Pit). The Inspector concluded that subject to mitigation measures, which could be secured by conditions, the development would not unacceptably worsen the living conditions of neighbours or future residents, and it would not adversely affect nature conservation interests.

3.11 The Inspector also found that there would be appropriate provision for affordable housing and infrastructure by means of the planning obligation, and the contribution of the proposed housing to the supply in Hinckley and Bosworth is a matter of significant weight.

3.12 A costs decision was allowed against the County Council as there was no substantive evidence that the development would result in an increase in flood risk and the reason for refusal was unjustified. This decision highlights that a technical reason for refusal (e.g. noise and flooding) need to be supported by clear evidence of harm.

4. FINANCIAL IMPLICATIONS(SJE)

4.1 None arising directly from this report. The Council has a 2014/15 budget for appeals of £189,249, and at the time of writing this report, no budget pressures are expected to year end.

5. LEGAL IMPLICATIONS(MR)

5.1 None arising directly from the report but HBBC needs to continue to be alert to the provisions in section 62A of the TCPA 1990 whereby a local planning authority can be `designated` as under-performing if more than 20% of major applications decisions are overturned on appeal which would then allow certain applications for planning permission to be made directly to the SoS.

6. CORPORATE PLAN IMPLICATIONS

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

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:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
Financial implications to the Council in defending appeals	Take into account the risk in refusing planning applications and the likely success of an appeal	Nic Thomas / Andrew Thompson

9. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

9.1 The report provides an update to Scrutiny Commission relating to recent planning appeal decisions. The implications of these decisions are determined on a case by case basis and can affect the planning balance when considering individual planning applications affecting all sections of the community.

9.2 As this report does not propose any amendment to a service or policy, an Equality Impact Assessment is not relevant.

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
- Planning Implications
- Voluntary Sector

Background papers: Application files and appeal documentation

Contact Officer: Andrew Thompson, Development Manager, Ext. 5809

Executive Member: Councillor Stuart Bray

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SCRUTINY COMMISSION – 29 JANUARY 2015

Hinckley & Bosworth Borough Council
A Borough to be proud of

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

WARDS AFFECTED: ALL WARDS

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1. PURPOSE OF REPORT

1.1 To update Members of the Scrutiny Commission of the following relating to play and open space contributions secured by S106 planning obligations:

a) New planning obligations and payments secured during 2014;
b) Payments received during 2014;
c) Payments outstanding as at 31 December 2014;
d) Enforcement update relating to unpaid play and open space contributions.

2. RECOMMENDATION

2.1 That Scrutiny Commission notes the report.

3. BACKGROUND TO THE REPORT

3.1 3.1 Developers can be requested to provide financial contributions towards infrastructure to mitigate against the impact of a development. Examples of infrastructure are providing a new school, improving a local park or providing a new road junction to mitigate against the impact of a new housing development. The contribution may only be requested if it meets statutory tests.

3.2 On 16 January 2014, a report was brought to Scrutiny Commission to update Members of expenditure received and spent during the preceding 10 year period. That report stated that during the 10 years to December 2013, the council had secured just over £4.5 million towards play and open space.

3.3 During 2014, new procedures have been introduced to improve the processes for recording and monitoring S106 data. A dedicated officer engages with developers and Parish Councils on a regular basis to monitor payment ‘trigger’ points. Regular information is now sent to Parish Councils to update them with details of what money is available and how it can be spent.

3.4 The total amount of S106 public open space money held by the council, which is available to spend by Parish Councils (and the Borough Council in the case of Hinckley), is £995,000. This includes payments received this year and payments received before 2014 that have not yet been spent. A proportion of this money is to be used to provide new or improved facilities while the remainder relates to the maintenance of these works. A further £783,000 could be received if and when extant planning permissions are implemented and relevant trigger points are reached.

3.5 The amount of money negotiated by the council in 2014 as part of S106 agreements amounted to £336,000. This was split across 43 S106 agreements and undertakings. Of this, £18,000 has so far been received. The remainder is not due because trigger points have not been yet been reached. This money will be collected and available to spend once each development reaches the appropriate stage.

Obligations Nearing Claw-back Date

3.6 As part of the 16 January 2014 report, Scrutiny Commission was updated about contributions that had not been spent which were near to the date at which the payments needed to be returned to the developer (5-year claw back period). Three S106 agreements were identified, which cumulatively amounted to £100,000, had been due to be returned if not spent. Two of these payments have now been spent and therefore did not need to be returned to the developer. There is one payment that needs to be spent during 2015:

Parish	**Site**	**Contribution**	**5 Year Claw-back Date**
Carlton	83 Main Street	£11,867.90	15 June 2015

3.7 This off-site open space contribution comprises £7,979.40 in respect of the provision and/or improvement of off-site public open space and £3,888.50 for maintenance. Discussions are underway with the Parish Council to allocate this contribution to the Carlton Jubilee Orchard site with is currently being cultivated and planted by the Carlton Gardening group. The fact that only one contribution is nearing its 5-year claw back date is reflective of the pro-active work that is now taking place to ensure that Parish Councils identify suitable projects to spend money as soon as it becomes available.

Enforcement Cases

3.8 As part of new procedures introduced in 2014, improvements have been made to the monitoring of planning permissions to identify when triggers have been reached and payments are due. This has involved reviewing historic planning permissions and carrying out site visits across the borough. The work involved in reviewing and historic decisions and chasing developers for payments is extensive and time consuming, but has so far recovered a significant amount of money for both public open space and other infrastructure.

3.9 There are presently two unresolved enforcement cases relating to historic planning applications that have been implemented, but public open space contributions have not been paid. The first relates to Outwoods Timber Yard, Burbage (£13,448.57 due). That was a proposal for six houses and the payment has been outstanding since 2005. The second case relates to the King William IV PH, 35 Station Road Market Bosworth (£1,299 due). This was a proposal to convert the public house into four town houses. The payment has been outstanding since 2011. In both cases attempts to recover the payments by sending invoices and other correspondence has proven unsuccessful. Both cases are with the council's solicitors to consider whether it would be appropriate to take legal action to recover the funds.

4. FINANCIAL IMPLICATIONS (SJE)

4.1 The finance aspects are covered in the main body of the report, and there are no additional financial implications arising as a result of this report.

4.2 As at the 31st March 2014, the amounts that the Council holds in respect of contributions from developers are:

S106	£782k
Play & Open Spaces	£1,635k

5. LEGAL IMPLICATIONS (MR)

5.1 None.

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:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
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 Monthly reports to all Parish Councils highlighting contributions at risk of being clawed back in the near future	Nic Thomas / Andrew Thompson

9. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

9.1 The report provides an update to Scrutiny Commission relating to S106 play and open space contributions. This includes payments made to local communities to improve local facilities. The justification for the requirement for financial contributions and how they are spent are determined through the consideration of individual reports to Planning Committee.

9.2 As this report does not propose any amendment to a service or policy, an Equality Impact Assessment is not relevant.

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
- Planning Implications
- Voluntary Sector

Background papers:	Section 106 Database
Contact Officer:	Karen Pegg - Compliance and Monitoring Officer Ext. 5929
Executive Member:	Councillor Stuart Bray