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Chief Executive

Date: 04 March 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

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, 12 MARCH 2015 at 6.30 pm** and your attendance is required.

The agenda for the meeting is set out overleaf.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R Owen'.

Rebecca Owen
Democratic Services Officer

SCRUTINY COMMISSION - 12 MARCH 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 29 January 2015.

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. CHANNEL SHIFT STRATEGY (Pages 5 - 24)

Report of the Deputy Chief Executive (Corporate Direction).

7. MEDIUM TERM FINANCIAL STRATEGY (Pages 25 - 46)

Report of the Deputy Chief Executive (Corporate Direction).

8. HOUSING DEVELOPMENT COMPANY (Pages 47 - 92)

Report of the Deputy Chief Executive (Corporate Direction).

9. JOINT SCRUTINY OF THE COMMUNITY SAFETY PARTNERSHIP (Pages 93 - 96)

Report of the Deputy Chief Executive (Corporate Direction).

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

Agenda Item 2

HINCKLEY AND BOSWORTH BOROUGH COUNCIL

SCRUTINY COMMISSION

29 JANUARY 2015 AT 6.30 PM

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

Mr Bessant, Mr PAS Hall, Mr MS Hulbert, Mr DW Inman, Mr R Mayne, Mr K Morrell and Mr K Nichols

Also in attendance: Councillor Mrs L Hodgkins

Officers in attendance: Steve Atkinson, Bill Cullen, Julie Kenny, Sanjiv Kohli, Rebecca Owen, Katherine Plummer and Nic Thomas

353 APOLOGIES AND SUBSTITUTIONS

Apologies for absence were submitted on behalf of Councillors Batty and Moore.

354 MINUTES

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

RESOLVED – the minutes of the meeting held on 13 November 2014 be approved and signed by the Chairman.

355 DECLARATIONS OF INTEREST

No interests were declared at this stage.

Councillors Hulbert and Inman arrived at 6.35pm.

356 PLANNING APPEALS

The Scrutiny Commission received an update on the outcome of planning appeals. It was noted that of the appeals allowed against the authority, two were speculative applications which had been determined when Hinckley & Bosworth was deemed not to have a five year housing land supply. A member asked whether HBBC was now in a better position to refuse applications which were not in accordance with the core strategy, and in response it was emphasised that there was still a presumption in favour of development, if it was sustainable.

RESOLVED – the report be noted.

357 FINANCIAL CONTRIBUTIONS TOWARDS PLAY AND OPEN SPACE

Members received a report which provided an update on new planning obligations secured, payments received, payments outstanding and contributions at risk of being clawed back. Members were reminded that proactive monitoring was now being undertaken to avoid future problems.

RESOLVED – the report be noted.

358 GENERAL FUND BUDGET

Members were presented with the draft General Fund budget 2015/16 which would be determined by Council on 19 February. Reading this in conjunction with the other finance reports on the agenda, a member asked if there were capital reserves set aside for future projects. In response members were reminded that any reserves had funded the moveable floor in the new Leisure Centre so there were none set aside for the future.

Members asked questions around the plans to set up a wholly owned company in accordance with the HRA Investment Plan. It was noted that this could not be funded from the Housing Revenue Account, as it would breach the borrowing cap and it would therefore need to be funded from the general fund. Once set up, however, it would be self-funding. It was requested that a report on the formation of the company be brought to a future meeting, followed by regular updates.

A member expressed concern that, by setting aside a reserve for appeals, there was a risk of more applications being refused due to having the safety net of funds available. In response officers and other members felt that this would not be the case.

During debate, reference was also made to the worst-case figure included to repay VAT on Greenfields' unit lettings and the anticipated revaluation which the Government had continually deferred with regard to business rates.

RESOLVED –

- (i) The general fund budget and special expenses area budget for 2014/15 and 2015/16 be endorsed and RECOMMENDED to Council;
- (ii) The proposed movement in general fund reserves and balances for 2014/15 and 2015/16 be noted;
- (iii) The presentation of a revised Medium Term Financial Strategy to Council on 24 March be noted;
- (iv) A report on the formation of a wholly owned company, to support the Housing Investment Plan, be brought to the next meeting.

359 HRA BUDGET

The Scrutiny Commission reviewed the Housing Revenue Account (HRA) budget including the housing repairs account and was briefly updated on the increase in rents. It was noted that the rents for 2015/16 should have increased by an average of 9.76% in order to 'catch up' with the position calculated using the new formula. The lack of increases in line with formula rent in recent years had resulted in the HRA being £441,000 below what it would have been with formula rent increases. It was reported that for 2015/16 only new leases would let at formula rent, as a compromise.

Discussion ensued with regard to 'convergence', which aimed to bring council rents in line with private sector rented accommodation, and it was suggested that applying this to new properties would assist in closing the gap between the current rental income and the position, had we been charging formula rents. Officers explained that by using formula rent, the point of convergence would be naturally reached. The subject of 'target rent' was also raised, and officers agreed to bring a report to the next meeting on the various rental structures and how they worked.

RESOLVED –

- (i) The revised Housing Revenue and Housing Repairs account budgets for 2014/15 be noted;
- (ii) The Housing Revenue and Housing Repairs account budgets for 2015/16 be noted and RECOMMENDED to Council;
- (iii) The proposed movement in reserves be noted;
- (iv) A report be brought to the next meeting on rents.

360 CAPITAL PROGRAMME

Members gave consideration to the Capital Programme 2014/15 to 2017/18. It was highlighted that the programme was dominated by larger schemes which would start to see movement from 2016 onwards.

Councillor Mayne left the meeting at 7.47pm.

The receipt of a £714,000 grant for 'Channel Shift' was highlighted and it was explained that the aim of the project was being developed with partners to enable customers to move towards self-serve. Members asked for more information on this initiative to a future meeting.

Disposal of the site of the former depot on Middlefield Lane was discussed and it was noted that consideration was being given to whether this land should be sold or gifted to the company. It was agreed that such options be included in the previously requested report on the creation of the wholly owned company.

With regard to the Crescent development, it was noted that the council's agent was making good progress in securing tenants for Block C and would soon be in a position to make an announcement.

RESOLVED – the capital programme be noted and RECOMMENDED to Council.

361 TREASURY MANAGEMENT & PRUDENTIAL INDICATORS

The Scrutiny Commission received a report which outlined the council's prudential indicators for 2014/15 – 2017/18 and set out the expected treasury operations for this period. It was noted that the council benefitted from preferential borrowing for the public sector and as a result borrowing rates were considerably lower than market rate.

RESOLVED – the report be noted.

362 LEICESTER ROAD FOOTBALL GROUND

Members were updated on the current position with regard to Hinckley United Football Club and, more specifically, the 3G pitch in which the authority had an interest. It was reported that the issues surrounding the land ownership and access rights were complex.

Councillor Hulbert left the meeting at 8.40pm and Councillors Hall and Inman left at 8.45pm.

The Commission thanked Officers for their work on the matter and asked to be kept updated.

(The Meeting closed at 8.52 pm)

CHAIRMAN



Hinckley & Bosworth
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SCRUTINY COMMISSION – 12 MARCH 2015

CHANNEL SHIFT PROJECT UPDATE REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)

WARDS AFFECTED: ALL WARDS

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to update members of progress to date in regard to the council's Channel Shift project.

2. RECOMMENDATION

- 2.1 That members of the committee note the work achieved to date.

3. BACKGROUND TO THE REPORT

Channel Strategy

- 3.1 The Channel Strategy was approved by the Strategic Leadership and Corporate Operation Board in February 2014 and is attached at Appendix A. The strategy sets out the Council's plans in regard to what channels it will use to deliver its services and how it will interact with its customers in the future.
- 3.2 The strategy sets out how current Council services will be redesigned around four key principles, this being:
- Avoidable contact – to ensure right first time
 - Digital inclusion –targeting hard to reach groups and those likely to have the greatest needs for our services
 - Accessibility of contact – enhancing service provision so that customers facing barriers can access services via electronic means i.e. if facing difficulty over the phone, preferred method is via email
 - Channel shift – to provide the public with greater access to services 24/7 by utilising modern technology i.e. the internet as opposed to face to face and over the telephone

Channel shift, known as digital by default, sets out how the council encourages customers to move towards accessing services online, as their first channel of choice, and is the main focus for this report. In terms of the broader channel strategy it is acknowledged that an online service is not a panacea for all of the council's customers as some customers will need support either face to face or over the phones, particularly if they are vulnerable. Work carried out in regards to other areas of the strategy, such as digital inclusion which focuses upon vulnerable customers will be reported separately.

Channel Shift Project

- 3.3 A project group was established in February 2014. The remit of the group was to refresh the web strategy and to review the current systems and processes used by the Customer Services Team. A fundamental weakness of the existing customer services platform is that services and systems are built around the CRM system (customer relationship management). Customer advisers follow scripts and input

forms that need constant updating. Running alongside this, customers use different web based form forms via the internet which are not integrated with back office systems. This causes duplication of processes and a lack of joined up systems. Furthermore, the current CRM system is outdated, costly and unsupported.

Four main areas were identified in order to deliver a transition to online services.

1) Enabling technology	2) Process and services
3) The Website	4) Assisted customer services

3.4 Enabling technology

The group was tasked to implement new technologies to enable channel shift to take place. The current Customer Services infrastructure includes: website, e-forms, CRM, email and telephone. This needs to be replaced, merged and integrated to provide greater visibility for customers. In order for this to be realised, the first step involved is to procure a system that will effectively 'wrap around' current back office systems and provide a link to customer services via the website.

A business case was produced and signed off in May 2014. As part of the Business Case an options appraisal was carried out to identify the most cost effective and appropriate technology moving forward. The option preferred by the group was to replace the CRM system with a new web based customer service portal using the concept of 'MyAccount' and engage a MyAccount Partner. The table below shows the expected savings of £222,150 based upon a 10% channel shift over a five year period.

10% Channel Shift - Timing						
Savings		Yr1	Yr2	Yr3	Yr4	Yr5
10% CRM-Web Shift			8800	8800	8800	8800
10% Face to Face Shift					19202.0	19202.0
10% Back Office Shift			18,714	37,427	37,427	37,427
10% Email Shift			4388.0	4388.0	4388.0	4388.0
			31901.5	50615	69817	69817

3.5 Concept of My Account

MyAccount is based upon a vision to deliver online services and the channel shift of the council's customers through the concept, digital by default. Implementing this solution can be achieved via procurement of online enabling technologies and the integration with current third party applications such as: Planning Portal, Capita Connect, Orchard housing system and the development of e-forms. The ultimate vision is for Customer Services staff to deliver a telephony service using the same MyAccount interface that the customer will see online. The MyAccount solution needs to be procured and developed, however in order to pursue this option, external funding is required.

For example, at present, a customer would telephone the Contact Centre to report a missed bin. The Customer Services Adviser would then input the details into the CRM system which then integrates to the back office Uniform system. The Streetscene staff would then pick up the request via the Uniform system. The idea of developing the MyAccount portal is so that the customer could report the missed bin details directly through the portal, via the internet without the need to telephone the contact centre. This effectively cuts out the middle process and also releases the customer services adviser's time to deal with more complex enquiries.

3.6 Transformational Challenge Award

In May 2014 the Council led a joint bid to secure external funding via the Government's Transformation Challenge Award (TCA). The Council submitted a joint bid equating to £694,000 on behalf of its ICT shared service partners, Oadby and Wigston BC, Blaby DC and Melton BC. The bid covered three projects; two of which are technical in nature - including implementing a new data centre across all four councils and Citrix implementation for Melton BC. By delivering the first two projects, this will provide a platform to deliver channel shift, with the third project being the development of e-services and MyAccount solution. The bid was successfully secured in December 2014 with the funding to be made available from April 2015.

3.7 Governance arrangements

The timescales for the TCA program are limited given that the funding needs to be utilised by March 2016. A governance structure is currently drafted which proposes a program board representative of all four authorities. This will be signed off by end of March to ensure implementation of the project.

In terms of governance arrangements for HBBC, the project sponsor is Julie Kenny and Project Manager, Julie Stay. The team will consist of ICT lead, Paul Langham, Web Development Support, Customer Services Manager, a nominated finance lead and service managers' representative from each service.

5. FINANCIAL IMPLICATIONS [KP]

5.1 As outlined in 3.6, the Council has been awarded £694,000 in Transformational Challenge Funded to finance the cost of implementing Channel Shift initiatives for this Council and other members of the ICT Partnership. The accountancy treatment of this funding will differ depending on the element that will be spent by the Council as the principle or the agent (i.e. for others) of the funds. The phasing of when the funding is to be received and spent is yet to be confirmed.

5.2 The savings that are predicted for this Council over the first 5 years of operation are outlined in section 3.4 and are estimated to be £222,150 based upon a 10% shift. These savings have been built into the abbreviated MTFS which will be presented to Council in March 2015.

6. LEGAL IMPLICATIONS [EH]

6.1 There are potential accessibility issues and Equalities issues arising out of a move to digitization by default. The Equality Act 2010 required that the council must have regard to the need to eliminate discrimination, to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it and to foster good relations between persons who share a relevant characteristic and persons who do not share it.

6.2 The relevant legal agreements arising from the progression of channel shift initiatives will be reviewed by legal services as and when needed.

7. CORPORATE PLAN IMPLICATIONS

This project support the council's aims: Supporting Individuals and Providing Value for Money.

8. CONSULTATION

Customer surveys were carried out in 2013 and 2014.

9. 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
The risks are identified within the business case and PID	As set out within the business case and PID	Julie Kenny

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

In order to understand the impact of the changes, a further impact assessment will be considered at a local level and will be undertaken as part of the implementation process.

11. **CORPORATE IMPLICATIONS**

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

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

Background papers: None

Contact Officer: Julie Stay, HR and Transformation Manager Ext 5688



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Channel Strategy For Hinckley and Bosworth Borough Council

CHANNEL STRATEGY 2013

Author	
Version	1.0
Date Issued	
Document status	Initial Draft for Comment

Distribution

	Name	Title	Purpose
1.0			Review and input

Revision History

Version	Date Updated	Revision Author	Summary of Major Changes Made
1.0	15/01/14	Anne Jones	Initial draft for comment
	08/11/14	Lynn Fray	Initial draft for comment

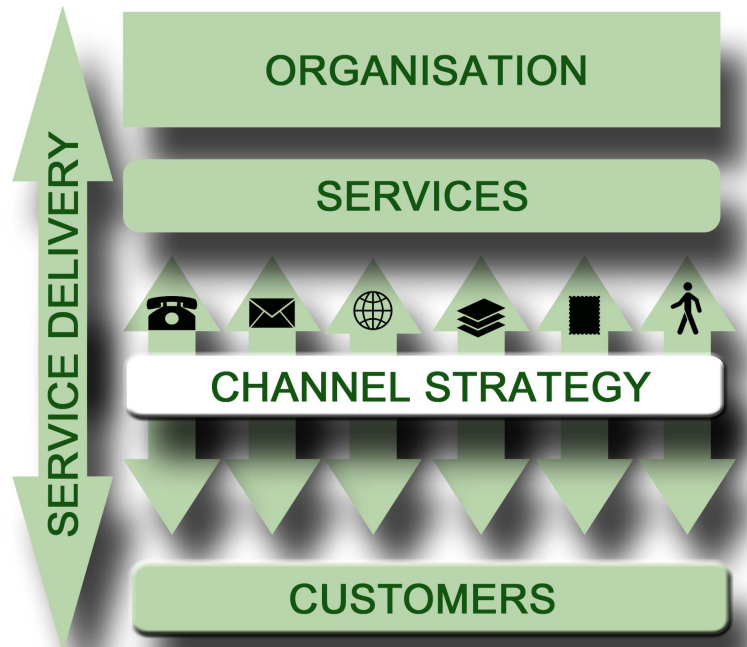
Part 1 - Introduction

WHAT IS A CHANNEL STRATEGY?

Hinckley and Bosworth Borough Council has a responsibility to provide excellent services to the public and value for money to the taxpayer. The channels through which public services are delivered and by which the public has contact with the authority, (be that via telephone, online, in person, or via other means), are a critical part of public service provision, and there is an ongoing impetus for them to be managed effectively and efficiently for everyone.

A channel strategy is an organisation's plan for the channels it will use to deliver services to, and interact with, its customers. A channel strategy explains how an organisation will meet the contact demands of its customers using the resources it has available bearing in mind the needs of the customer.

A channel strategy is not simply a plan to move service provision to online channels.



WHY IS A CHANNEL STRATEGY IMPORTANT NOW?

Customers receive a high standard of customer service from many public and private sector organisations and have come to expect a choice of channel and a consumer experience when interacting with an organisation. However, customers sometimes have low expectations of services provided by local government, and it will be necessary to exceed rather than meet these expectations to achieve channel shift to cheaper and/or more effective channels. To achieve this, the public sector must continue to raise its own standards of service across all the channels it uses and offers.

In order to meet the needs of customers, **Hinckley and Bosworth Borough Council** must provide services that are:

- Easily accessible
- Simple to use
- Streamlined
- Convenient
- Cost effective
- Robust

It is also important to bear in mind the target audience's access to technology, the type and complexity of the contact, their personal preferences as well their skill sets when selecting channels.

Rising internet use and customer expectations of accessing public services online present an ongoing opportunity for public service providers. Competent online services are easy and quick to use, available whenever customers need them and have a relatively low administrative burden: online services must be integrated into backend systems to achieve this and make savings. Managed well, online access to services is a very effective channel with considerable benefits for customers and taxpayers.

The public sector must however also meet the needs of people who do not (yet) have access to the internet. 'Digital Inclusion' therefore is a core element of any government/public sector channel strategy.

It also looks increasingly likely that, in the future, supplementary services will be built by customers using data released by public sector organisations (and indeed in the private sector).

KEY CONSIDERATIONS

The need for insight

The process of developing and implementing a channel strategy needs to be guided by insight, and insight specifically relating to:

- The customer
- The services an organisation is providing and each service area in question
- The current delivery channels at the organisation's disposal as well as those that may be available to be used in future
- Other organisation-specific micro/macro factors that may have an impact on service provision and delivery

It is also important to understand the wider online services market, as expectations of online services are driven by customer experiences of using similar services of other organisations.

Organisational challenge

In considering a channel strategy, there is often a considerable challenge and change to existing organisational structures. A channel strategy needs to become an integral part of the structure of the organisation and the way the objectives of the organisation are realised. It cannot be super-imposed or retro-fitted onto existing practices and as such is likely to require or precipitate considerable organisational change.

We also need to recognise that people will use different channels not just for different types of interactions, but also to suit their own convenience. Customers often use more than one channel to complete a more complex task, for example, commenting on a planning application. Particularly at local level, an integrated channel strategy is required that takes into account the varied ways in which local people may want to interact with the council.

Part 2 – Basic Principles & Scope

PURPOSE OF STRATEGY

To outline the broad principles for the ways in which **Hinckley and Bosworth Borough Council** will deliver its services through a range of contact channels that provide better value for money, are more accessible and are designed with the customer in mind.

SCOPE

1. This strategy document sets out the basic principles by which Hinckley and Bosworth Borough Council will deliver its services to the public through the contact channels currently available.

Contact channels in scope include:

- Face to face
 - Email
 - Web (designed responsively, to suit the customer's device of choice))
 - Social media
 - Telephone
 - SMS text messaging)
 - Automated telephone technology
 - Post
2. This document focuses on three key types of contacts between the authority and the customer
 - **Transactions** (e.g. reporting a problem or paying a bill)
 - **Interactions** (e.g. obtaining advice, public consultations)
 - **Information Provision** (e.g. leaflets, web pages)
 3. This strategy should be relevant to the nature of the services provided by the authority and ensure that its services are provided through a range of contact channels appropriate to the customers' individual needs and preferences in a non-discriminatory way.

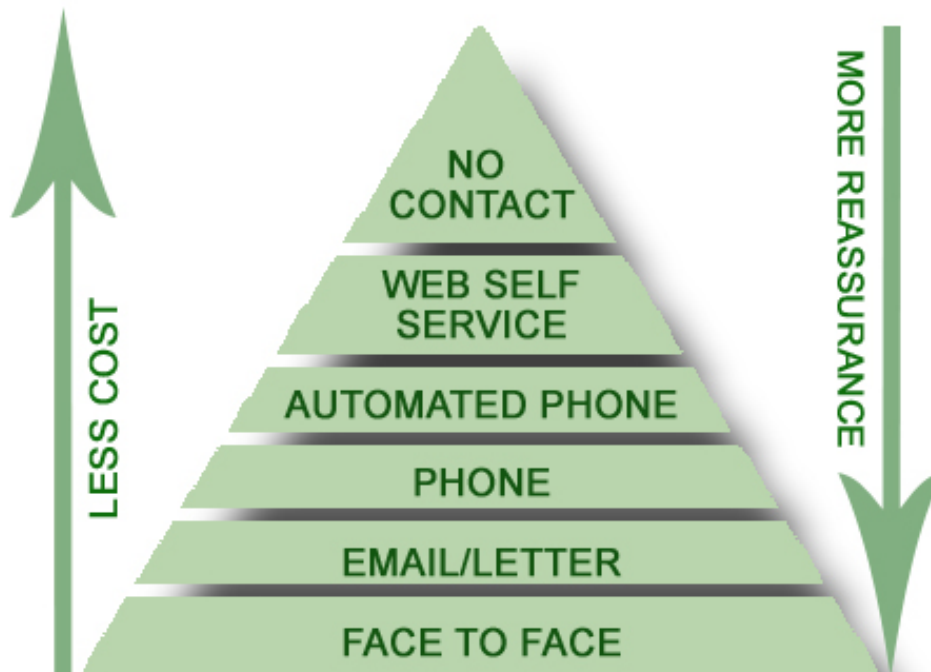
CHANNELS HIERARCHY & DESIGN PRINCIPLES

The choice of contact channels available to the public is growing all of the time as new technologies are developed and released. For example in the last 5 years we have seen the emergence and growth of channels such as digital social media (Facebook, and Twitter), mobile internet, interactive TV and more recently mobile and tablet applications (apps).

Without a channel strategy many organisations typically adopt one of two approaches to using these channels by either 1) launching all of their products and services on all new channels without much thought to the relevance and cost of doing so or 2) focusing on switching their customer contact to the cheapest channel (often assumed to be the internet) without much thought as to the relevance of this channel to their entire customer base.

There is however a generally accepted model for the effectiveness of the major channels of contact available today as shown below

CHANNEL EFFECTIVENESS



What this model shows is that as we move up the triangle the cost of delivery typically gets cheaper for the organisation. However for some types of contact a greater level of human contact is required, particularly for contacts that require some level of reassurance

For example..

If a customer received a letter asking them to pay a bill or the bailiffs will turn up at their house. They have just paid the bill and now want reassurance that their personal belongings are safe. They are unlikely to log on and have a look at the organisation's website's FAQ page for reassurance (even though this might be the most cost-effective solution for the organisation) but may be more inclined to ring up the contact centre to request a letter confirming that matters are in hand. In this example, there may be a case for having online FAQs relating to debt recovery in terms of best practice, but there is probably little chance of shifting this individual contact online

It is therefore vital to fully understand each type of contact and the level of reassurance that the customer is likely to require before focusing the organisation's efforts on the design of any contact channel for that service.

Further, there may be little hope of shifting the channels that a certain group uses if that group simply doesn't access that channel. For example, internet penetration is currently lower amongst older people on lower incomes (Comment: many younger people on low incomes use a smart phone) Therefore it may not be a good use of corporate time, and taxpayer's money, to attempt to shift contacts specific for these customer's contacts online. Conversely, mobile telephone penetration is very high amongst younger people, so SMS messaging might be a good channel to access these customers. Customer Insight goes a long way in the design of any channel strategy.

There are more factors to consider including “channel hopping”, (an individual’s propensity to use different channels for the same transaction depending on what is convenient to them at the time) and the public’s increasing confidence in new channels that develops over years and sometimes months, creating a continually changing landscape.

The key factors to an effective channel strategy therefore would be

1. **Detail** - the deliberate design of the channel strategy for **each type of service**, bearing in mind the level of human interaction required and the needs of the targeted customer base
2. **Fluidity** – the constant reviewing of the effectiveness of the channel strategy for each type of contact bearing in mind changing technologies, channel hopping and changing customer habits (Comment: for example, this year on Christmas Day, 75% of web traffic to the John Lewis website came from smart phones/tablets – new precedent?)
3. **Simplicity** – the optimum channels for the organisation should be the easiest to use for the customer to drive a shift in customer behaviour
4. **Inclusion** – no group should be denied access to a service because of disability, language or cost of the access channel (e.g. mobile phone costs, broadband access). Options should be made available other than the organisation’s preferred method of contact.
5. **Cost effectiveness** – particularly in the current economic climate, finding ways in which to deliver services effectively but at lower cost will be increasingly important.

PROOF OF CONCEPT

This section provides the baseline information on which we can make assumptions, the data is taken from the most up to date information sources in 2013/14.

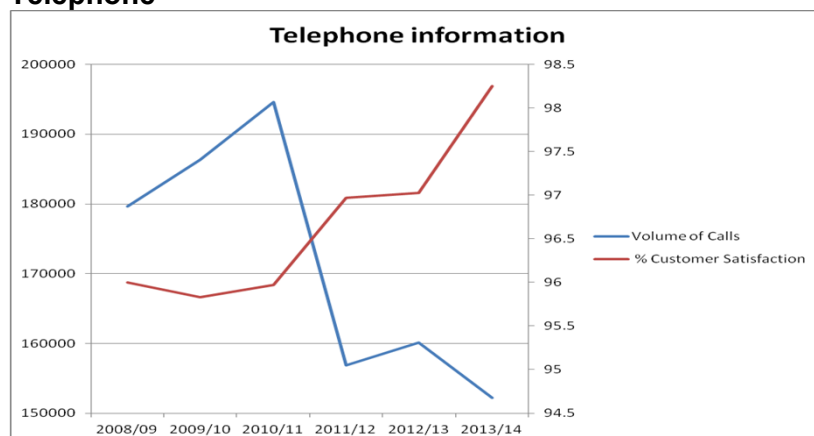
Website

The number of visitors for the website as a whole: 366480 (274,201 in 2011- first full year of new site)

The number of customers using online methods to carry out a function ie) pay a bill, comment on a planning application or report a missed bin (Comment: We need to decide what we are going to measure. For example, submit a planning application (via planning portal) - planning would need to supply this data. Apply for a house (via Choice based lettings) – Housing would need to supply this data).

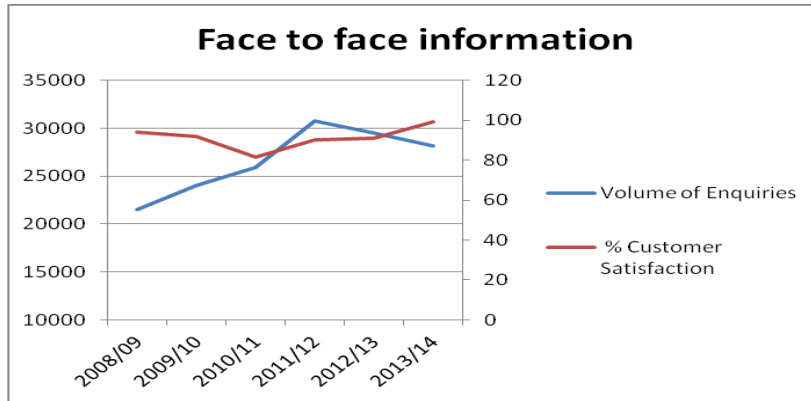
Online forms: 14,565 submissions (first full year of data 2013 via Google Analytics)

Telephone



2013/14 figures have been projected using previous years data

Face to face



2013/14 figures have been projected using previous years data

Surveys for both telephones and face to face interactions show customers already use their preferred method of contact with only around 10% of customers indicating they would prefer to use the web.

Part 3 – Hinckley and Bosworth Borough Council 's Channel Strategies

LOCAL CONTEXT

Hinckley and Bosworth Borough Council is one of seven District Councils in Leicestershire. Hinckley and Bosworth is a largely rural borough of 297 square kilometres in south-west Leicestershire. The majority of the 105,078 (census 2011) population live in the southern urban areas of Hinckley, Burbage, Barwell and Earl Shilton. Significant housing growth is planned for both Earl Shilton and Barwell. The rural nature of the Borough means that broadband is limited and the Council is engaged in a project with the County Council to increase coverage across the County.

Historically, the economy of the area has relied on manufacturing (mainly textile, hosiery, and shoe manufacture), coal mining, and farming. The good road links via the M1, M69 and A5 have encouraged the growth of warehousing and distribution in recent years. Farming remains the mainstay of the rural economy, complemented by tourism.

Unemployment is at four per cent which is lower than regional and national averages, and overall deprivation levels are relatively low. There are however pockets of deprivation, which in turn increases the demand for services and face to face contacts.

For 2013/14 the Council set a revenue budget of £10,570,271. The Borough Council's portion of the council tax was set at £112.09 for a Band D property, which is well below the district council average.

Few services are outsourced and recently housing repairs have been brought into house. This has taken the headcount to 438 (375 FTE's). The majority of the staff are employed in the Direct Service part of the Organisation which is made up of Housing Repairs, refuse and recycling and grounds maintenance. In addition to staff employed directly by Hinckley and Bosworth Borough Council, a number of staff employed by Partner agencies are hosted by the Authority these include staff working for the County Council in Supporting Leicestershire Families (12 FTE) and Children's services (5 FTE) and the District Council's network (2 FTE).

The future of the organisation is positive in the context of Councils facing reduced resources, the Council takes a pro active approach to shared services which supports this position.

The significant challenges other than a reduction in resources are the increasing needs of our customers in the current economic climate, particularly in benefits and housing, as well as an ageing population and a significant increase of 10% in housing in the Borough due in the coming 10 years.

The local area and the unique nature of our residents are key considerations in the development of this channel strategy.

OVERARCHING CHANNEL STRATEGY

Hinckley and Bosworth Borough Council will make access to its services available through appropriate contact channels designed with the needs and preferences of its customers. In order to achieve efficiencies and to direct resources appropriately, the Council will seek to encourage greater usage of the most effective contact methods, by targeted channel shifts.

OWNERSHIP OF THE CHANNEL STRATEGY

Hinckley and Bosworth Borough Council's Channel Strategy and its implementation will be the responsibility of Chief Officer (Corporate Governance and Customer Engagement)

REVIEW PERIOD OF THE CHANNEL STRATEGY

Hinckley and Bosworth Borough Council will treat this strategy as "business as usual" with a view to constantly evolving the strategy.

A formal review and re-publishing of this document will be made in January of each year subsequent to its initial publication.

GOVERNANCE OF CONTACT CHANNELS AT HINCKLEY AND BOSWORTH BOROUGH COUNCIL

At the moment it is not envisaged that there will need to be any structural changes in the organisation, however it is noted that it may be desirable in the future to more closely align certain areas of the business.

It is felt that Customer Services and the Communications team working closely together under the same Chief Officer and in proximity will ensure that customer contact through different channels can be monitored closely and effectively.

In order for the Strategy to be effective there needs to be clear accountability and communication through all parts of the organisation both vertically and horizontally and every member of staff must recognise the need for flexibility.

We will also consider centralising web publishing to ensure that the same messages are given out regardless of the channel the customer chooses to use (Comment: Devolved publishing is considered to be a barrier to digital.)

THE AVOIDABLE CONTACT STRATEGY

To reduce the need for our customers to contact us by working with Partner organisations to provide joined up services and ensuring that we deliver the right service at the first point of contact.

Why should we minimise avoidable contact?

Local authorities are fundamental points of contact for the customer when seeking access to public services. They provide key services for their local communities that greatly affect the quality of life for individual customers and the overall community.

Local authorities and their customers also have limited resources and want to interact as efficiently as possible. By identifying customer contact that is 'avoidable', the local authority and its partners are better placed to redesign the way services and information are made more accessible for their customers, so they do not have to make unnecessary, valueless contacts which are both frustrating for the customer and inefficient for the provider.

Hinckley and Bosworth Borough Council will work with its partners and internal departments to design processes that reduce the need for customers to make contact with the public sector multiple times to complete one transaction. For example notifying a change of address once, rather than contacting multiple agencies.

The Key Actions That We Will Take To Reduce Unnecessary Contact

1. Being realistic with the customer and responding when we say we will
2. Reviewing complaints and comments and making changes to services to improve the process
3. Designing processes from the view of the customer

The Key Actions That We Will Take to deliver the “No Contact” Strategy

1. We will work with partner organisations to streamline services to eliminate multiple customer contacts with multiple organisations – e.g. registering a birth or death.
2. We will continuously improve our services to deliver proactive services anticipating customer need

Performance Management and Governance

- The Chief Officer will have the day to day responsibility for Hinckley and Bosworth Borough Council's Channel Strategy and its implementation
- The Customer Service Manager will have day to day responsibility for the strategy of minimising avoidable contact, working closely with Service Heads

CHANNEL SHIFT STRATEGY

“To design cost effective, efficient and user friendly means of contacting the council and then encourage our customers to use the channels that offer the biggest efficiency and work best for them”

What is Channel Shift?

Channel Shift is the process by which organisations seek to encourage customers to access, or interact with, services via channels other than those to which they normally choose.

Deliberate channel shift is the design and marketing of effective and efficient channels because they are the most appropriate channels for the type of contact, customer and organisation in question. Channel shift forms one part of an overall channel strategy, and implemented well it can lower costs, build reputation, empower the customer and improve the overall service proposition. Shifting customers to particular channels involves behaviour change on the customer's part, but once they are aware of the channels available, they will use the one that works best for them.

Hinckley and Bosworth Borough Council will encourage residents to shift to new and more effective channels by a number of means, including the following actions

The Key Actions That We Will Take To Create Channel Shift

1. We will provide multiple access channels to offer choice
2. We will ensure that web delivered services are quick and easy to use
3. We will carry out user testing to ensure our site is fit for purpose for residents the website must be customer-focused and not for staff. It should have only as many pages as required and not become an archive of documents for convenience.
4. We will listen to our customers when considering any changes

Performance Management and governance

- We will compare the effectiveness and usage of different channels for each service and seek to shift contacts to the most appropriate channels
 - Business cases will be prepared to move more transactions online (including information transactions), that take into account the dual benefits to the public, and ease of use in the contact centre
- We will monitor the number of transactions which are made online

We will do everything we are able to maximise Digital Inclusion.

What is a Digital Inclusion Strategy?

A significant proportion of the UK population do not use online channels, including websites such as NHS Choices, Directgov and hinckley-bosworth.gov.uk

Exclusion from access to digital channels matters for these users, especially as the digitally excluded group includes socially excluded and hard to reach groups who are likely to have the greatest needs from public services.

It also matters for the delivery of efficient public services, because when people cannot access services online they invariably access them via alternative means which are generally more expensive. The priorities set out in the Digital Britain report reinforce the importance of digital inclusion; the report sets out the Government's plans to drive digital participation in the context of the Digital Inclusion Action Plan and the Digital Switchover of Public Services programme which started in 2012. The report also reiterates the Government's commitment to ensuring that public services online are designed for ease of use by the widest range of customers.

It is therefore important that any channel strategy includes plans for communicating these hard to reach groups.

The Key Actions That We Will Take To Reduce Digital Exclusion

1. To continue to provide public internet access at our key locations, e.g. community houses and Council Offices
2. To participate in the government's "Digital Britain" programme of broadband expansion and provide additional funding where budgets allow.

Performance Management and Governance

- The Head of Customer Services will have the day to day responsibility for Hinckley and Bosworth Borough Council's Digital Inclusion Strategy

We will ensure that our customers can access services in the way that they need to ensure the successful delivery of that service to them as individuals.

What is an “Accessibility of Contact” Strategy?

In the context of this document, accessibility of contact refers to the ease or difficulty that a customer may experience whilst using different electronic access channels to obtain services from the authority. For example, someone with hearing difficulties may find the telephone unusable and may prefer to communicate through email. Equally a customer who does not have English as their first language may not be able to access any contact channel without appropriate translation services.

The Key Actions That We Will Take To Provide Access For All

1. To endeavour to provide a range of language and easy to read options where practical on our website and when it is not practical to do so to clearly indicate how a customer can obtain translation services or obtain information in a format suitable for them (e.g. Large text, audio etc.)
2. We will provide alternative methods of contact for customers with specific needs

Performance Management and Governance

- Carry out an Equality Impact Assessment of the channel mix and regularly consult with disability advocacy groups and make reasonable adjustments to the channels as needed.

Part 4 – Glossary of Terms

Customer

A person using a public service. The person could be using the service for personal reasons, for business reasons and either for themselves or on behalf of someone else.

Service

A service is a provision of information or a transaction that an organisation delivers to its customer.

Service delivery

The process by which a customer receives or accesses a service. Service delivery often involves multiple stages, for example a public sector service delivery process may involve:

- Enquiries and requests for information (e.g. “What benefits am I entitled to?”)
- Service fulfilment (e.g. registering for benefits and payment of benefits to customer)
- Follow-up and after care (e.g. reviewing benefits entitlement after a change in circumstances)

Public sector service delivery can involve a complex chain of actions across multiple organisations.

Channel

A means of communication by which a service is delivered or accessed. Examples of direct channels used by the public sector include post, telephone, mobile telephone, web and face-to-face

Channel strategy

An organisation’s plan for the channels it will use to deliver services to its customers. A channel strategy explains how an organisation will meet the demands of its customers using the resources it has available.

Efficient

Channels that are efficient deliver services without wasting time, money or effort for either the customer or service provider.

Effective

Channels that are effective deliver services which meet the desired outcome, with minimal difficulty for the customer or service provider.

Insight

An insight into a customer is a deep truth based on an understanding of customer behaviour, experiences and attitudes, and their needs from a service. Organisations with insight into their customers can deliver the services their customers need, through the right channels.

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SCRUTINY COMMISSION – MARCH 12TH 2015

REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)

RE: MEDIUM TERM FINANCIAL STRATEGY (ABBREVIATED) 2014/2015 – 2017/2018

WARDS AFFECTED: ALL WARDS

1. PURPOSE OF REPORT

- 1.1 To review the abbreviated Medium Term Financial Strategy (MTFS) 2014/2015-2017/2018 pending completion of a full revision in September/October 2015.
- 1.2 The MTFS will be presented to Council for approval on March 17th 2015.

2. RECOMMENDATION

That Scrutiny endorse the following recommendations to be made to Council:

- 2.1 That Council approve the abbreviated Medium Term Financial Strategy (MTFS).
- 2.2 That Council note that this abbreviated iteration of the MTFS is a “refresh” and is concentrated around the various scenarios.
- 2.3 That Council note that a complete revision of the MTFS, along with full narrative commentary will be produced in September/October 2015 following the general and local elections in May 2015.
- 2.4 That Council endorse the “targets” set out in 3.9 which will ensure achievement of the “forecast” financial position.

3. BACKGROUND TO THE REPORT

Introduction

- 3.1 The Medium Term Financial Strategy (MTFS) sets out the Council’s financial position for the years 2014/15 to 2017/18. The MTFS underpins the Council’s Corporate Plan and ensures that resources are allocated and used effectively to achieve corporate targets. At the same time, the MTFS is an integral element of the financial planning procedures of the Council and forecasts how the Council will remain financially resilient as an organisation, whilst at the same time not placing an unreasonable burden on local taxpayers.
- 3.2 The purpose of the MTFS is to:
 - Outline how the Council wants to structure and manage its finances and to ensure it fits with and supports the direction of the Council’s objectives.
 - Engage officer and members in “owning” the process by which Council finances are managed
- 3.3 The following ten strategic financial objectives, as agreed by Council in previous iterations of the MTFS serve to deliver the Council’s corporate strategic objectives of; “delivering the Council’s Medium Term Financial Strategy with a sustained focus on the Council’s priorities whilst working to resolve the continuing pressure of service requirements in the context of available resources”:

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

Review of the MTFS

- 3.5 **Appendix 1** contains the models outlining three financial scenarios for the next three financial years. The assumptions used in these scenarios is detailed in section 3.23.
- 3.6 **Appendix 2** details the level of reserves and balances that the Council will hold at the end of each financial year of the MTFS for all scenarios. In addition this table shows any surplus/deficit on the General Fund balance after applying the Council's policy of holding 10% of the net budget requirement in balances at the end of each financial year. A summary of this information is shown below:

	2015/2016	2016/2017	2016/2017	2016/2017	2017/2018	2017/2018	2017/2018
	Budget	Forecast	Best Case	Worst Case	Forecast	Best Case	Worst Case
	£	£	£	£	£	£	£
Closing General Fund Balance	1,079,112	995,780	1,978,029	-667,279	1,105,476	3,646,957	-2,917,417
Closing Earmarked Reserves Balance	3,519,399	3,581,089	3,581,089	3,381,089	4,172,459	4,172,459	3,972,459
Total General Fund Reserves and Balances	4,598,511	4,576,869	5,559,118	2,713,810	5,277,935	7,819,416	1,055,042
General Fund Surplus/(Deficit)	112,279	1,207	957,475	-1,633,634	65,228	2,552,993	-3,898,635

- 3.7 What is clear from **Appendix 2** is that the worst case scenario is not viable under any circumstances and will effectively lead to the eradication of the General Fund and the potential insolvency of the Council. Conversely the best case scenario forecasts material levels of surplus balances that, in reality, would be difficult to achieve.

- 3.8 The previous version of the MTFs (approved by Council in July 2014) showed that this Council needed to enact a number of decisions in order to achieve the best case scenario. The most significant of these was the removal of New Homes Bonus from parish councils. In addition this iteration set challenging targets on income levels for New Homes Bonus and planning fees, both of which have been realised in 2014/2015 and 2015/2016. By achieving these “targets” and notwithstanding the comments made in this report regarding the future funding arrangements following the General Election, the Council is now back to the position pre 2014/15 of being able to set a realistic forecast scenario for 2016/17, which will retain sufficient balances and reserves.
- 3.9 That said the forecast scenario is only achievable in 2016/17 through commitment to a number of targets and decisions. These movements are documented in the table below and will be used as a target for members and officers over the period of this Strategy:

	2016/17
	Target (£)
Increased levels of building control income	25,000
Reduction in banking contract	10,000
Increased levels of development control income	78,000
Savings from restructure of Revenues and Benefits Partnership (HBBC share)	108,017
Introduction of a green waste charge and or a large Council Tax increase	486,000
Hub utilisation savings	50,000
Further centralisation of budgets	12,000
Reduction in contribution to VCS hub	12,330
Savings from restructure	129,800
Additional income from Block C (75% occupancy)	188,303
Phased reduction of Council Tax Support grant to parishes	23,452
Channel Shift	31,902
Retender of ICT contract	100,000
Private management of Atkins building	50,000
Support services review	25,000
Insurance contract saving	10,000
Additional in year savings	180,000
Increase in Council Tax (2%) and base (2%)	138,012

Local Governing Funding

- 3.10 Each year the Council receives a significant amount of financial support from central government in the form of grants. The allocations to the Council are determined by Government carrying out Comprehensive Spending Reviews (CSR) which enables it to decide how much it can afford to spend, what its priorities are and targets for improvements to be funded by additional resources.
- 3.11 The last full review was undertaken in summer 2010 (CSR10) following the General Election in May 2010 and covered the four years following. The spending targets set in this review were significantly influenced by the Coalition Government’s desire to remove the deficit within the term of this current Parliament.

3.12 Ahead of the next full review, the government underwent a “mini” Spending Review in 2013 to refresh and consider arrangements outlined by CSR10. The key points of this review for local government included:

- Public sector pay rises will be limited to average of 1% for 2015/2016
- A reform of the notion of automatic progression pay - this is where employees get a pay rise and move up a pay grade every year, regardless of performance
- The Department of Communities and Local Government will need to make a further 10% savings in the forthcoming year
- £3billion of capital investment in affordable housing and the troubled families programme
- Support for another two years of council tax freezes through provision of grant funding for eligible councils
- An additional £2 billion in growth funds which can be bid for by local enterprise partnerships

3.13 The specific allocations of funding for all local councils is announced in the annual “Autumn Statement” and published in Local Government Finance Settlement for the following year. The following table outlines the funding that has been provided to this Council each year since CSR10. As outline below, total core funding for this Council since 2011/12 has decreased by £1,887,269 (31%).

	2011/12	2012/13	2013/14	2014/15	2015/16
	£	£	£	£	£
Revenue Support Grant	1,410,200	102,163	2,992,354	1,949,297	1,120,574
Local Council Tax Support Grant	0	0	0	544,764	544,764
National Non Domestic Rates	4,562,237	5,270,283	1,990,732	2,251,383	2,294,404
Rates Cap	0	0	0	24,570	0
Council Tax Freeze Grant	105,260	105,810	147,511	189,239	230,686
Total Core Funding	6,077,697	5,478,256	5,130,597	4,959,253	4,190,428

3.14 Historically, the annual Settlement contained the funding numbers for the coming year, along with a provisional Settlement for the following financial year. The information for 2016/17 was not provided at the time of the 2015/16 Settlement. For the purpose of this MTFS, various funding scenarios have been calculated, as outlined in section 3.6. The MTFS also assumes that the current method of local government financing continues after 2016/2017, the reality of which will not be known until after the General Election.

3.15 The headlines detailed in the 2015/16 Settlement are detailed below. In total, funding available for all English councils fell by £3.3 billion or 13.6% in 2015/16. The cuts for shire districts are starker at 15.28% and for this Council 15.7%. (Note, the numbers below are not directly comparable to the core funding detailed above as the Settlement funding includes a number of smaller grants which are attributed to specific service areas within the budget)

	Adjusted 2014-15 Settlement Funding Assessment	2015-16 Settlement Funding Assessment	Mvt	Mvt
	£million	£million	£million	%
Total England	24,112.195	20,832.539	-3,279.656	-13.60%
Shire Districts	1,112.630	942.660	-169.970	-15.28%
Hinckley and Bosworth Borough Council	4.984	4.197	-0.786	-15.78%

3.16 In addition to this core funding, the Council's financing is supported by the receipt of New Homes Bonus. New Homes Bonus was introduced in February 2011 and is designed to encourage housing growth by providing a financial incentive for councils and local people to accept new housing. For each additional new home built local authorities receive six years of grant based on the council tax. This will increase in amount each year as more new housing comes on stream. The scheme applies to new housing and empty properties brought back into use. In addition a £350 payment is granted per year for each affordable home, as well as traveler sites in public ownership.

3.17 To date this Council has been awarded over £5.4million of funding through New Homes Bonus This funding has not been used for specific projects but rather to support the General Fund and sustain discretionary services. Until 2015/16, 25% of the annual allocation was transferred to parish councils. This arrangement will cease from 2015/16 due to significant reductions in funding from central government and the impact of Leicestershire County Council's decisions to cut funding to district councils .

Financial Year	Total Allocation	Transfer	Retained NHB
	(£)	to Parishes (£)	(£)
2011/12	349,760	87,440	262,320
2012/13	711,292	177,823	533,469
2013/14	1,042,501	255,815	786,686
2014/15	1,401,891	348,526	1,053,365
2015/16	1,974,742	0	1,974,742
Total	5,480,186	869,604	4,610,582

3.18 The award of New Homes Bonus is driven by the housing market and is therefore difficult to predict with any significant degree of accuracy. As outlined 3.5 three scenarios have been forecast based on the current planned housing trajectory for the remaining years of the MTFS.

	Worst Case (£)	Forecast (£)	Best Case (£)
2015/16		1,974,742	
2016/17	2,211,500	2,329,879	2,448,258
2017/18	2,533,294	2,812,570	3,091,846

3.19 The future of New Homes Bonus following this Government term is currently unknown. However what is clear is the reliance on district councils on this stream of income in sustaining General Fund balances and delivering discretionary services.

The forthcoming complete MTFS will reflect any future scheme that is introduced following the General Election.

Council Tax

- 3.20 The amount of council tax an authority needs to raise is the difference between its budget requirement (the Council's planned spending less any funding from reserves and income, excluding income from the Government and council tax) and the funding it will receive from the Government. The level of council tax and any increase is approved by Council annually.
- 3.21 One of the directions of CSR10 and the 2013 Spending Review was that Council's should seek to set a zero increase in council tax where possible. The Government announced compensation grants for those Council's who met this objective. This Council has frozen council tax since 2011/12 and therefore has been eligible for these grants each year. Whilst this is beneficial for the tax payer, it has caused "erosion" to the council tax base of this Council and reduced the potential spending power by over £0.5million.
- 3.22 For the purpose of this MTFS, three different scenarios have been used to consider the impact of council tax levels going forward. These have been detailed in section 3.5

Other Factors

- 3.23 In addition to those risks relating to financing detailed above, this MTFS highlights a number of other key factors that will impact on the financial position of this Council over the next three financial years. These include, but are not limited to:
- **Business Rates** - The Business Rates Retention Scheme (BRR) commenced on 1st April 2013. Under the scheme, the Council can retain a proportion of locally generated business rates over a set baseline where growth occurs. Whilst this financing regime provides the opportunity to financially reward the Council, the volatility of the market makes it difficult to budget for. In addition to "standard" business rates collected, the creation of the Enterprise Zone at MIRA Technology Park will also generate business rates uplifts estimated at over £14million for the first ten years of operation. In order to stimulate such growth, these uplifts are not subject to business rate retention rules. The Council is currently in negotiation with the Leicester and Leicester Local Enterprise Partnership (LLEP) to identify what element of this uplift will be retained by the Council directly. In order to be prudent, this income has not been included in this version of the MTFS.
 - **County Council Cuts** – Leicestershire County Council has identified a budget gap of £110million by 2018 and therefore is required to make stark cuts to services and staffing to balance the budget. In order to find savings, a number of cuts have been made to funding provided to district councils. In 2015/16, the budget reflects a £345,792 pressure relating to the withdrawal of green waste recycling credits by the County Council. In addition, it is expected that the County will withdraw funding for dry recycling in 2016/17, creating a further gap of up to £500,000.
 - **Universal Credit** – Universal Credit will be introduced for new benefit claimants in the Borough from April 2015. Whilst the majority of responsibilities relating to Universal Credit will be picked up by the Department for Work and Pensions (DWP), this Council will continue to have a role to play in supporting claimants and providing personal budgeting advice. In addition, there may be an indirect impact on other council services such as revenues and benefits, housing and homelessness as a result of the roll out of the scheme.

- **Capital Programme** - The Council's capital investment plans are outlined annually in the Capital Programme (the "Programme") which is approved at the same time as the revenue budget. The Capital Programme for 2014/15 – 2017/87 forecasts spend of over £24million, and is concentrated around the achievement of three capital projects: build of the new leisure centre, the town centre Crescent development and delivery of the A5 infrastructure works around the MIRA Enterprise Zone. Although capital expenditure is clearly separated from revenue spend within the Council's budget, the use of capital resources has an impact on revenue in the following ways:-

 - The use of capital resources will result in a corresponding reduction in investment income.
 - Any borrowing will incur interest payments and minimum revenue provision which is charged as a "cost" to the Council's revenue budget
 - The creation of new assets will require running costs that will have to be funded from revenue sources.

- **Income Levels** - A significant proportion of Council expenditure is financed from income from fees and charges. A number of these income streams are extremely volatile and depend on external factors such as take up, demand and local economic conditions. On this basis, it is important that this MTF5 forecasts varying levels income to consider the financial impact of fluctuations that may occur. The most significant and sensitive changes in income levels include

 - Planning fees – Whilst the Council has seen a large increase in planning fees in the last 2-3 financial years, this income stream is highly dependent on both the housing and commercial market and therefore large "windfalls" often occur in times of prosperity. In addition to income received for planning fees, the Council has seen significant costs for appeals against decisions taken by Planning Committee. In order to prudently budget for future costs, scenarios for appeal costs have also been considered in this Strategy.
 - Car Parking - Going forwards, the level of income received from parking will be affected by the development in the town centre. The Council no longer have access to the Brunel Road and town centre parking is expected to be impacting due to the provision of parking at the Crescent supermarket for a free/marginal price. The negative impact on pay and display income of similar developments at other authorities has been in excess of 40%.
 - Refuse and Recycling Income – The Council continues to charge for a number of refuse and recycling services such as trade waste and bulky waste. The Council has decided to not introduce charges for green waste in 2015/16 to compensate for those cuts detailed above. However the MTF5 considers the impact on the General Fund if charging was/was not introduced from 2016/17.
 - Rental Income – In addition to the Council's current portfolio of industrial units, the MTF5 considers various scenarios for income due from Block C within the new town centre development. Failure to secure tenants to these units poses a significant financial risk to the Council.

- **Efficiencies** - In order to manage the Council's financial position and to ensure ongoing resilience and value for money, Council officers are continually looking to identify savings and cut costs. The MTF5 includes a number of initiatives such as centralisation of budgets, review of support services, implementation of Channel Shift and utilisation of offices buildings which may aid this position. That said, staff costs continue to be the largest single expenditure type for this Council and therefore the possibility of future restructuring cannot be ruled out. The MTF5 assumes that a total of £175,000 of redundancy costs will be incurred in 2015/16, leading to staff savings of £250,000 by the end of the period of this Strategy.

- **Local Housing Company** – The Council is currently considering setting up a wholly owned company for delivery of new rented property. With the exception of a budget for £100,000 (funded from reserves) to fund the costs associated with set up of this

arrangement, this MTFS version does not present any further financial implications of the company structure. It is expected that the business case for the company will be completed for full revision of the MTFS and financial implications will be presented in full in this document. These will include:

- A margin on interest, being the difference between the interest charged to the company for any loans (which is required to be of a commercial level) and the preferential interest rate paid to PWLB for this borrowing
- Payments for services charged to the Council for the provision of services provided (e.g. support services support)
- As the sole shareholder, the Council will receive dividends from the company at the point profit is realised
- Increased levels of Council Tax and New Homes Bonus from properties built

Assumptions and Scenario Planning

3.24 The future of funding for local government and the income and expenditure streams that this Council manages are volatile and heavily dependent on the wider socio-economic climate and Government policy. In order to effectively plan for potential changes, this Medium Term Financial Strategy presents 3 scenarios; a forecast position, best and worst case scenario. Each scenario is based around a hybrid of assumptions for income streams, expenditure requirements and funding settlements, all of which could have a material impact of the financial standing of this Council. By considering these varied scenarios, the Council is able to effectively quantify the potential impact of a range of circumstances which may occur.

	Worst Case	Forecast	Best Case
Council Tax	Freeze	2% increase 2016/17 onwards	2% increase 2016/17 onwards
Income levels - Development control - Building control - Car Parking - Trade Waste - Rental	Reduced levels	Assumed levels	Increased levels
New Homes Bonus	50% at Band C	75% at Band C	100% at Band C
Appeals costs	£200k per annum	£100k per annum	£nil
Council Tax Support to Parishes	£143,000 each year	Reduce by block funding % decrease from 2016/17	Nil from 2016/17
Revenue Support Grant (2016/2017 onwards)	20% reduction annually	16.4% reduction annual as with 2015/16)	10% reduction annually
Council Tax Base	1% increase annually	2% increase annually	3% increase annually
Green Waste ¹ (2016/17 onwards)	No charge	Charge introduced	Charge introduced
ICT Procurement (2016/17)	£50,000 saving	£100,000 saving	£150,000 saving
Business Rates Retained Growth (2016/17 onwards)	£100,000 loss (over safety net) annually	No growth/loss	£100,00 retained growth annually
Commercial management of the Atkins Building	Not achieved	£50,000 saving/income	£100,000 saving/income

¹ The MTFS includes a baseline target of income of £486,000 from the introduction of a charge for green waste collections and/or an increase in council tax of around 9.5%

(from 2016/17)			
Support Services savings	£nil	£25,000 saving 2016/17 and 2017/18	£50,000 saving 2016/17 and 2017/18
Additional Cost of Discretionary Housing Payments (DHP) (from 2016/17)	£50,000	£25,000	£nil
Occupancy of Block C (from 2016/17)	50% occupancy	75% occupancy	100% occupancy

3.25 In addition, the following general assumptions have used for all forecasts:

	2015/16	2016/17	2017/18
Pay increases (including members allowances)	1% increase	2% increase	2% increase
Vacancy factor	5% of staff costs	4% of staff costs	3% of staff costs
Base Rate	0.5% (no increase)	0.75%	1%
Retail Price Index	3% increase	3% increase	3% increase
LCTS Cap	12%	12%	12%
County Council cuts	Green Waste and Sure Start	£500,000	£500,000 (no increase)
Revs and Bens Partnership Savings	0	£85,000	£85,000 (no increase)
Growths	Per budget	£100,000	£100,000
Unidentified savings	Per budget	£150,000	£150,000
County Council cuts	Per budget	Green Waste + £100,000	Dry Recycling + £100,000
NNDR Baseline	Per Settlement	+ 0.25%	+0.25%
Staff Restructuring	Per budget (£175,000 costs)	1/3 savings	1/3 savings

4. FINANCIAL IMPLICATIONS [KP]

4.1 Contained in the body of the report

5. LEGAL IMPLICATIONS [EH]

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

6. CORPORATE PLAN IMPLICATIONS

6.1 A robust MTFs is required to ensure that resources are effectively allocated in order to ensure delivery of the aims, outcomes and targets included in the Council's Corporate Plan.

7. CONSULTATION

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

The Council consulted on all budget priorities in a budget setting survey conducted in August/September 2013. It is expected that a further consultation will take place before the next refresh.

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

9. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

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

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

Contact Officer : Katherine Plummer, Chief Officer (Finance, Customer Services
and Compliance) ext 5609
Executive Member : Cllr K.W.P. Lynch

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MEDIUM TERM FINANCIAL STRATEGY 2014/15 - 2017/18 FINANCIAL FORECAST	Forecast				
	2014/2015	2015/2016	2016/2017	2017/2018	ASSUMPTIONS
	Revised £	Budget £	Forecast £	Forecast £	
Net Service Expenditure	9,556,411	9,741,435	9,858,933	9,701,865	
<i>Budget movements</i>					
Additional legal costs and overpayments recovered	-55,000	-23,000			
NNDR Charitable Relief	-70,000				
DSO Fuel Savings	-15,000	15,000			
Pressure on Homelessness Bonds	15,000	-15,000			
Fluctuations in subsidy income	-43,000	-43,000			
Discretionary Housing Payments	-47,000		25,000		
Community Safety Projects	-22,000				
Telephone rebate	-10,000	-7,000			
Increase in legal fees	41,000	-38,000			
Spend to save reviews - R&B	48,000	-48,000			
Legal locum support	20,000	-20,000			
Middlefield Lane Parking Right	10,000	-10,000			
Building control income		-18,870	-25,000	-6,676	Assumed levels
Asset management charges on Leisure Centre		-10,000			
Audit fees	-13,000	-57,090			
Reduction in bank costs	-13,000		-10,000		
Development Control income	-519,000	260,000	-78,000	0	Assumed levels
Recycling savings and additional income	-120,000	87,000	0	-44,334	
Efficiency savings from refuse collection and street cleansing	-85,000	57,500			
Printing and postage savings	-25,000	16,080			
Revenue contribution to Capital	24,500	-24,500			
Car parks	-51,000		44,882	0	10% reduction from Sainsbury's
Increase in income from ICT Shared Service				-25,000	
Rental income fluctuations	-36,000	-10,000	-3,000	-3,000	
Small Business Rates Relief	-658,430	-104,117	-100,000	-100,000	
Leicestershire Troubled Families contribution					
Local Development Framework expenditure	-98,000	-112,000	-289,000	236,000	
Additional Recycling Contract costs		100,000			
Contributions to Revenues and Benefits Partnership		-53,700	-108,017		Current forecast savings from review
Revenues and Benefits Partnership Redundancy Costs		82,719	-82,719		
Reduction in Market Income	13,000	15,000			
Shared Archeology and Geology Service		12,000			
Members allowances	-9,000	34,120	4,861	960	Assumes IRP recommendations implemented
New Homes Bonus to Parishes		-343,711			No further allocation
Green and Dry Waste Cuts		345,792	500,000		
Green Waste Charging			-486,000		Assume charging from 2016/17
Introduction of charges for new/replacement bins		-53,000	15,000	3,000	Assumed levels
Pre Application Advice Domestic		-16,500			
NNDR Reductions for car parks		-12,000			
NNDR and Electricity for Hub			-50,000		Savings from use of the Hub
Children and Young People grant funding reduction		15,000			
Loss of BID contribution to car parks					
Centralisation of budgets			-12,000		
Highways Planning Advice			-30,000		
Movement in vacancy provision			82,284	82,034	5% in 2015/16 and reducing by 1% subsequent years
County Council Cuts		100,000	100,000	100,000	
Enforcement costs for Mallory Park	60,000	-60,000			
Contribution to Cov and Warks City Deals		-16,290			
Additional contribution to VCS Hub			-12,330		Committed until 2016/2017
Appeals costs	48,500	-76,780	100,000	100,000	£100k per annum from 2016/17
Restructure costs		125,600	-129,800	-208,133	

Block C Rentals		-92,000	-188,303	-133,773	75% occupancy
Council Tax Support Grant to Parishes			-23,452	-19,606	16.4% decrease in line with RSG
Channel Shift		-20,000	-31,902	-18,714	
Leisure Centre income (net)		-40,323	-146,824	-274,960	Per PfP Schedule
Cost of election	21,850	58,150	-58,150		
Re-tender of ICT contract			-100,000		
Cost of new waste round			20,000		
Private Management of Atkins Building			-50,000		
Support Services Review			-25,000	-25,000	
Cost of setting up Wholly Owned Company			100,000		
Renegotiation of Insurance Contract			-10,000	-10,000	
Cost of Universal Credit Implementation			30,000		
Carry forwards	217,422				Assume carry forwards required each year
Forecast growths			100,000	100,000	
Forecast in year savings			-150,000	-150,000	
Expected additional contribution to reserves		104,117			s31 grant
Other small movements (less than £10k)		33,268			
	73,331				
Pay increases	14,000	65,800	131,600	131,600	2% from 2016/2017
Inflationary increases Costs		159,527	164,313	169,242	3% on contracts, 0% on supplies & services
Inflationary increases Fees and Charges		-166,372	-99,778	-102,771	
Pension contributions	-64,000	89,000	97,000	97,000	Per triennial valuation
Contracting out pension impact			100,000		
Capital Financing	1,473,811	-112,982	353,495	79,620	
Additional interest payable/(receivable)	58,040	-53,940	174,041		
Movement in base rate				-270	
NET BOROUGH BUDGET REQUIREMENT	9,741,435	9,858,933	9,701,865	9,679,084	
Pension adjustments	-106,620	-126,100	-116,360	-116,360	
Contribution to Reserves	3,473,178	667,000	637,000	1,059,000	
Contribution from Reserves	-1,526,862	-890,951	-193,440	-328,940	
Transfer from unapplied grants	-619,957	0	0	0	
Contribution to/(from) Balances	-1,229,710	159,456	-83,333	109,696	
NET BUDGET/FORECAST EXPENDITURE	9,731,464	9,668,339	9,945,732	10,402,480	
% Increase in Net Budget Forecast/Expenditure	-2.84%	-0.65%	2.87%	4.59%	
	2014/2015	2015/2016	2016/2017	2017/2018	
	Revised	Budget	Forecast	Forecast	
	£	£	£	£	
	9,731,464	9,668,339	9,945,732	10,402,480	
Revenue Support Grant	1,949,297	1,120,574	847,459	619,134	16.4% reduction
Council Tax Support Grant	544,764	544,764	544,764	544,764	
National Non Domestic Rates	2,275,953	2,294,404	2,351,764	2,410,558	2.5% increase
Freeze Grant	189,239	230,746	230,746	230,746	No additional freeze grant due to increases
New Homes Bonus	1,401,891	1,974,742	2,329,879	2,812,570	75% trajectory at Band C
Collection Fund Surplus	38,416	86,971	86,971	86,971	Retained to reflect constant cap
Council Tax Income	3,331,904	3,416,138	3,554,150	3,697,737	
Estimated Tax base	34,721.9	35,599.6	36,311.6	37,037.8	2% increase each year
Estimated Band D Council Tax	£95.96	£95.96	£97.88	£99.84	2% increase 2016/17 onwards
Year on Year Increase in Council Tax					
(i) Amount	£0.00	£0.00	£1.92	£1.96	
(ii) Percentage	0.00%	0.00%	2.00%	2.00%	
SPECIAL EXPENSES					
Net Budget Requirement B/Fwd	554,011	560,064	574,221	597,420	
New Homes Bonus	-35,120	127,343			
Inflationary increase	17,572	17,878	16,297	17,923	
Revenue impact of salaries previously capitalised	-38,900				
Wykin Community Centre	-8,000				

Voluntary grants contribution	0		10,000		
Minor variances	34	-30,881			
Contribution to/(from) Reserves	56,044	-100,183	-3,098	6,213	
Contribution to/(from) Balances	14,423	0	0		
NET BUDGET/FORECAST EXPENDITURE-Special Expenses	560,064	574,221	597,420	621,555	
Estimated Taxbase	34,721.9	35,599.6	36,311.6	37,037.8	2% increase each year
Special Expenses Council Tax	16.13	16.13	16.45	16.78	2% increase 2016/17 onwards
Year on year increase in Special Expenses Council Tax					
(i) Amount	0.00	0.00	0.32	0.33	
(ii) Percentage	0.0%	0.00%	2.00%	2.00%	
Total Net Budget Requirement	10,291,528	10,242,560	10,543,152	11,024,035	
% increase in Total Net Budget Requirement	-2.64%	-0.48%	2.93%	4.56%	
Taxbase	34,721.9	35,599.6	36,311.6	37,037.8	
Council Wide Council Tax	£112.09	£112.09	£114.33	£116.62	
Percentage Increase	0.00%	0.00%	2.00%	2.00%	

MEDIUM TERM FINANCIAL STRATEGY 2014/15 - 2017/18 FINANCIAL FORECAST	Best Case				
	2014/2015	2015/2016	2016/2017	2017/2018	ASSUMPTIONS
	Revised £	Budget £	Forecast £	Forecast £	
Net Service Expenditure	9,556,411	9,741,435	9,858,933	8,979,421	
<i>Budget movements</i>					
Additional legal costs and overpayments recovered	-55,000	-23,000			
NNDR Charitable Relief	-70,000				
DSO Fuel Savings	-15,000	15,000	-10,000		Further savings from 2016/17
Pressure on Homelessness Bonds	15,000	-15,000			
Fluctuations in subsidy income	-43,000	-43,000			
Discretionary Housing Payments	-47,000				No additional General Fund cost
Community Safety Projects	-22,000				
Telephone rebate	-10,000	-7,000			
Increase in legal fees	41,000	-38,000			
Spend to save reviews - R&B	48,000	-48,000			
Legal locum support	20,000	-20,000			
Middlefield Lane Parking Right	10,000	-10,000			
Building control income		-18,870	-11,126	-7,010	Increased levels
Asset management charges on Leisure Centre		-10,000			
Audit fees	-13,000	-57,090			
Reduction in bank costs	-13,000		-10,000		
Development Control income	-519,000	260,000	-156,000	-46,000	Increased levels
Recycling savings and additional income	-120,000	87,000	-11,645	-47,641	Increased levels
Efficiency savings from refuse collection and street cleansing	-85,000	57,500			
Printing and postage savings	-25,000	16,080	-10,000		Post room review
Revenue Contribution to Capital	24,500	-24,500			
Car parks	-51,000		39,000	0	No impact from Sainsburys
Increase in income from ICT Shared Service				-25,000	
Rental income fluctuations	-36,000	-10,000	-22,000	-3,000	Increased levels
Small Business Rates Relief	-658,430	-104,117	-100,000	-100,000	
Leicestershire Troubled Families contribution					
Local Development Framework expenditure	-98,000	-112,000	-289,000	236,000	
Additional Recycling Contract costs		100,000			
Contributions to Revenues and Benefits Partnership		-53,700	-108,017		Current forecast savings from review
Revenues and Benefits Partnership Redundancy Costs		82,719	-82,719		
Reduction in Market Income	13,000	15,000			
Shared Archeology and Geology Service		12,000			
Members allowances	-9,000	34,120	4,861	960	Assumes IRP recommendations implemented No further allocation
New Homes Bonus to Parishes		-343,711			
Green and Dry Waste Cuts		345,792	500,000		
Green Waste Charging			-486,000		Assume charging from 2016/17
Introduction of charges for new/replacement bins		-53,000	15,000	3,000	Assumed levels
Pre Application Advice Domestic		-16,500			
NNDR Reductions for car parks		-12,000			
NNDR and Electricity for Hub			-50,000		Savings from use of the Hub
Children and Young People grant funding reduction		15,000			
Loss of BID contribution to car parks					
Centralisation of budgets			-12,000		
Highways Planning Advice			-30,000		
Movement in vacancy provision			82,284	82,034	5% in 15/16 and reducing by 1% subsequent years
Additional County Council Cuts		100,000	100,000	100,000	
Enforcement costs for Mallory Park	60,000	-60,000			
Contribution to Cov and Warks City Deals		-16,290			
Additional contribution to VCS Hub			-12,330		Committed until 2016/2017
Appeals costs	48,500	-76,780			No additional costs
Restructure costs		125,600	-129,800	-208,133	
Block C Rentals		-92,000	-281,948	-178,365	100% occupancy
Council Tax Support Grant to Parishes			-143,000		Removed in 2016/17
Channel Shift		-20,000	-31,902	-18,714	
Leisure Centre income (net)		-40,323	-146,824	-274,960	Per PFP Schedule
Cost of election	21,850	58,150	-58,150		
Re-tender of ICT contract			-150,000		
Cost of new waste round			20,000		
Private Management of Atkins Building			-100,000		
Support Services Review			-50,000	-50,000	
Cost of setting up Wholly Owned Company			100,000		
Renegotiation of Insurance Contract			-10,000	-10,000	
Cost of Universal Credit Implementation			30,000		
NNDR Retained growth			-100,000	-100,000	
Carry forwards	217,422				Assume carry forwards required each year
Forecast growths			100,000	100,000	
Forecast savings			-150,000	-150,000	

Expected additional contribution to reserves		104,117			s31 grant
Other small movements (less than £10k)		33,268			
	73,331				
Pay increases	14,000	65,800	131,600	131,600	2% from 2016/2017
Inflationary increases Costs		159,527	164,313	169,242	3% on contracts, 0% on supplies & services
Inflationary increases Fees and Charges		-166,372	-99,778	-102,771	
Pension contributions	-64,000	89,000	97,000	97,000	Per triennial valuation
Contracting out pension impact			61,402		
Capital Financing	1,473,811	-112,982	353,495	79,620	
Additional interest payable/(receivable)	58,040	-53,940	174,041		
Movement in base rate			-270	-270	
NET Borough Budget Requirement	9,741,435	9,858,933	8,979,421	8,657,014	
Pension adjustments	-106,620	-126,100	-116,360	-116,360	
Contribution to Reserves	3,473,178	667,000	637,000	1,059,000	
Contribution from Reserves	-1,526,862	-890,951	-193,440	-328,940	
Transfer from unapplied grants	-619,957	0	0	0	
Contribution to/(from) Balances	-1,229,710	159,456	898,917	1,668,928	
NET BUDGET/FORECAST EXPENDITURE	9,731,464	9,668,339	10,205,537	10,939,642	
% Increase in Net Budget Forecast/Expenditure	-2.84%	-0.65%	5.56%		
	2014/2015	2015/2016	2016/2017	2017/2018	
	Revised	Budget	Forecast	Forecast	
	£	£	£	£	
	9,731,464	9,668,339	10,205,537	10,939,642	
Revenue Support Grant	1,949,297	1,120,574	954,040	804,160	10% reduction
Council Tax Support Grant	544,764	544,764	544,764	544,764	
National Non Domestic Rates	2,275,953	2,294,404	2,351,764	2,410,558	2.5% increase
Freeze Grant	189,239	230,746	230,746	230,746	No additional freeze grant due to increases
New Homes Bonus	1,401,891	1,974,742	2,448,258	3,091,846	100% trajectory at Band C
Collection Fund Surplus	38,416	86,971	86,971	86,971	Retained to reflect constant cap
Council Tax Income	3,331,904	3,416,138	3,588,994	3,770,597	
Estimated Tax base	34,721.9	35,599.6	36,667.6	37,767.6	3% increase each year
Estimated Band D Council Tax	£95.96	£95.96	£97.88	£99.84	2% increase 2016/17 onwards
Year on Year Increase in Council Tax					
(i) Amount	£0.00	£0.00	£1.92	£1.96	
(ii) Percentage	0.00%	0.00%	2.00%	2.00%	
SPECIAL EXPENSES					
Net Budget Requirement B/Fwd	554,011	560,064	574,221	603,277	
New Homes Bonus	-35,120	127,343			
Inflationary increase	17,572	17,878	16,297	18,098	
Revenue impact of salaries previously capitalised	-38,900				
Wykin Community Centre	-8,000				
Voluntary grants contribution	0		10,000	10,000	
Minor variances	34	-30,881			
Contribution to/(from) Reserves	56,044	-100,183	2,759	2,427	
Contribution to/(from) Balances	14,423	0	0	0	
NET BUDGET/FORECAST EXPENDITURE-Special Expenses	560,064	574,221	603,277	633,802	
Estimated Taxbase	34,721.9	35,599.6	36,667.6	37,767.6	3% increase each year
Special Expenses Council Tax	16.13	16.13	16.45	16.78	2% increase 2016/17 onwards
Year on year increase in Special Expenses Council Tax					
(i) Amount	0.00	0.00	0.32	0.33	
(ii) Percentage	0.0%	0.00%	2.00%	2.00%	
Total Net Budget Requirement	10,291,528	10,242,560	10,808,814	11,573,444	
% increase in Total Net Budget Requirement	-2.64%	-0.48%	5.53%	7.07%	
Taxbase	34,721.9	35,599.6	36,667.6	37,767.6	
Council Wide Council Tax	£112.09	£112.09	£114.33	£116.62	
Percentage Increase	0.00%	0.00%	2.00%	2.00%	

MEDIUM TERM FINANCIAL STRATEGY	Worst Case				
2014/15 - 2017/18					
FINANCIAL FORECAST					
	2014/2015	2015/2016	2016/2017	2017/2018	ASSUMPTIONS
	Revised	Budget	Forecast	Forecast	
	£	£	£	£	
Net Service Expenditure	9,556,411	9,741,435	9,858,933	11,082,741	
<i>Budget movements</i>					
Additional legal costs and overpayments recovered	-55,000	-23,000			
NNDR Charitable Relief	-70,000				
DSO Fuel Savings	-15,000	15,000			
Pressure on Homelessness Bonds	15,000	-15,000	20,000		
Fluctuations in subsidy income	-43,000	-43,000			
Discretionary Housing Payments	-47,000		50,000		
Community Safety Projects	-22,000				
Telephone rebate	-10,000	-7,000			
Increase in legal fees	41,000	-38,000	20,000		
Spend to save reviews - R&B	48,000	-48,000			
Legal locum support	20,000	-20,000			
Middlefield Lane Parking Right	10,000	-10,000			
Building control income		-18,870	-13,873	-6,342	Reduced levels
Asset management charges on Leisure Centre		-10,000			
Audit fees	-13,000	-57,090			
Reduction in bank costs	-13,000		-10,000		
Development Control income	-519,000	260,000	39,000	0	Reduced levels
Recycling savings and additional income	-120,000	87,000	11,462	-40,200	Reduced levels
Efficiency savings from refuse collection and street cleansing	-85,000	57,500			Reduced levels
Printing and postage savings	-25,000	16,080			
Revenue Contribution to Capital	24,500	-24,500			
Car parks	-51,000		92,400	0	42% reduction from Sainsbury's
Increase in income from ICT Shared Service				-25,000	
Rental income fluctuations	-36,000	-10,000	8,000	2,000	Reduced levels
Small Business Rates Relief	-658,430	-104,117	-100,000	-100,000	
Leicestershire Troubled Families contribution					
Local Development Framework expenditure	-98,000	-112,000	-289,000	236,000	
Additional Recycling Contract costs		100,000	50,000	50,000	
Contributions to Revenues and Benefits Partnership		-53,700	-108,017		Current forecast savings from review
Revenues and Benefits Partnership Redundancy Costs		82,719	-82,719		
Reduction in Market Income	13,000	15,000	10,000	10,000	Reduction year on year
Shared Archeology and Geology Service		12,000			
Members allowances	-9,000	34,120	4,861	960	Assumes IRP recommendations implemented
New Homes Bonus to Parishes		-343,711			No further allocation
Green and Dry Waste Cuts		345,792	500,000		
Green Waste Charging					No charge
Introduction of charges for new/replacement bins		-53,000	15,000	3,000	Assumed levels
Pre Application Advice Domestic		-16,500			
NNDR Reductions for car parks		-12,000			
NNDR and Electricity for Hub			-25,000		Savings from use of the Hub

Children and Young People grant funding reduction		15,000			
Loss of BID contribution to car parks					
Centralisation of budgets			-12,000		
Highways Planning Advice			-30,000		
Movement in vacancy provision			82,284	82,034	5% in 2015/16 and reducing by 1% subsequent years
County Council Cuts		100,000	100,000	100,000	
Enforcement costs for Mallory Park	60,000	-60,000			
Contribution to Cov and Warks City Deals		-16,290			
Additional contribution to VCS Hub			-12,330		Committed until 2016/2017
Appeals costs	48,500	-76,780	200,000	200,000	£200k per annum from 2016/17
Restructure costs		125,600	-129,800	-208,133	
Block C Rentals		-92,000	-94,658	-89,182	50% occupancy
Council Tax Support Grant to Parishes					Provision continues at current level
Channel Shift		-20,000	-31,902	-18,714	
Leisure Centre income (net)		-40,323	-146,824	-274,960	Per PfP Schedule
Cost of election	21,850	58,150	-58,150		
Re-tender of ICT contract			-50,000		
Cost of new waste round			20,000		
Private Management of Atkins Building			0		Does not go ahead
Support Services Review					
Cost of setting up Wholly Owned Company			100,000		
Renegotiation of Insurance Contract			-10,000	-10,000	
Cost of Universal Credit Implementation			30,000	30,000	
NNDR Losses			100,000	100,000	Losses over Safety Net
Carry forwards	217,422				Assume carry forwards required each year
Forecast growths			100,000	100,000	
Forecast savings			-150,000	-150,000	
Expected additional contribution to reserves		104,117			s31 grant
Other small movements (less than £10k)		33,268			
	73,331				
Pay increases	14,000	65,800	131,600	131,600	2% from 2016/2017
Inflationary increases Costs		159,527	164,313	169,242	3% on contracts, 0% on supplies & services
Inflationary increases Fees and Charges		-166,372	-99,778	-102,771	
Pension contributions	-64,000	89,000	97,000	97,000	Per triennial valuation
Contracting out pension impact			204,672		
Capital Financing	1,473,811	-112,982	353,495	79,620	
Additional interest payable/(receivable)	58,040	-53,940	174,041		
Movement in base rate			-270	-270	
NET Borough Budget Requirement	9,741,435	9,858,933	11,082,741	11,448,625	
Pension adjustments	-106,620	-126,100	-116,360	-116,360	
Contribution to Reserves	3,473,178	667,000	637,000	1,059,000	
Contribution from Reserves	-1,526,862	-890,951	-193,440	-328,940	
Transfer from unapplied grants	-619,957	0	0	0	
Contribution to/(from) Balances	-1,229,710	159,456	-1,746,391	-2,250,138	
NET BUDGET/FORECAST EXPENDITURE	9,731,464	9,668,339	9,663,550	9,812,187	
% Increase in Net Budget Forecast/Expenditure	-2.84%	-0.65%	-0.05%	1.54%	

	2014/2015	2015/2016	2016/2017	2017/2018	
	Revised	Budget	Forecast	Forecast	
	£	£	£	£	
	9,731,464	9,668,339	9,663,550	9,812,187	
Revenue Support Grant	1,949,297	1,120,574	787,506	521,052	20% reduction
Council Tax Support Grant	544,764	544,764	544,764	544,764	
National Non Domestic Rates	2,275,953	2,294,404	2,351,764	2,410,558	2.5% increase
Freeze Grant	189,239	230,746	230,746	230,746	No additional freeze grant due to increases
New Homes Bonus	1,401,891	1,974,742	2,211,500	2,533,294	50% trajectory at Band C
Collection Fund Surplus	38,416	86,971	86,971	86,971	Retained to reflect constant cap
Council Tax Income	3,331,904	3,416,138	3,450,299	3,484,802	
Estimated Tax base	34,721.9	35,599.6	35,955.6	36,315.2	1% increase each year
Estimated Band D Council Tax	£95.96	£95.96	£95.96	£95.96	Freeze
Year on Year Increase in Council Tax					
(i) Amount	£0.00	£0.00	£0.00	£0.00	
(ii) Percentage	0.00%	0.00%	0.00%	0.00%	
SPECIAL EXPENSES					
Net Budget Requirement B/Fwd	554,011	560,064	574,221	579,963	
New Homes Bonus	-35,120	127,343			
Inflationary increase	17,572	17,878	16,297	17,399	
Revenue impact of salaries previously capitalised	-38,900				
Wykin Community Centre	-8,000				
Voluntary grants contribution	0		10,000	10,000	
Minor variances	34	-30,881			
Contribution to/(from) Reserves	56,044	-100,183	-20,554	-21,599	
Contribution to/(from) Balances	14,423	0	0	0	
NET BUDGET/FORECAST EXPENDITURE-Special Expenses	560,064	574,221	579,963	585,763	
Estimated Taxbase	34,721.9	35,599.6	35,955.6	36,315.2	1% increase each year
Special Expenses Council Tax	16.13	16.13	16.13	16.13	Freeze
Year on year increase in Special Expenses Council Tax					
(i) Amount	0.00	0.00	0.00	0.00	
(ii) Percentage	0.0%	0.00%	0.00%	0.00%	
Total Net Budget Requirement	10,291,528	10,242,560	10,243,514	10,397,950	
% increase in Total Net Budget Requirement	-2.64%	-0.48%	0.01%	1.51%	
Taxbase	34,721.9	35,599.6	35,955.6	36,315.2	
Council Wide Council Tax	£112.09	£112.09	£112.09	£112.09	
Percentage Increase	0.00%	0.00%	0.00%	0.00%	

MEDIUM TERM FINANCIAL STRATEGY
2014/15 - 2017/18
GENERAL FUND BALANCES AND RESERVES
APPENDIX 2

	2014/2015	2015/2016	2016/2017	2016/2017	2016/2017	2017/2018	2017/2018	2017/2018
	Estimate	Budget	Forecast	Best Case	Worst Case	Forecast	Best Case	Worst Case
	£	£	£	£	£	£	£	£
Working Balances Position (Excluding Special Expenses)								
Opening General Fund Balance 1st April	2,149,366	919,656	1,079,112	1,079,112	1,079,112	995,780	1,978,029	-667,279
Transfer to /(from)/from Balances	-1,229,710	159,456	-83,333	898,917	-1,746,391	109,696	1,668,928	-2,250,138
Closing General Fund Balance 31st March	919,656	1,079,112	995,780	1,978,029	-667,279	1,105,476	3,646,957	-2,917,417
Earmarked Reserves Position (Excluding Special Expenses)								
Opening Earmarked Reserve Balances 1st April	6,471,051	4,161,119	3,519,399	3,519,399	3,519,399	3,581,089	3,581,089	3,381,089
Transfer to Reserves	3,589,800	667,000	637,000	637,000	637,000	1,059,000	1,059,000	1,059,000
Use of Reserves	-5,899,732	-1,308,720	-575,310	-575,310	-775,310	-467,630	-467,630	-467,630
Closing Earmarked Reserves Balance 31st March	4,161,119	3,519,399	3,581,089	3,581,089	3,381,089	4,172,459	4,172,459	3,972,459
Total General Fund Reserves and Balances	5,080,775	4,598,511	4,576,869	5,559,118	2,713,810	5,277,935	7,819,416	1,055,042
Net Budget Requirement	9,741,435	9,668,339	9,945,732	10,205,537	9,663,550	10,402,480	10,939,642	9,812,187
Minimum Balance Requirement	974,144	966,834	994,573	1,020,554	966,355	1,040,248	1,093,964	981,219
General Fund Surplus/(Deficit)	-54,487	112,279	1,207	957,475	-1,633,634	65,228	2,552,993	-3,898,635

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1. PURPOSE OF REPORT

- 1.1 To request endorsement from Scrutiny Commission of the set up of Hinckley and Bosworth Development– a company wholly owned by the Council for development of property for sale and rent.

2. RECOMMENDATION

That Scrutiny endorse the following recommendations to be made to Council:

- 2.1 That a housing development company (the company), wholly owned by the Council is created to build houses for sale and rent as outlined in the report issued by the Council's external legal adviser Trowers and Hamlins LLP (Appendix 1)
- 2.2 That the name of the company be Hinckley and Bosworth Development Limited
- 2.3 That the company be incorporated and be limited by shares.
- 2.4 That approval of the business plan be delegated to the Chief Executive in consultation with the Chief Officer (Finance, Customer Services and Compliance).
- 2.5 That any loan requirement, as set out in the business plan be repaid to the Council at a market rate of interest
- 2.6 That agreement of the rate of interest for any loans be delegated to the Chief Executive in consultation with the Chief Officer (Finance, Customer Services and Compliance) depending on market conditions at the time of the transaction
- 2.7 That the Articles of Association for the company as attached in Appendix 2 be approved
- 2.8 That members approve the in principal gift at nil value of the land at Middlefield Lane (the former depot site) to the company once incorporated at nil value subject to the prior approval of the Secretary of State being obtained to the disposal and confirmation that no State Aid issues arise as a result of the transfer. A further report will follow on the current leisure centre site.
- 2.9 That the Prudential Indicators for 2015/2016 be amended to take account of the gift of Middlefield Lane and the loan to the company (i.e. increase of the Authorised Borrowing Limit)
- 2.10 That delegated authority be approved to the Chief Executive to appoint up to four officers on the Board of Directors for the company
- 2.11 That a supplementary budget of £100,000 be approved to meet costs associated with the set up of the company. This budget will be financed from the existing Transformation Reserve

3. BACKGROUND TO THE REPORT

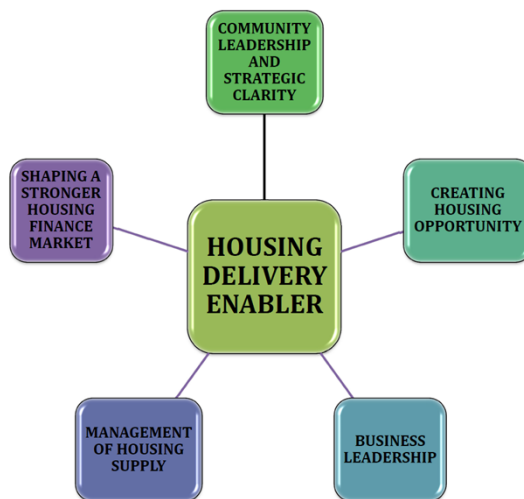
Background

- 3.1 In November 2011, the Government published "Laying the Foundations: A Housing Strategy for England", which set out the Government's actions to address the housing shortage, boost the economy, create jobs, and give people the opportunity to get on the housing ladder. Within the document the following issues were highlighted with the current housing market:

- "Buyers can't buy – with the average age of an unassisted first time buyer continuing to rise and families struggling to 'trade up'

- Lenders are not lending enough – with high deposit requirements excluding young people and families from home ownership
- Builders are not building – without consumers ready to buy and without enough land for development or access to finance
- Investors are not investing – without the right framework or incentives in place
- Affordable housing can do more – to deliver new homes and support the social mobility and aspirations of tenants and communities
- Tenants are struggling – as pressures increase in the private rented sector”¹

3.2 The role of local authorities in delivering the vision of improving the housing market has recently been outlined in the Elphicke-House Report² which was published in January 2015. This report emphasises the changing role of local authorities in becoming “housing delivery enablers” rather than just “statutory providers” One of the key recommendations contained within the Elphicke-House report was that “Councils should consider setting up local housing delivery organisations”.



Benefits/Incentives

3.3 The benefits and incentives of setting up a local housing delivery organisation (LHDO) are related to meeting a local housing need, finances and service delivery. The following have been identified as the benefits that would be seen by this Council and were outlined to Executive at a meeting held on 17th December 2014:

- **Ability to meet local housing need** - As outlined in section 3.4-3.7, there is a need in the Borough to deliver housing that meets the requirements of the wider population.
- **Council as a key player in housing provision** – Development of a LHDO will allow the Council to compete with developers in being a key player in the local housing market. In addition, if the Council is able to use its own land and contract through a LHDO, more control is retained over the provision and product, which is lost if land is sold to a developer.
- **Wider stimulation of the economy**- The benefits of housing are wider reaching. The Elphicke-House report identified the following wider benefits to the local and national economy:

¹ “Laying the Foundations: A Housing Strategy for England”,
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/7532/2033676.pdf

² The Elphicke-House Report
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/398829/150126_LA_Housing_Review_Report_FINAL.pdf

- “Every £1 spent on construction generates a further £2.09 on economic activity, higher than the return to most other sectors including advanced manufacturing and finance
- 50,000 new homes create 75,000 new jobs
- 100,000 new homes could equate to more than £15 billion in additional housing value each year
- More affordable homes cuts waiting lists/ more homes for sale helps more first time buyers
- Economic growth– averaging around 3% of Gross Domestic Product at a national level”
- Smaller schemes developed by District Councils are more attractive to local/smaller builders who are not able to compete with national developers on larger development schemes
- **Expansion to other services** – In the longer term, the LDHO can be expanded to other services to be delivered on a commercial basis. Examples could include waste, recycling, ground care and catering.
- **Access to cheap finance and borrowing capacity** – The Council is able to borrow at preferential rates from the Public Works Loan Board (PWLB) which can in turn be lent to the LDHO to carry out development. The Council itself may govern the level of debt that is held within the General Fund, as outlined in Prudential Code. This level of flexibility is not permitted within the HRA, which is subject to a “cap” set by Government.
- **Financial benefits** – The financial benefits for the Council (General Fund) arising from set up of a LDHO are outlined in more detail in section 3.28. These include:
 - A margin on interest, being the difference between the interest charged to the LDHO for any loans (which is required to be of a commercial level) and the preferential interest rate paid to PWLB for this borrowing
 - Payments for services charged to the Council for the provision of services provided (e.g. support services support)
 - As the sole shareholder, the Council will receive dividends from the LDHO at the point profit is realised
 - Increased levels of Council Tax and New Homes Bonus from properties built
- **Eliminates Right to Buy (RTB) risk for properties developed through the company** - What is very clear is that the incentive to set up a LHDO cannot be directly linked to constraints of the Housing Revenue Account. That said, there are a number of outcomes of such an arrangement that will benefit the Council. Any properties built within the HRA are eligible, after a period of time for RTB. The disadvantage of this for stock holding authorities is that good quality stock may be lost and the Council is only allowed to retain a small element of the receipt for future investment. Any properties built within a LHDO are not subject to RTB with the exception of any properties which are required on a development to be provided as Affordable Housing under a s.106 agreement pursuant to a planning permission. Members should note that such planning policy will apply to any developments by the LHDO as it would any other developer. .

Housing Need

- 3.4 In considering the option to set up a vehicle for the delivery of housing, it is important to understand the housing needs that should be served by the vehicle. This will ensure that the product delivered is fit for purpose.
- 3.5 The recommendations for the number of dwellings to meet overall housing need in Hinckley and Bosworth to 2031 is between 375 and 450 dwellings per annum. The lower figure would support demographic projections, where the higher figure would support market and economic growth and take account of the need for affordable housing. For the assessment of affordable housing need, much is affected by the period over which it is expected to meet the backlog need. The Strategic Housing

Market Assessment (SHMA) assumes a 25 year timescale to clear the backlog and therefore calculates a net need of 245 affordable dwellings per annum, which equates to 69% of overall housing need.

- 3.6 The SHMA also suggests a proposed mix of dwelling sizes to best balance the housing market. This differs considerably between market and affordable mix, but the profile for both types of housing is roughly equivalent over the LLHMA. The particular mix for Hinckley and Bosworth is as follows:

	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms
Market housing	5 – 10%	40 - 45%	40 – 45%	5 – 10%
Affordable housing	30 – 35%	35 – 40%	20 - 25%	5 – 10%

- 3.7 The SHMA is an evidence base to be used for policy setting; it is a “policy off” approach which needs to be tempered by factors such as the potential for economic growth within the district and the need to meet unmet needs from adjoining authorities through the duty to cooperate. As it is a snapshot in time, changing economic and market factors will need to be considered when negotiating the housing and affordable housing on individual sites.

Land Availability

- 3.8 The Council has identified two principle sites which are recommended to be transferred to the LDHO for housing development

	Middlefield Lane (Former Depot Site)	Trinity Lane (Current Leisure Centre Site)
Ownership	HBBC (HRA)	HBBC (General Fund)
Site Size (hectares)	1.4	1.2
Potential number of homes	45	55
Ownership	Freehold (HRA Land)	Freehold (General Fund Land)
Planning position	Planning brief for residential development. Consent expected 2015	Planning brief for residential development. Consent expected 2015 or 2016
Market Value of site	£2.3million	£2million

- 3.9 Council is asked to approve the transfer of the Middlefield Lane site into the LDHO at nil cost (i.e as a gift). A further report will follow on the Trinity Lane site. The legal advice attached in Appendix 1 outlines how these transfers could legally take place based on the current “fund” ownership. In summary:

The Middlefield Lane site (HRA land)

- This land could be transferred to the LDHO at less than the market value provided that the land is to be developed within three years and used as privately let accommodation. Under the current proposals it is anticipated that both of these requirements can be satisfied.
- Disposal will still require the consent of the Secretary of under the Housing Act 1985 and subordinate regulations. This will need to be obtained prior to any disposal of the land on this basis.

The Trinity Lane site (General Fund land)

- This land could be transferred to the LDHO provided that its application is likely to contribute to the “promotion or improvement of economic, social or environmental well being” of the Borough. The provision of additional housing will satisfy this requirement. In addition, the difference between the value of the land and the disposal must not exceed £2million. Where the value is over £2million we will need prior consent of the Secretary of State.
 - Currently the land is valued at £2million based on a valuation in August 2014.
 - A disposal of the land of this market value would require consent from the Secretary of State, but as it would require a reevaluation prior to disposal this may change.
 - In order to be able to be disposed of to the LHDO the land would need to be disposed of without condition as to development to avoid procurement issues prevent the disposal (see paragraph 3.11 below).
 - It should also be noted that the title report to the land is currently being prepared by Legal Services and therefore there may be additional restrictions on the land which will need to be addressed prior to any disposal as a large proportion of the land was previously owned by the Church and often there are restrictions on what the land can be used for
- 3.10 As well as the above the council must note that State Aid considerations will need to be addressed. State Aid guidance provides that authorities that dispose of land for less than best consideration or provide loans at below market rate need to comply with the State Aid rules set down by the EC Commission. No specific advice has yet been sought on this point and again, it will need to be considered and address prior to any disposal.
- 3.11 As per the full advice from Trowers and Hamlin there are also procurement disposals on the transfer of the land to the LHDO. If the land is gifted, to avoid the need for procurement, it will need to be transferred without any conditions as to what must be undertaken on the site, i.e. it cannot be transferred on the basis it must be developed for housing. Further, for the exemption identified in paragraph 8 of the legal report to apply, the LHDO must be entrusted to carry out essential activities on behalf of the council – this will include the LHDO being the landlord for any properties developed, and not the authority.
- 3.12 In addition, the Estates and Asset Manager has identified the following land that is in the Council’s ownership which could be considered for transfer going forward:

Address	Current Position	Size
Land adjacent to 147 Wykin Road, Hinckley	Outline planning permission obtained for single dwelling	0.092
Land adjacent to 2 Thornfield Avenue, Stoke Golding	Development potential for single dwelling	0.07 acres
Land to the east of Middlefield Place, Hinckley	Potential for sale in conjunction with Depot site	0.55 acres
Land adj 87 St Martins Drive, Desford	Potential for single dwelling	0.05 acres
Swallows Green, Harwood Drive, Hinckley	Potential for development. To be considered as a part of a partner development adjoining Normandy Way	1.8 acres
Land to the west of Sewage Treatment Works, Mill Lane, Earl Shilton	Forms part of SUE site. Potential for development – scope dependant on possible STW sewage treatment relocation	3.8 acres

- 3.13 All the above sites will need to have a title check undertaken and it will need to be confirmed how the land is held before any decision as to whether to dispose of the land is taken. It may there are other disposal requirements due to the way the council holds the land which will restrict any disposal, for example advertising requirements.
- 3.14 Finally, in the longer term, the LDHO may want to consider approaching developers for land in their ownership to consider if a package could be devised to bring forward development in the Borough e.g the developer bringing forward the land and the Council providing all or part of the funding.

Proposed Delivery Model

- 3.15 In order to understand the options available for delivery of new housing, the Council has sought legal advice from Trowers and Hamblins LLP who have produced a summary of the legal issues for the Council as attached at Appendix 1.
- 3.16 What is clear from the advice provided is that the rationale for setting up a LDHO must be clearly defined and agreed. The rationale identified for this Council includes the following:
- To make a profit
 - To access a revenue stream which will supplement the General Fund
 - To “commercialise” service delivery
 - To access General Fund borrowing headroom and rates
 - To complement development of new affordable housing within the HRA which will continue regardless
 - To assist in meeting the housing need in the Borough by offering a different housing product to that offered by the Council traditionally
 - To establish a commercial model which may be able to be used for other service provision going into the future
- 3.17 It is important to emphasise that the LDHO will not and cannot deliver social housing. The Housing Revenue Account and the Housing Revenue Account Investment Plan will continue to operate alongside any LDHO to deliver investment into new and existing social housing in the Borough. LDHO can however and may be required to deliver affordable housing which could be sold to HRA at a point in the future through either planning consent or an agreement with the council in another capacity, though the latter would pose issues with procurement (see paragraph 3.11).
- 3.18 The different models for delivery of this rationale are outlined in the Trowers and Hamblins report in section 3. The model recommended for this Council is a Wholly Owned Company Limited by Shares (the company). If approved, the company will be “incorporated” with Companies House, the main requirements of this process including:
- Agreement of a company name. As outlined in section 2.2 it is proposed that the name of the company be Hinckley and Bosworth Development
 - Agreement of a registered address for the company. This will be the Hinckley Hub postal address
 - Agreement of the company directors (see governance section of this report)
 - Completion of an application form
 - Agreement of memorandum/articles of association. These documents have been prepared by Trowers and Hamblins LLP and attached in Appendix 2
 - Filing of all documents – the cost of the process depends on the method of filing (e.g. by post or web) but is less than £100 in all cases. Once received, companies can be incorporated in less than 24 hours

3.19 Once approved, the company will be issued with a certificate of incorporation.

Governance

3.20 The company would be governed by a Board of Directors (the Board). The responsibilities of the Board are outlined in the Companies Act (2006). In addition, there are a number of practical responsibilities which must be executed:

Duties - Companies Act 2006	Practical duties
Duty to act with powers	Ensure that company business plan is delivered
Duty to promote the success of the company	Submission of the annual return to Companies House
Duty to exercise judgement	Production and submission of annual accounts to Companies House and HMRC. Arrangement of the annual audit of accounts
Duty to exercise reasonable care, skill and diligence	Notification of any changes in the company's officers or personal interests
Duty to avoid conflicts of interest	Notification of a change to the companies registered address
Duty not to accept benefits from third parties	Allotment of shares
Duty to declare interest in proposed transaction or arrangement	Registration of charges

3.21 The structure and make up of the Board is at the discretion of the Council, as the sole shareholder. It is however important that the Board members hold the necessary skills and expertise to discharge their responsibilities and run the company. It is also important that the Board of Directors act completely independently from the Council and therefore have no elected member representation. It is therefore recommended that four officers be appointed as directors on the Board:

3.22 In addition to the above, the Board will also appoint two non executive directors (NEDs) and a Managing Director of the company to the Board. Both roles will be advertised externally to ensure they have the appropriate experience and insight to develop the company further.

3.23 It is envisaged that the Managing Director, once appointed will be employed by the company directly. The company will also require support from the Council for day to day operational matters (e.g. finance, payroll, HR). In these cases, elements of the officers salary will be recharged to the company to cover costs. In order to ensure objectivity, Council officers will report to Managing Director of the company when engaged on company "business".

3.24 Following the advice of Trowers and Hamblins LLP it is not proposed that any elected members be appointed to the Board. Instead it is recommended that members operate through the Council's Scrutiny function to hold the company to account. Regular reports will therefore be presented to the Scrutiny Commission by the Managing Director.

3.25 There are a number of factors relating to independence and personal liability that arise as a result of introduction of a Board. All officers and NEDs appointed to the Board will be reminded of these risks during set up and prior to agreeing to act as a Director for the company.

Financial Considerations

3.26 The financial position of the company will be outlined in a business plan that will be drawn up and approved by the Board upon incorporation. The business plan will be

based on a financial model developed by the Chartered Institute of Housing (CIH) and will reflect the rent received from the properties, along with the expenditure incurred in running the company. Alongside this revenue business plan will be a capital plan which will outline how the capital build of the stock will be expended and financed.

- 3.27 The financial position of the company will be impacted by the mix of properties built upon any transferred sites and the rent charged on these properties upon completion. In addition, the company may choose to sell some of the properties on the open market to generate capital receipts for further investment. Decisions on the mix will be taken by the Board (subject to any planning requirements), utilising the knowledge of the Directors, however initial calculations provided by MRP Developments show that the company should be solvent and profitable.
- 3.28 The financial position of the company will also need to take into account the implications of tax. The company will be subject to corporation tax on its profits, as well as VAT on applicable services. As outlined by Trowers and Hamblins LLP (section 7.1), the company may be eligible for group relief from Stamp Duty Land Tax (SDLT) depending on decisions on the final vehicle. The subject of tax is complicated and therefore the Council has sought quotes from tax advisors to examine the impact on the company.
- 3.29 In order for the company to finance its operations, the Council will look to prudentially borrow and on-lend this financing to the company. In order to ensure this arrangement does not qualify as State Aid, the Council must lend to the company at a commercial rate as in accordance with the legislative provisions. The Council will also consider treatment of this borrowing for Minimum Revenue Provision purposes and put forward the argument that as the transaction does not relate to capital expenditure, no provision is required. This treatment will require approval by the Council's External Auditors.
- 3.30 As outlined in section 3.3, one of the key incentives for setting up the company is the financial benefit that the Council will obtain from the arrangement. These include:
- A margin on interest, being the difference between the interest charged to the company for any loans and the preferential interest rate paid to PWLB for this borrowing
 - Payments for "arms length" services charged to the Council for the provision of services provided (e.g. support services support)
 - As the sole shareholder, the Council will receive dividends from the company at the point profit (after corporation tax) is realised
 - Increased levels of Council Tax and New Homes Bonus from properties built
- 3.31 The Council will incur a number of costs associated with setting up the company. (e.g. legal, financial advice, recruitment fees). In order to fund these costs, a supplementary budget of £100,000 is requested for approval, to be funded from the existing Transformation Reserve. It should be noted that Council approved a transfer to this reserve of £100,000 as part of the 2015/2016 budget for this purpose.

4. FINANCIAL IMPLICATIONS [KP]

- 4.1 Outlined in the "Financial Considerations" section of the report

5. LEGAL IMPLICATIONS [EH]

- 5.1 Outlined within the body of the report and also contained within the appended advice from Trowers and Hamblins LLP.

5.2 It should be noted that the advice within the report is very high level, it establishes the principles of law that the council may utilise to allow it to implement the recommendations contained within the report, however each decision will require further advice and legal analysis to ensure that the high-level advice is applicable in each case. In particular, as outlined in the Trowers and Hamlin report members and officers should be aware that *“The consent regime is complex and would need to be worked through in respect of any particular disposal envisaged by the Council to the LHDV”*.

6. CORPORATE PLAN IMPLICATIONS

Set up of a company will meet the following Corporate Plan priorities:

- Sustain economic growth
- Provide decent and affordable homes
- Improve confidence, perception and pride in communities
- Efficient, effective and pro- active services

7. CONSULTATION

7.1 Members of the Executive and Scrutiny Commission have been consulted in the proposal to set up a company

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
The company will not remain financially solvent.	A business plan will be drawn up in conjunction with financial and tax advisors. Performance against the plan will be reviewed on a periodic basis and the year end accounts be subject to external audit.	S Kohli
The structure of the company poses legal issues to the Council.	Legal advice has been taken from external advisors who will continue to be consulted throughout the set up and operation of the company	E Horton

9. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

9.1 The development of new houses will benefit the wider community in the affected areas

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: Trowers and Hamlins LLP Report
Elphicke-House Report
Draft Financial Model

Contact Officer: Sanjiv Kohli, Deputy Chief Executive (Corporate Direction)
Katherine Plummer, Chief Officer (Finance, Customer Services and
Compliance) and Sharon Stacey, Chief Officer (Housing, Community
Safety and Partnerships)

Executive Members: Cllr K Lynch



dated February 2015

Hinckley & Bosworth Borough Council

Local housing delivery company - Report on legal issues

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1 Introduction

This report has been prepared following a meeting with Council officers on 6 February 2015. The Council is looking to establish a local housing delivery vehicle (**LHDV**) to provide a mix of housing provision predominantly market rent and market sale units with the potential for delivery of a limited number of affordable housing units. The rationale identified by the Council for the establishment of the LHDV includes the following:

- 1.1 to make a profit;
- 1.2 to access a revenue stream to supplement general fund income;
- 1.3 to "commercialise" service delivery;
- 1.4 to access general fund borrowing headroom;
- 1.5 to complement HRA development which will continue; and
- 1.6 to assist in meeting housing need in the area by offering a different housing product to that offered by the Council traditionally.

2 Powers

2.1 On the basis that the properties developed by/for the LHDV are to be held outside the HRA, we believe it will be necessary for the Council to satisfy itself that it can rely upon the general power of competence under Section 1 of the Localism Act 2011 (**the 2011 Act**). This affords power to a local authority to do anything that individuals generally may do. It is subject to what are termed "pre-commencement limitations". There would be a risk of challenge on the grounds of unreasonable exercise of power and/or breach of pre-commencement restrictions limiting the use of the general power of competence under the 2011 Act, most likely from central Government, if it viewed a scheme as simply a mechanism to avoid HRA ring-fencing or the HRA debt cap or to avoid the Right to Buy. Public law considerations in relation to the exercise of powers by local authorities (including those highlighted in the line of cases cited below) would need to be properly followed as they would, in our view, amount to pre-commencement restrictions on the exercise of the general power.

2.2 The line of case law including *Hazell v Hammersmith & Fulham LBC [1992] 2AC 1*, *Crédit Suisse v Allerdale Borough Council [1997] QB 306* and *Crédit Suisse and Another v Waltham Forest LBC [1997] QB 362* highlights the importance for Councils to ensure that they act within their powers and discharge their functions in a way permitted by statute. That said local authority powers have changed since these cases were decided. Although at the time it was found that Councils did not have a power to discharge the relevant functions through a company and guarantee the company's obligations and/or indemnify it against losses suffered, Councils now have much broader powers. This was recognised by Neill LJ in his Court of Appeal Judgment in *Crédit Suisse v Waltham Forest LBC* as he stated that later similar schemes may have or will become within the powers of local authorities but he was there constrained to look at the position in October 1988. Indeed, under Section 1 of the 2011 Act Councils are now required to carry out activities which are for a commercial purpose - which would include development of housing for market rent - through a company. It may therefore be reasonably justifiable for the Council to provide housing, particularly where it differs from the Council's HRA general need housing, within

a LHDV, if the Council wishes to differentiate between its general need stock and housing that it develops through the LHDV for market renting/sale to say economically active individuals in order to achieve wider objectives. It would be difficult to justify the provision of general needs housing at social rent levels through a LHDV – which is not proposed here.

2.3 As mentioned above, there is a general requirement that if the exercise of the Section 1 power is for a "commercial purpose" then a Council must use a company to do so; the LHDV would fulfil this requirement subject to the methods raised in the subsequent heading of type of vehicle in paragraph 3.

2.4 The Council may also be able to use its investment power under Section 12 of the Local Government Act 2003 (**the 2003 Act**) if it is able to satisfy itself that the development of the properties is an investment rather than a commercial purpose. Under Section 15 of the 2003 Act, before exercising the power to invest, a Council must have regard to guidance issued by the Secretary of State. This is set out in the Department for Communities and Local Government "Guidance on Local Government Investments" published on 11 March 2010. Councils should also consider related guidance published by CIPFA under "Treasury Management in the Public Services Code of Practice and Cross Sectorial Guidance Notes" and "The Prudential Code for Finance in Local Authorities".

3 **Type of vehicle**

3.1 For a profit making vehicle there are three main models, i.e. being a company limited by shares (**CLS**), a company limited by guarantee (**CLG**) and a limited liability partnership (**LLP**). We have not considered the Community Benefit Society model in any detail because of the Council's obvious focus on profit distributing vehicles. Assuming the LHDV is wholly owned and controlled by the Council (as our instructions make clear) then an LLP might not be the way forward. The obvious difficulty with the LLP route is that the "company" exception (for commercial purposes) for the use of the general power of competence (see above) does not apply to an LLP. We are anticipating therefore that the choice will be between a CLS and a CLG and (assuming that Registered Provider status is not pursued) we are inclined to the view that a wholly owned CLS will be the way forward, if only to avoid stamp duty land tax (**SDLT**) on the value (not price) for the land transferred. A CLS is often favoured also because it is a source of commercial flexibility, i.e. it is a company that can be sold through its shares and without property transfer complications.

3.2 As to whether RP status is worth considering, is for debate. The main constraint on establishing a LHDV as an RP is often the rent standard (requiring dwellings to be let at formula rent levels with some very limited exceptions). Our recent experience is that the Homes & Communities Agency (**HCA**) is seriously concerned about independence and there have been hints - no more - that HCA registration will not be achieved if there is a suggestion that the purpose or simply the effect of establishing the company is to avoid the HRA debt cap.

3.3 Given that a wholly owned CLS (where 75% or more of the paid up shares are owned by the transferor), has the potential to benefit from group relief from SDLT, and thus achieves the same SDLT advantage as an RP, we believe that at this stage registration with the HCA will not be deemed desirable or necessary.

4 Governance

4.1 Governance issues need to be considered at two levels. If the company is to be wholly owned by the Council then the Council needs to be the sole shareholder in the CLS. As far as the board is concerned the make-up will be determined by the Council's view on how the company is to operate. There is clearly a choice, at its simplest, between on the one hand a fully commercial board with professional expertise and decision-making "purely" to achieve the practical objective of a substantial number of homes predominantly for market rent and sale, and on the other, the desire for "representativeness". This turns on a political and perhaps conceptual view, i.e. whether the board is designed to reflect interests or whether it is there, at the direction of the Council, to deliver the business plan objectives of a certain number of units in a certain timescale in order to generate a return to the Council as a shareholder. In other words - where would Council Members' interests be best served - on the board or holding the board to account in some form of Council scrutiny function? We would ordinarily recommend a small board - minimum of three (to avoid deadlock) and a maximum of seven. This would naturally limit the number of Council Members who would be able to be company directors, particularly if external expertise is also being introduced. A greater number of Council Members could take an active role in scrutinising the activities of the LHDV. Potential conflicts of interest in connection with Council Members serving as both LHDV directors and elected members would also be avoided. Ultimately it is a matter for the Council to determine what board make-up is "right" for it.

4.2 All board members would need to be mindful of their duties as company directors, including their fiduciary duties which are now codified under the Companies Act 2006. Further, the Council (corporately) and Council officers and members who are not board members of the LHDV would need to be aware of the issue of "shadow directorship". A shadow director means a person in accordance with whose directions or instructions the directors of a company are accustomed to act. If the Council or individual officers are deemed to be shadow directors, they would become subject to some of the same responsibilities and liabilities as the LHDV's actual board members. However, the Council may decide that, on balance, it is preferable to run the risk of being deemed to be a shadow director of the LHDV for the sake of keeping closer "control" over the LHDV and concluding that this is a mechanism of containing project risk. It is unlikely that insurance would be available to mitigate against this risk.

5 Consent issues

It is important to consider at an early stage what consents might be required by the Council should it transfer any land to the LHDV and/or provide any financial assistance to the LHDV.

5.1 HRA land

5.1.1 If the Council intends to transfer any land to the LHDV which is presently held for housing purposes under Part II of the Housing Act 1985 (**the 1985 Act**), the relevant power to dispose of this land is contained in Section 32 of the 1985 Act. However, such land cannot be disposed of without the consent of the Secretary of State. Section 33 of the 1985 Act allows the Council to impose "such covenants and conditions as they think fit" on the disposal.

5.1.2 The Secretary of State has issued a number of general consents under Section 32 of the 1985 Act – the General Consents for the Disposal of Land held for the Purposes of Part II of the Housing Act 1985-2013 (**the Section 32 General Consent**). Under General Consent A3.2 a local authority may dispose of vacant land. "Vacant" means either bare land or land with dwelling-houses that are to be demolished. This allows the Council to dispose of vacant land for whatever value it wants and to whichever purchaser it chooses. However, if the disposal is for less than market value to someone who is building housing for rent, then that disposal will still need consent under Section 25 of the Local Government Act 1988 (see below for the availability of a general consent under Section 25 which might apply). If, however, the Council disposes of vacant HRA land to the LHDV for market value then no specific consent of the Secretary of State would be required under Section 25 of the Local Government Act 1988.

5.2 General fund land

5.2.1 For completeness we have included advice in connection with general fund land disposals even though we have been told that the intention at present is that only HRA land will be disposed of to the LHDV. General fund land can only be disposed of by the Council in accordance with Section 123 of the Local Government Act 1972 (**the 1972 Act**). If the land is to be disposed of for consideration that is the best that can reasonably be obtained then under Section 123 no specific consent is required for the disposal.

5.2.2 However, if the land is to be disposed of for consideration that is less than the best that can reasonably be obtained, the Secretary of State's consent is required. There is a general consent (the Local Government Act 1972; General Disposal Consent 2003), which is capable of application if the purpose of the disposal is likely to contribute to the promotion or improvement of economic, social or environmental well-being in respect of the whole or part of the Council's area or of any people in the area and the difference between the unrestricted value of the land to be disposed of and the consideration for disposal does not exceed £2 million.

5.2.3 It may be, therefore, that the General Consent under Section 123 will apply for the disposal of a certain amount of non-housing land to the LHDV at an undervalue but Sections 24 and 25 of the Local Government Act 1988 would also need to be considered for any disposal at an undervalue and there would appear to be no relevant general consent under Section 25 that would be available for the disposal at an undervalue of general fund land to the LHDV (which is not an RP).

5.3 Power to provide financial assistance to the LHDV for privately let housing accommodation

5.3.1 Section 24 of the Local Government Act 1988 (**the 1988 Act**) gives the Council the power to provide any person with financial assistance for the purposes of, or in connection with, the acquisition, construction, conversion, rehabilitation, improvement, maintenance or management (whether by that person or by another) of any property which is or is intended to be privately let as housing

accommodation. However, the Council is only able to exercise its power to give financial assistance under Section 24 if it obtains the Secretary of State's consent pursuant to Section 25.

5.3.2 The Secretary of State has issued some general consents in respect of Section 25 - the General Consents under Section 25 of the Local Government Act 1988 (Local Authority Assistance for Privately Let Housing) 2010. General Consent C provides that "a local authority may provide any person with any financial assistance (other than the disposal of an interest in land or property) ... for the purposes of or in connection with the matters mentioned in Section 24(1) of the 1988 Act". Therefore this General Consent could apply where the Council grants or loans money to the LHDV or purchases share capital in the LHDV for the purposes of the LHDV purchasing land to be developed, maintained and managed for housing for letting (at whatever rent level).

5.3.3 Insofar as disposal of land at an undervalue is concerned, the General Consent AA (issued in April 2014) permits local authorities to dispose of vacant HRA (but not General Fund) land at less than market value to anybody (whether or not a Registered Provider) provided that the land is to be developed within three years and used as privately let accommodation. There are a number of other conditions attached to the consent including a requirement that the local authority is not, under any agreement or other arrangement made on or before the disposal, entitled to manage or maintain any of the housing to be developed on the land.

5.4 **Conclusion in relation to disposal consents**

The consent regime is complex and would need to be worked through in respect of any particular disposal envisaged by the Council to the LHDV. However on the face of it undervalue disposals of HRA land to the LHDV are permitted under the Section 32 General Consents (for disposal of land) and under General Consent AA of the General Consents issued under Section 25 of the 1988 Act - provided the local authority do not have an agreement on or before the disposal of the land to manage the properties to be developed. Alternatively the Council can dispose of HRA land to the LHDV at full market value under Section 32 of the 1985 Act (relying upon the general consent) and given that there would be no undervalue it would not be providing financial assistance and therefore the condition that the Council could not have an agreement on or before disposal to manage the dwellings developed on the land would not apply. For completeness we mention that consideration would need to be given to the related issue of whether 'gratuitous benefit', as defined under Section 25, existed at the time of disposal to the LHDV. If it did, and we can advise on this in due course, specific consent for disposal under Section 25 of the 1988 Act would be needed.

6 **Funding/finance issues**

6.1 If the Council decides to establish an LHDV then it will need funding in order to meet its start-up and running costs. Of course, the LHDV will receive regular income but in term of cashflows it is likely that, at least initially, it will need financial assistance. Council consent issues with regard to this financial assistance is discussed above, but financial modelling and accounting advice should also be sought to establish the position.

- 6.2 If the Council is to grant or loan money to the LHDV this could come from any available (non-HRA) sources, either as a grant or prudential borrowing on-lent by the Council to the LHDV. Any prudential borrowing by the Council which is on-lent to the LHDV would be General Fund borrowing provided that it relates to properties owned by the LHDV and the Council has used a power other than Part II Housing Act 1985 power to participate and establish the LHDV.
- 6.3 Section 1 of the Local Government Act 2003 (**the 2003 Act**) provides a local authority with the power to borrow money for any purpose relevant to its functions or for the purposes of the management of its financial affairs. The control on the amount that the Council could borrow is governed by the prudential limit which it has determined for itself in accordance with its duty under Section 3 of the 2003 Act. As with any Council borrowing, the Council is also required to have regard to the Prudential Code for Finance in local authorities (**the Prudential Code**) when carrying out its duties with regard to borrowing money. This includes a requirement to have regard to its financial commitments and obligations to any companies or other similar entities in which it has interests (paragraph 76 of the Prudential Code).
- 6.4 Alternatively, the LHDV may be able to obtain private finance secured against the future rental streams for the properties. Financial advice would be needed to assess whether the LHDV could accommodate the required amount of borrowing within its business plan and also the implications of such borrowing on the rent levels that the LHDV would need to charge.
- 6.5 It should be noted that there is a risk that providing grant to the LHDV or on-lending at a preferential rate could be deemed to be State Aid (see below). State Aid implications would also need to be reviewed if the Council were considering guaranteeing any LHDV loan obligations.

7 **Tax and business planning issues for the LHDV**

- 7.1 We would highlight that the Council would need to obtain specific tax advice in relation to the LHDV but we set out below some high level tax implications. In particular, unlike the Council, the LHDV would be subject to corporation tax on its profits. The current applicable corporation tax rate is 20% however it should be noted that tax is payable on the net profits of the LHDV, which is calculated after allowable cost deductions. These include arm's length payments to the Council (appropriate interest costs on loan for example) and other arm's length payments for services provided by the Council. There is also likely to be some additional VAT costs related to management and maintenance of the properties. Further, SDLT might potentially be payable by the LHDV on the market value of any sites transferred to it (and this would be payable at market value in respect of sites transferred from the Council) irrespective of what the LHDV pays for such land, because the Council and the LHDV would be connected parties for tax purposes). As already indicated, SDLT group relief may be available in relation to transfers from the Council to the LHDV if the LHDV were set up as a company limited by shares with at least 75% of the paid up shares owned by the Council but this would need to be confirmed by the Council's tax advisers. In relation to any properties acquired by the LHDV from a third party, it should be noted that this group relief would not be available.
- 7.2 The consequences of these taxes would need to be carefully modelled.

7.3 Because of the likely requirement to transfer land to the LHDV at best consideration and for the terms of any funding and/or services (such as housing management and company administration services) to be provided by the Council to the LHDV also to be provided at market rates, these costs would need to be properly reflected by the Council in its financial appraisal of development by the LHDV.

8 EU procurement

8.1 With regard to any transfer of land by the Council to the LHDV, if it is a pure disposal of land then it would not be subject to advertisement under the EU Procurement Rules – this is known as the "land exemption". However, if the agreement between the Council and the LHDV imposes specific requirements of the Council on the LHDV as to what is to be developed on a site, it is likely to be viewed as a "public works contract" rather than a pure land disposal.

8.2 However, even if the agreement does amount to a public works contract, it is possible that in these circumstances the "Teckal" exemption will apply. The Teckal exemption allows public contracts in relation to works, services or suppliers let by a local authority to a third party (here the LHDV) to be let without following the EU Procurement Regulations where (1) the Council exercises over the LHDV a level of control similar to that which it exercises over its internal department; and (2) the LHDV carries out the "essential parts" of its activities for the Council. The Teckal exemption is now included in the Public Contract Regulations 2015 (at Regulation 12) which are due to come into force on 26 February 2015. The essential services element of the Teckal exemption is now stated as being "more than 80% of the activities of the controlled legal person are carried out in the performance of tasks entrusted to it by the controlling contracting authority ...". Further consideration will need to be given to whether the services element of the "Teckal" (now Regulation 12) exemption is met with the LHDV being the landlord of its own properties, i.e. has the LHDV been entrusted by the local authority to carry out those services for it. For completeness we would add that there can be no direct private capital participation in the controlled body, i.e. the LHDV, in order for the exemption to apply.

8.3 The LHDV is also likely to be a contracting authority itself as a body governed by public law and thus itself subject to the EU Procurement Rules. A "body governed by public law" is defined within the new Public Contract Regulations 2015 as follows:

bodies governed by public law means bodies that have all of the following characteristics:

- (a) They are established for the specific purpose of meeting needs in the general interests, not having an industrial or commercial character;*
- (b) They have a legal personality; and*
- (c) They have any of the following characteristics:*
 - i They are financed, for the most part, by the State, regional or local authorities, or by other bodies governed by public law;*
 - ii They are subject to management supervision by those authorities or bodies; or*

- iii *They have an administrative, managerial or supervisory board more than half of whose members are appointed by the State, regional or local authorities, or by other bodies governed by public law.*

8.3.2 This means that, if the LHDV is a Contracting Authority, the LHDV would need to procure any construction or refurbishment works in housing management which it is to outsource (subject to the Teckal or in-house exemption) in accordance with EU Procurement Rules.

9 State Aid

9.1 The provision of financial assistance to the LHDV (by way of grant or loan) or the transfer of sites or dwellings by the Council to the LHDV at an undervalue or the supply of finance or services at below market rates would, on the face of it, constitute State Aid. We are not aware of any other form of State Aid presently contemplated but this would need to be kept under review particularly if a guarantee from the Council is given to private funders.

9.2 Whilst there is an exemption¹ if the LHDV is to provide a "service of general economic interest", which could include the provision of social or intermediate housing, this would not apply if housing were to be developed or acquired for letting at a market rent as currently envisaged under the Council's proposals.

9.3 State Aid guidance provides that authorities that dispose of land for less than best consideration or provide loans at below market rate need to comply with the State Aid rules set down by the EC Commission.

9.4 EU Treaty provisions

9.4.1 Under the Treaty of the Functioning of the European Union (**TFEU**) any aid granted by a Member State or through "state resources" in any form, which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods, insofar as it affects trade between Member States, is likely to constitute unlawful State Aid and be incompatible with the common market. What is deemed to constitute State Aid is very broad, and this can include the provision of loans at a rate below market standard, grant funding, lenient taxation regimes, sale of assets at an undervalue or the provision of certain types of guarantee.

9.4.2 If a State Aid is deemed to have been provided, the powers of the EU Commission are extensive; notably it has the power to stop further transactions and order repayment of any aid already paid with interest.

9.4.3 No definition of State Aid is provided as such, but the TFEU sets out four elements, all of which must be satisfied if a measure is to constitute State Aid. These are:

- (a) State Awards – the aid must be awarded by a Member State or through state resources (which would include the Council),

¹ Commission Decision 20 December 2011 – SGEI - Notified under document reference C(2011) 9380 and Case C-280/00 Altmark Trans GmGH and Regierungspräsidium Magdeburg V Nahverkehrsgesellschaft Altmark [2003] ECR I-7747

- (b) Selectivity – the aid must favour certain undertakings or the production of certain goods. In this context an undertaking is an entity engaged in economic activity, (being an activity for which there is a market in comparable goods or services). This can therefore include entities, such as the LHDV, which are engaged in activities which have commercial competitors. The purpose of this requirement is to draw a distinction between aid to certain undertakings or sectors, and general policy measures which are open to all economic entities operating within the Member State.
- (c) Distortion of Competition (or threaten to distort) – the key criteria is that the aid strengthens the position of the recipient in relation to its competitors. The criterion that aid must distort competition is applied very broadly and is nearly always satisfied regardless of the scale of the potential distortion or market share of the aid recipient. It should be noted, however, that *de minimis* aid, which has a negligible effect on trade between Member States, is not considered as falling into the scope of Article 107. The *de minimis* threshold is currently set at €200,000 (assessed over a rolling three year period) and on the basis that the recipient is a provider of services of general economic interest.
- (d) Affects trade between Member States – as most services are traded between Member States, this criteria is easily satisfied unless the aid is to a small, defined local market where cross border trade is not possible.

9.4.4 It would appear on the face of it that a number of elements of the Council's proposals could – if not structured correctly - potentially amount to unlawful State Aid, in particular:

- (a) Disposal of land to the LHDV at an undervalue;
- (b) The provision of any financial assistance (i.e. loan finance or acquisition of share capital) to the LHDV otherwise than on commercial terms;
- (c) The provision of any services from the Council to the LHDV otherwise than on market terms;
- (d) Selectivity will exist as the Council only intends to provide support to the LHDV rather than offer support generally;
- (e) The European Commission has previously decided² that aid to companies providing private rented homes will, if not structured correctly, distort competition and affect trade in the single European market.

9.4.5 We would therefore recommend a valuation should be carried out by an independent asset valuer in order to establish the best consideration of any land disposed to the LHDV. In order to comply with the EU Commission's State Aid decision³ on public sector land disposals this should be undertaken before

² State Aid No. E 2/2005 and No. NG 42/2009 – The Netherlands – Existing and Special Project Aid to housing corporations

the Council and LHDV enter into negotiations on price. A valuation may need to be carried out in any event as part of the satisfaction of the consents regime. This market valuation should be the minimum purchase price that can be agreed without granting State Aid. Therefore, if the consideration received by the Council amounts to the minimum purchase price, then such land disposal will not amount to State Aid.

9.4.6 Equally, the terms on which finance is provided by the Council to the LHDV and the terms on which services are provided to the LHDV should also be full market terms such that these would not amount to State Aid⁴.

10 **Overview of likely contractual documentation**

10.1 The development of the contractual documentation between the Council and the LHDV will be entirely dependent upon the structure of the LHDV and the relationship between it and the Council. However from experience it is likely that the following corporate and contractual documentation will be required in order to develop the LHDV as an operational vehicle:

10.1.1 Articles of Association of the LHDV;

10.1.2 Company Resolutions and appointment of directors (and secretary if necessary);

10.1.3 Land Transfer Agreement - to transfer HRA (and other?) land from the Council to the LHDV;

10.1.4 Subscription Agreement – if necessary to provide reassurance to the LHDV directors that additional equity will be injected into the company as necessary to facilitate development;

10.1.5 Funding Agreement – to regulate the terms of any loan between the Council and the LHDV;

10.1.6 Debenture and Legal Charge - to be effective as a legal mortgage over the LHDV properties;

10.1.7 Assured Shorthold Tenancy Agreement - standard form tenancy agreement for properties let by the LHDV;

10.1.8 Housing Management Agreement – between the LHDV and the Council assuming the Council will manage the properties on behalf of the LHDV.

11 **Conclusion**

11.1 It will be clear there are a number of legal choices to be made to establish the company in the right legal form and on the right basis. Central to the evaluation of the legal issues is flexibility and we have emphasised this throughout the report. This is why we think the CLS is the most favourable model for the LHDV.

³ Commission Communication on State Aid elements in sales of land and buildings by public authorities

⁴ Commission Communication on MEIP (OJ C 307, 13.11.1993, p3)

11.2 An initial decision to establish a company can be made straightforwardly, with an agreement in principle as to how the company is likely to be used. Financial modelling will be crucial to understanding the viability of the approach adopted.

This report is prepared for Hinckley & Bosworth Borough Council only and is not to be shared with or relied upon by third parties with our prior written consent.

Trowers & Hamlins LLP

February 2015

Appendix 2

Private company limited by shares

Memorandum of association

of

Hinckley and Bosworth Development Limited

Each subscriber to this memorandum of association wishes to form a company under the Companies Act 2006 and agrees to become a member of the company and to take at least one share.

Name of each subscriber

Authentication by each subscriber

Hinckley and Bosworth Borough Council



Hinckley and Bosworth Development Limited

Articles of association

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Company number:

Private company limited by shares

Articles of association

of

Hinckley and Bosworth Development Limited

1 Model articles not to apply

The model articles of association for private companies limited by shares contained in Schedule 1 to the Companies (Model Articles) Regulations 2008, as amended prior to the date of adoption of these Articles shall not apply to the company. References to **the articles** shall be to the following articles of association as amended from time.

2 Defined terms

In the articles, unless the context requires otherwise:

bankruptcy includes individual insolvency proceedings in a jurisdiction other than England and Wales or Northern Ireland which have an effect similar to that of bankruptcy;

board means the board of directors of the company from time to time;

chairman has the meaning given in article 14;

chairman of the meeting has the meaning given in article 47;

Companies Acts means the Companies Acts (as defined in section 2 of the Companies Act 2006), in so far as they apply to the company;

council means the Hinckley and Bosworth Borough Council or any successor body thereto;

director means a director of the company, and includes any person occupying the position of director, by whatever name called;

distribution recipient has the meaning given in article 39;

document includes, unless otherwise specified, any document sent or supplied in electronic form;

electronic form has the meaning given in section 1168 of the Companies Act 2006;

fully paid in relation to a share, means that the nominal value and any premium to be paid to the company in respect of that share have been paid to the company;

hard copy form has the meaning given in section 1168 of the Companies Act 2006;

holder in relation to shares means the person whose name is entered in the register of members as the holder of the shares;

instrument means a document in hard copy form;

ordinary resolution has the meaning given in section 282 of the Companies Act 2006;

paid means paid or credited as paid;

participate, in relation to a directors' meeting, has the meaning given in article 12;

proxy notice has the meaning given in article 53;

shareholder means a person who is the holder of a share;

shares means shares in the company;

special resolution has the meaning given in section 283 of the Companies Act 2006;

subsidiary has the meaning given in section 1159 of the Companies Act 2006;

transmittee means a person entitled to a share by reason of the death or bankruptcy of a shareholder or otherwise by operation of law; and

writing means the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied in electronic form or otherwise.

Unless the context otherwise requires, other words or expressions contained in these articles bear the same meaning as in the Companies Act 2006 as in force on the date when these articles become binding on the company.

3 **Liability of members**

The liability of the members is limited to the amount, if any, unpaid on the shares held by them.

4 **Objects clause**

The company's objects are unrestricted.

5 **Directors' general authority**

Subject to the articles, the directors are responsible for the management of the company's business, for which purpose they may exercise all the powers of the company.

6 **Shareholders' reserve power**

- 6.1 The shareholders may, by special resolution, direct the directors to take, or refrain from taking, specified action.
- 6.2 No such special resolution invalidates anything which the directors have done before the passing of the resolution.

7 **Directors may delegate**

- 7.1 Subject to the articles, the directors may delegate any of the powers which are conferred on them under the articles:
- 7.1.1 to such person or committee;
 - 7.1.2 by such means (including by power of attorney);
 - 7.1.3 to such an extent;
 - 7.1.4 in relation to such matters or territories; and
 - 7.1.5 on such terms and conditions;

as they think fit.

- 7.2 If the directors so specify, any such delegation may authorise further delegation of the directors' powers by any person to whom they are delegated.
- 7.3 The directors may revoke any delegation in whole or part, or alter its terms and conditions.

8 **Committees**

- 8.1 Committees to which the directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of the articles which govern the taking of decisions by directors.
- 8.2 The directors may make rules of procedure for all or any committees, which prevail over rules derived from the articles if they are not consistent with them.

9 **Directors to take decisions collectively**

- 9.1 The general rule about decision-making by directors is that any decision of the directors must be either a majority decision at a meeting or a decision taken in accordance with article 10.
- 9.2 If:
- 9.2.1 the company only has one director; and
 - 9.2.2 no provision of the articles requires it to have more than one director,

the general rule does not apply, and the director may take decisions without regard to any of the provisions of the articles relating to directors' decision-making.

10 **Unanimous decisions**

- 10.1 A decision of the directors is taken in accordance with this article when all eligible directors indicate to each other by any means that they share a common view on a matter.
- 10.2 Such a decision may take the form of a resolution in writing, which may consist of several copies each signed by one or more eligible directors or to which the eligible directors have otherwise indicated agreement in writing.
- 10.3 References in this article to eligible directors are to directors who would have been entitled to vote on the matter had it been proposed as a resolution at a directors' meeting.
- 10.4 A decision may not be taken in accordance with this article if the eligible directors would not have formed a quorum at such a meeting.

11 **Calling a directors' meeting**

- 11.1 Any director may call a directors' meeting by giving notice of the meeting to the directors or by authorising the company secretary (if any) to give such notice.
- 11.2 Notice of any directors' meeting must indicate:
 - 11.2.1 its proposed date and time;
 - 11.2.2 where it is to take place; and
 - 11.2.3 if it is anticipated that directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.
- 11.3 Notice of a directors' meeting must be given to each director, but need not be in writing.
- 11.4 Notice of a directors' meeting need not be given to directors who waive their entitlement to notice of that meeting. A director may waive the requirement that notice of a meeting of the directors or of a committee of the directors be given to him at any time before or after the date on which the meeting is held by notifying the company to that effect. Where a director gives such notice after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it.

12 **Participation in directors' meetings**

- 12.1 Subject to the articles, directors participate in a directors' meeting, or part of a directors' meeting, when:
 - 12.1.1 the meeting has been called and takes place in accordance with the articles, and
 - 12.1.2 they can each communicate to the others any information or opinions they have on any particular item of the business of the meeting.
- 12.2 In determining whether directors are participating in a directors' meeting, it is irrelevant where any director is or how they communicate with each other.

12.3 If all the directors participating in a meeting are not in the same place, the meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no such group, where the chairman of the meeting is.

13 **Quorum for directors' meetings**

13.1 At a directors' meeting, unless a quorum is participating, no proposal is to be voted on, except a proposal to call another meeting.

13.2 The quorum for the transaction of business of the directors shall be two.

13.3 If the total number of directors for the time being is less than the quorum required, the directors must not take any decision other than a decision:

13.3.1 to request that the council appoints such number of further council directors as are required to make up the board under articles 20.1.1 and 21.1;

13.3.2 to appoint such number of further independent directors as are required to make up the board under articles 20.1.2 and 21.2; or

13.3.3 to appoint such number of further directors as are required to make up the quorum required in accordance with article 22.

14 **Chairing of directors' meetings**

14.1 The board shall appoint a director to chair the directors' meetings.

14.2 The person so appointed for the time being is known as the chairman.

14.3 The council may require the directors to terminate the chairman's appointment at any time upon giving written notice to the company.

14.4 If the chairman is not participating in a directors' meeting within ten minutes of the time at which it was to start, the participating directors must appoint one of themselves to chair it.

15 **Casting vote**

15.1 If the numbers of votes for and against a proposal are equal, the chairman or other director chairing the meeting has a casting vote.

15.2 But this does not apply if, in accordance with the articles, the chairman or other director is not to be counted as participating in the decision-making process for quorum or voting purposes.

16 **Conflicts of interest**

16.1 If a proposed decision of the directors is concerned with an actual or proposed transaction or arrangement with the company in which a director is interested, then provided that the director has disclosed his interest in such actual or proposed transaction or arrangement with the company in accordance with the Companies Acts or the provisions of these articles, he may nevertheless be counted as participating in the decision-making process for quorum and voting purposes in respect of any such matter in which the director is in any way interested, and shall not, save as otherwise agreed, be accountable to the

company for any benefit which he derives under or in consequence of any such transaction or arrangement.

16.2 For the purposes of this article, references to proposed decisions and decision-making processes include any directors' meeting or part of a directors' meeting.

16.3 Subject to article 16.4, if a question arises at a meeting of directors or of a committee of directors as to the right of a director to participate in the meeting (or part of the meeting) for voting or quorum purposes, the question may, before the conclusion of the meeting, be referred to the chairman whose ruling in relation to any director other than the chairman is to be final and conclusive.

16.4 If any question as to the right to participate in the meeting (or part of the meeting) should arise in respect of the chairman, the question is to be decided by a decision of the directors at that meeting, for which purpose the chairman is not to be counted as participating in the meeting (or that part of the meeting) for voting or quorum purposes.

17 **Authorisation of directors' conflicts of interest**

17.1 For the purposes of section 175 of the Companies Act 2006, as amended, consolidated or re-enacted from time to time (the **2006 Act**), the directors shall have the power to authorise any relationship, situation or other matter which would or might otherwise constitute or give rise to a breach by a director of the duty to avoid conflicts of interest set out in that section of the 2006 Act (a **Conflict Situation**). Any reference in these articles to a conflict of interest includes a conflict of interest and duty and a conflict of duties.

17.2 For the purposes of sections 175 and 180(4) of the 2006 Act and for all other purposes, it is acknowledged that a director may be or become subject to a Conflict Situation or Conflict Situations as a result of his also being or having been (or being party to an agreement or arrangement or understanding or circumstances under which he may become) an employee, director, trustee, member, partner, officer or representative of, or a consultant to, or a direct or indirect investor in and/or otherwise involved with or interested in, any of the company, its subsidiaries, any of its holding companies or any subsidiary of any of its holding companies (as such terms are defined in section 1159 of the 2006 Act) or any of its shareholders.

17.3 No director shall be in breach of the duty to avoid conflicts of interest in section 175 of the Act as a result of, and no authorisation is required in respect of, any Conflict Situation envisaged by article 17.2 having arisen or existing in relation to him.

17.4 Authorisation of a matter under this article 17 shall be effective only if:

17.4.1 the matter in question shall have been proposed in writing for consideration by the directors, or in such other manner as the directors may determine;

17.4.2 any requirement as to the quorum at the meeting of the directors at which the matter is considered is met without counting the director in question and any other interested director (together, the **interested directors**); and

17.4.3 the matter was agreed to without the interested directors voting or would have been agreed to if the votes of the interested directors had not been counted.

17.5 Unless otherwise determined by the directors (excluding the interested directors), any authorisation of a matter under this article 17 shall extend to any actual or potential conflict of interest which may reasonably be expected to arise out of the matter so authorised.

17.6 Any authorisation of a matter under this article 17 shall be on such terms and/or conditions as the directors (excluding the interested directors) may determine, whether at the time such authorisation is given or subsequently and may be varied or terminated by the directors (excluding the interested directors) at any time. Such terms or conditions may include (without limitation) terms and conditions as to the duration, renewal and/or revocation of the authorisation, and/or the exclusion of the interested directors from all information and discussion of the matter in question. A director shall comply with any obligations imposed on him by the directors (excluding the interested directors) pursuant to any such authorisation.

17.7 If a director receives or has received any information otherwise than by virtue of his position as a director of the company and in respect of which he owes a duty of confidentiality to another person, the director is under no obligation to:

17.7.1 disclose any such information to the company, the directors or any other director or employee of the company; or

17.7.2 use or apply any such information in connection with the performance of his duties as a director;

provided that to the extent that such duty of confidentiality arises out of a situation or relationship which would or might otherwise constitute or give rise to a breach by the director of the duty to avoid conflicts of interest set out in section 175 of the 2006 Act, this article 17.7 shall apply only if such situation or relationship has been authorised by the directors under this article 17.

17.8 A director shall not, save as otherwise agreed by him, be accountable to the company for any benefit which he (or a person connected with him) derives from any matter authorised by the directors under this article and any contract, transaction or arrangement relating thereto shall not be liable to be avoided on the grounds of any such benefit.

18 **Records of decisions to be kept**

The directors must ensure that the company keeps a record, in writing, for at least 10 years from the date of the decision recorded, of every unanimous or majority decision taken by the directors.

19 **Directors' discretion to make further rules**

Subject to the articles, the directors may make any rule which they think fit about how they take decisions, and about how such rules are to be recorded or communicated to directors.

20 **The board**

Unless otherwise determined by ordinary resolution, the number of directors is not subject to any maximum and the minimum number is two.

21 **Appointment and Removal of Directors**

21.1 Notwithstanding any other provision of these articles, the holder or holders of a majority in nominal value of the issued ordinary shares in the capital of the company may at any time and from time to time:

21.1.1 appoint any person to be a director (provided that any such appointment does not cause the number of directors to exceed a number fixed by or in accordance with these articles as the maximum number of directors); or

21.1.2 remove any director from office.

21.2 Every such appointment or removal shall be effected by notice in writing to the company and shall take effect immediately (or on such later date, if any, specified in the notice). Any such notice of appointment or removal may consist of several documents in similar form, each signed by or on behalf of one or more holders.

22 In any case where, as a result of bankruptcy, the company has no shareholders and no directors, the trustee in bankruptcy or other transmittee(s) of the last shareholder to have a bankruptcy order made against him has the right, by notice in writing, to appoint a natural person (including himself) who is willing to act and is permitted to do so to be a director.

23 **Termination of director's appointment**

A person shall be ineligible for appointment to the board and if already appointed ceases to be a director as soon as:

23.1 that person ceases to be a director by virtue of any provision of the Companies Act 2006 or is prohibited from being a director by law;

23.2 that person has for more than six consecutive months been absent without permission of the directors from meetings of directors held during that period and the directors resolve that person's office be vacated;

23.3 a bankruptcy order is made against that person;

23.4 a composition is made with that person's creditors generally in satisfaction of that person's debts;

23.5 a registered medical practitioner who is treating that person gives a written opinion to the company stating that that person has become physically or mentally incapable of acting as a director and may remain so for more than three months;

23.6 notification is received by the company from the director that the director is resigning from office, and such resignation has taken effect in accordance with its terms;

23.7 that person is an employee of any shareholder in the company and ceases to be employed as such for any reason;

23.8 that person is removed by the council by a notice in writing to the company;

23.9 that person is or becomes a person disqualified from elected membership of a local authority;

24 **Directors' remuneration**

24.1 Directors may undertake any services for the company that the directors decide.

25 **Directors' expenses**

The company may pay any reasonable expenses which the directors properly incur in connection with their attendance at:

25.1 meetings of directors or committees of directors;

25.2 general meetings; or

25.3 separate meetings of the holders of any class of shares or of debentures of the company, or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the company **provided that** no sum shall be paid to a director who is an elected member of the council.

26 **Company secretary**

The directors may appoint a company secretary for such term, at such remuneration and upon such conditions as they think fit. Any company secretary may be removed or replaced by the directors.

27 **Nil- or partly-paid shares permitted**

If the company at any time has nil or partly-paid shares in issue, articles 52 to 62 (inclusive) of the model articles of association for public companies contained in Schedule 3 to the Companies (Model Articles) Regulations 2008, as amended prior to the date of adoption of these articles, shall apply to the company and form part of these articles as if the text of such provisions was set out in full in these articles.

28 **Allotment of shares**

28.1 Save as authorised from time to time by an ordinary resolution of the shareholders, the directors shall not exercise any power to allot shares or to grant rights to subscribe for, or to convert any security into, any shares in the company.

28.2 Sections 561 and 562 of the Companies Act 2006 shall not apply to any allotment of equity securities (as defined in section 560 of the Companies Act 2006) by the company.

29 **Powers to issue different classes of share**

29.1 Subject to the articles, but without prejudice to the rights attached to any existing share, the company may issue shares with such rights or restrictions as may be determined by ordinary resolution.

29.2 The company may issue shares which are to be redeemed, or are liable to be redeemed at the option of the company or the holder, and the directors may determine the terms, conditions and manner of redemption of any such shares.

30 **Company not bound by less than absolute interests**

Except as required by law, no person is to be recognised by the company as holding any share upon any trust, and except as otherwise required by law or the articles, the company is not in any way to be bound by or recognise any interest in a share other than the holder's absolute ownership of it and all the rights attaching to it.

31 **Share certificates**

31.1 The company must issue each shareholder, free of charge, with one or more certificates in respect of the shares which that shareholder holds.

31.2 Every certificate must specify:

31.2.1 in respect of how many shares, of what class, it is issued;

31.2.2 the nominal value of those shares;

31.2.3 the amount paid up on the shares to which it relates; and

31.2.4 any distinguishing numbers assigned to them.

31.3 No certificate may be issued in respect of shares of more than one class.

31.4 If more than one person holds a share, only one certificate may be issued in respect of it.

31.5 Certificates must:

31.5.1 have affixed to them the company's common seal, or

31.5.2 be otherwise executed in accordance with the Companies Acts.

32 **Replacement share certificates**

32.1 If a certificate issued in respect of a shareholder's shares is:

32.1.1 damaged or defaced; or

32.1.2 said to be lost, stolen or destroyed,

that shareholder is entitled to be issued with a replacement certificate in respect of the same shares.

32.2 A shareholder exercising the right to be issued with such a replacement certificate:

32.2.1 may at the same time exercise the right to be issued with a single certificate or separate certificates;

32.2.2 must return the certificate which is to be replaced to the company if it is damaged or defaced; and

32.2.3 must comply with such conditions as to evidence, indemnity and the payment of a reasonable fee as the directors decide.

33 **Share transfers**

- 33.1 Shares may be transferred by means of an instrument of transfer in any usual form or any other form approved by the directors, which is executed by or on behalf of the transferor.
- 33.2 The instrument of transfer of any share taken on formation of the company by a subscriber to the company's memorandum of association need not be executed by or on behalf of the transferee even where the share is not fully paid.
- 33.3 No fee may be charged for registering any instrument of transfer or other document relating to or affecting the title to any share.
- 33.4 The company may retain any instrument of transfer which is registered.
- 33.5 The transferor remains the holder of a share until the transferee's name is entered in the register of members as holder of it.
- 33.6 The directors may refuse to register the transfer of a share, and if they do so, the instrument of transfer must be returned to the transferee with the notice of refusal unless they suspect that the proposed transfer may be fraudulent.
- 34 **Transmission of shares**
- 34.1 If title to a share passes to a transmittee, the company may only recognise the transmittee as having any title to that share.
- 34.2 A transmittee who produces such evidence of entitlement to shares as the directors may properly require:
- 34.2.1 may, subject to the articles, choose either to become the holder of those shares or to have them transferred to another person; and
- 34.2.2 subject to the articles, and pending any transfer of the shares to another person, has the same rights as the holder had.
- 34.3 But transmittees do not have the right to attend or vote at a general meeting, or agree to a proposed written resolution, in respect of shares to which they are entitled, by reason of the holder's death or bankruptcy or otherwise, unless they become the holders of those shares.
- 35 **Exercise of transmittees' rights**
- 35.1 Transmittees who wish to become the holders of shares to which they have become entitled must notify the company in writing of that wish.
- 35.2 If the transmittee wishes to have a share transferred to another person, the transmittee must execute an instrument of transfer in respect of it.
- 35.3 Any transfer made or executed under this article is to be treated as if it were made or executed by the person from whom the transmittee has derived rights in respect of the share, and as if the event which gave rise to the transmission had not occurred.
- 36 **Transmittees bound by prior notices**

If a notice is given to a shareholder in respect of shares and a transmittee is entitled to those shares, the transmittee is bound by the notice if it was given to the shareholder before the transmittee's name has been entered in the register of members.

37 Procedure for declaring dividends

- 37.1 The company may by ordinary resolution declare dividends, and the directors may decide to pay interim dividends.
- 37.2 A dividend must not be declared unless the directors have made a recommendation as to its amount. Such a dividend must not exceed the amount recommended by the directors.
- 37.3 No dividend may be declared or paid unless it is in accordance with shareholders' respective rights.
- 37.4 Unless the shareholders' resolution to declare or directors' decision to pay a dividend, or the terms on which shares are issued, specify otherwise, it must be paid by reference to each shareholder's holding of shares on the date of the resolution or decision to declare or pay it.
- 37.5 If the company's share capital is divided into different classes, no interim dividend may be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears.
- 37.6 The directors may pay at intervals any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment.
- 37.7 If the directors act in good faith, they do not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on shares with deferred or non-preferred rights.

38 Calculation of dividends

Except as otherwise provided by these articles or the rights attached to shares, all dividends must be:

- 38.1 declared and paid according to the amounts paid up on the shares on which the dividend is paid; and
- 38.2 apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

If any share is issued on terms providing that it ranks for dividend as from a particular date, that share ranks for dividend accordingly. For the purposes of calculating dividends, no account is to be taken of any amount which has been paid up on a share in advance of the due date for payment of that amount.

39 Payment of dividends and other distributions

- 39.1 Where a dividend or other sum which is a distribution is payable in respect of a share, it must be paid by one or more of the following means:

- 39.1.1 transfer to a bank or building society account specified by the distribution recipient either in writing or as the directors may otherwise decide;
- 39.1.2 sending a cheque made payable to the distribution recipient by post to the distribution recipient at the distribution recipient's registered address (if the distribution recipient is a holder of the share), or (in any other case) to an address specified by the distribution recipient either in writing or as the directors may otherwise decide;
- 39.1.3 sending a cheque made payable to such person by post to such person at such address as the distribution recipient has specified either in writing or as the directors may otherwise decide; or
- 39.1.4 any other means of payment as the directors agree with the distribution recipient either in writing or by such other means as the directors decide.

39.2 In these articles, the **distribution recipient** means, in respect of a share in respect of which a dividend or other sum is payable:

- 39.2.1 the holder of the share; or
- 39.2.2 if the share has two or more joint holders, whichever of them is named first in the register of members; or
- 39.2.3 if the holder is no longer entitled to the share by reason of death or bankruptcy, or otherwise by operation of law, the transmittee.

40 **No interest on distributions**

The company may not pay interest on any dividend or other sum payable in respect of a share unless otherwise provided by:

- 40.1 the terms on which the share was issued, or
- 40.2 the provisions of another agreement between the holder of that share and the company.

41 **Unclaimed distributions**

41.1 All dividends or other sums which are:

- 41.1.1 payable in respect of shares; and
- 41.1.2 unclaimed after having been declared or become payable,

may be invested or otherwise made use of by the directors for the benefit of the company until claimed.

41.2 The payment of any such dividend or other sum into a separate account does not make the company a trustee in respect of it.

41.3 If:

41.3.1 twelve years have passed from the date on which a dividend or other sum became due for payment; and

41.3.2 the distribution recipient has not claimed it,

the distribution recipient is no longer entitled to that dividend or other sum and it ceases to remain owing by the company.

42 **Non-cash distributions**

42.1 Subject to the terms of issue of the share in question, the company may, by ordinary resolution on the recommendation of the directors, decide to pay all or part of a dividend or other distribution payable in respect of a share by transferring non-cash assets of equivalent value (including, without limitation, shares or other securities in any company).

42.2 For the purposes of paying a non-cash distribution, the directors may make whatever arrangements they think fit, including, where any difficulty arises regarding the distribution:

42.2.1 fixing the value of any assets;

42.2.2 paying cash to any distribution recipient on the basis of that value in order to adjust the rights of recipients; and

42.2.3 vesting any assets in trustees.

43 **Waiver of distributions**

Distribution recipients may waive their entitlement to a dividend or other distribution payable in respect of a share by giving the company notice in writing to that effect, but if:

43.1 the share has more than one holder; or

43.2 more than one person is entitled to the share, whether by reason of the death or bankruptcy of one or more joint holders, or otherwise,

the notice is not effective unless it is expressed to be given, and signed, by all the holders or persons otherwise entitled to the share.

44 **Authority to capitalise and appropriation of capitalised sums**

44.1 Subject to the articles, the directors may, if they are so authorised by an ordinary resolution:

44.1.1 decide to capitalise any profits of the company (whether or not they are available for distribution) which are not required for paying a preferential dividend, or any sum standing to the credit of the company's share premium account or capital redemption reserve; and

44.1.2 appropriate any sum which they so decide to capitalise (a **capitalised sum**) to the persons who would have been entitled to it if it were distributed by way of dividend (the **persons entitled**) and in the same proportions.

44.2 Capitalised sums must be applied:

- 44.2.1 on behalf of the persons entitled; and
- 44.2.2 in the same proportions as a dividend would have been distributed to them.
- 44.3 Any capitalised sum may be applied in paying up new shares of a nominal amount equal to the capitalised sum which are then allotted credited as fully paid to the persons entitled or as they may direct.
- 44.4 A capitalised sum which was appropriated from profits available for distribution may be applied in or towards:
 - 44.4.1 paying up new debentures of the company which are then allotted credited as fully paid to the persons entitled or as they may direct;
 - 44.4.2 paying up any amounts unpaid on existing shares held by the persons entitled.
- 44.5 Subject to the articles the directors may:
 - 44.5.1 apply capitalised sums in accordance with paragraphs 46.3 and 46.4 partly in one way and partly in another;
 - 44.5.2 make such arrangements as they think fit to deal with shares or debentures becoming distributable in fractions under this article (including the issuing of fractional certificates or the making of cash payments); and
 - 44.5.3 authorise any person to enter into an agreement with the company on behalf of all the persons entitled which is binding on them in respect of the allotment of shares and debentures to them under this article.

45 **Attendance and speaking at general meetings**

- 45.1 A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.
- 45.2 A person is able to exercise the right to vote at a general meeting when:
 - 45.2.1 that person is able to vote, during the meeting, on resolutions put to the vote at the meeting, and
 - 45.2.2 that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.
- 45.3 The directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it.
- 45.4 In determining attendance at a general meeting, it is immaterial whether any two or more members attending it are in the same place as each other.
- 45.5 Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.

46 **Quorum for general meetings**

No business other than the appointment of the chairman of the meeting is to be transacted at a general meeting if the persons attending it do not constitute a quorum. The presence of a duly authorised representative of the council shall be a quorum.

47 **Chairing general meetings**

47.1 If the directors have appointed a chairman, the chairman shall chair general meetings if present and willing to do so.

47.2 If the directors have not appointed a chairman, or if the chairman is unwilling to chair the meeting or is not present within ten minutes of the time at which a meeting was due to start:

47.2.1 the directors present; or

47.2.2 (if no directors are present), the meeting,

must appoint a director or shareholder to chair the meeting, and the appointment of the chairman of the meeting must be the first business of the meeting.

47.3 The person chairing a meeting in accordance with this article is referred to as **the chairman of the meeting**.

48 **Attendance and speaking by directors and non-shareholders**

48.1 Directors may attend and speak at general meetings, whether or not they are shareholders.

48.2 The chairman of the meeting may permit other persons who are not:

48.2.1 shareholders of the company; or

48.2.2 otherwise entitled to exercise the rights of shareholders in relation to general meetings,

to attend and speak at a general meeting.

49 **Adjournment**

49.1 If the persons attending a general meeting within half an hour of the time at which the meeting was due to start do not constitute a quorum, or if during a meeting a quorum ceases to be present, the chairman of the meeting must adjourn it.

49.2 The chairman of the meeting may adjourn a general meeting at which a quorum is present if:

49.2.1 the meeting consents to an adjournment; or

49.2.2 it appears to the chairman of the meeting that an adjournment is necessary to protect the safety of any person attending the meeting or ensure that the business of the meeting is conducted in an orderly manner.

49.3 The chairman of the meeting must adjourn a general meeting if directed to do so by the meeting.

49.4 When adjourning a general meeting, the chairman of the meeting must:

49.4.1 either specify the time and place to which it is adjourned or state that it is to continue at a time and place to be fixed by the directors; and

49.4.2 have regard to any directions as to the time and place of any adjournment which have been given by the meeting.

49.5 If a general meeting is adjourned, then notice of the time and place to which it is adjourned shall be given:

49.5.1 to the same persons to whom notice of the company's general meetings is required to be given; and

49.5.2 containing the same information which such notice is required to contain.

49.6 No business may be transacted at an adjourned general meeting which could not properly have been transacted at the meeting if the adjournment had not taken place.

50 **Voting: general**

A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is duly demanded in accordance with the articles.

51 **Errors and disputes**

51.1 No objection may be raised to the qualification of any person voting at a general meeting except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting is valid.

51.2 Any such objection must be referred to the chairman of the meeting, whose decision is final.

52 **Poll votes**

52.1 A poll on a resolution may be demanded:

52.1.1 in advance of the general meeting where it is to be put to the vote, or

52.1.2 at a general meeting, either before a show of hands on that resolution or immediately after the result of a show of hands on that resolution is declared.

52.2 A poll may be demanded by:

52.2.1 the chairman of the meeting;

52.2.2 the directors;

52.2.3 any member (present in person or by proxy) having the right to attend and vote at the meeting or by a duly authorised representative of a corporation.

52.2.4 A demand for a poll may, before the poll is taken, be withdrawn. A demand so withdrawn shall not invalidate the result of a vote on a show of hands declared before the demand was made.

52.3 Polls must be taken immediately and in such manner as the chairman of the meeting directs.

53 **Content of proxy notices**

53.1 Proxies may only validly be appointed by a notice in writing (a **proxy notice**) which:

53.1.1 states the name and address of the shareholder appointing the proxy;

53.1.2 identifies the person appointed to be that shareholder's proxy and the general meeting in relation to which that person is appointed;

53.1.3 is signed by or on behalf of the shareholder appointing the proxy, or is authenticated in such manner as the directors may determine; and

53.1.4 is delivered to the company in accordance with the articles and any instructions contained in the notice of the general meeting to which they relate.

53.2 The company may require proxy notices to be delivered in a particular form, and may specify different forms for different purposes.

53.3 Proxy notices may specify how the proxy appointed under them is to vote (or that the proxy is to abstain from voting) on one or more resolutions.

53.4 Unless a proxy notice indicates otherwise, it must be treated as:

53.4.1 allowing the person appointed under it as a proxy discretion as to how to vote on any ancillary or procedural resolutions put to the meeting; and

53.4.2 appointing that person as a proxy in relation to any adjournment of the general meeting to which it relates as well as the meeting itself.

54 **Delivery of proxy notices**

54.1 A person who is entitled to attend, speak or vote (either on a show of hands or on a poll) at a general meeting remains so entitled in respect of that meeting or any adjournment of it, even though a valid proxy notice has been delivered to the company by or on behalf of that person.

54.2 An appointment under a proxy notice may be revoked by delivering to the company a notice in writing given by or on behalf of the person by whom or on whose behalf the proxy notice was given.

54.3 A notice revoking a proxy appointment only takes effect if it is delivered before the start of the meeting or adjourned meeting to which it relates.

54.4 If a proxy notice is not executed by the person appointing the proxy, it must be accompanied by written evidence of the authority of the person who executed it to execute it on the appointor's behalf.

55 **Proxies and corporate representatives**

The failure of any proxy or corporate representative to vote in accordance with any instructions given by the member by whom such proxy or corporate representative is appointed shall not invalidate the result of any vote in which the proxy or corporate representative has participated and the company and the directors shall be under no duty to enquire as to the instructions given to any such proxy or corporate representative.

56 **Amendments to resolutions**

56.1 An ordinary resolution to be proposed at a general meeting may be amended by ordinary resolution if:

56.1.1 notice of the proposed amendment is given to the company in writing by a person entitled to vote at the general meeting at which it is to be proposed not less than 48 hours before the meeting is to take place (or such later time as the chairman of the meeting may determine); and

56.1.2 the proposed amendment does not, in the reasonable opinion of the chairman of the meeting, materially alter the scope of the resolution.

56.2 A special resolution to be proposed at a general meeting may be amended by ordinary resolution, if:

56.2.1 the chairman of the meeting proposes the amendment at the general meeting at which the resolution is to be proposed; and

56.2.2 the amendment does not go beyond what is necessary to correct a grammatical or other non-substantive error in the resolution.

56.3 If the chairman of the meeting, acting in good faith, wrongly decides that an amendment to a resolution is out of order, the chairman's error does not invalidate the vote on that resolution.

57 **Written resolutions**

A proposed written resolution of the members of the company (or of a class of members) shall lapse if it is not passed before the end of the period of six months beginning with the circulation date of such resolution (as defined in section 290 of the Companies Act 2006).

58 **Means of communication to be used**

58.1 Subject to the articles, anything sent or supplied by or to the company under the articles may be sent or supplied in any way in which the Companies Act 2006 provides for documents or information which are authorised or required by any provision of that Act to be sent or supplied by or to the company.

58.2 Subject to the articles, any notice or document to be sent or supplied to a director in connection with the taking of decisions by directors may also be sent or supplied by the means by which that director has asked to be sent or supplied with such notices or documents for the time being.

58.3 A director may agree with the company that notices or documents sent to that director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours.

58.4 Any notice, document or other information shall be deemed served on or delivered to the intended recipient:

58.4.1 if properly addressed and sent by prepaid United Kingdom first class post to an address in the United Kingdom, 48 hours after it was posted (or five working days after posting either to an address outside the United Kingdom or from outside the United Kingdom to an address within the United Kingdom, if (in each case) sent by reputable international overnight courier addressed to the intended recipient, provided that delivery in at least five working days was guaranteed at the time of sending and the sending party receives a confirmation of delivery from the courier service provider);

58.4.2 if properly addressed and delivered by hand, when it was given or left at the appropriate address;

58.4.3 if properly addressed and sent or supplied by electronic means, one hour after the document or information was sent or supplied; and

58.4.4 if sent or supplied by means of a website, when the material is first made available on the website or (if later) when the recipient receives (or is deemed to have received) notice of the fact that the material is available on the website.

For the purposes of this article, no account shall be taken of any part of a day that is not a working day.

58.5 In proving that any notice, document or other information was properly addressed, it shall be sufficient to show that the notice, document or other information was delivered to an address permitted for the purpose by the Companies Act 2006.

59 **Company seals**

59.1 Any common seal may only be used by the authority of the directors.

59.2 The directors may decide by what means and in what form any common seal is to be used.

59.3 Unless otherwise decided by the directors, if the company has a common seal and it is affixed to a document, the document must also be signed by at least one authorised person in the presence of a witness who attests the signature.

59.4 For the purposes of this article, an authorised person is:

59.4.1 any director of the company;

59.4.2 the company secretary (if any); or

59.4.3 any person authorised by the directors for the purpose of signing documents to which the common seal is applied.

60 **No right to inspect accounts and other records**

Except as provided by law or authorised by the directors or an ordinary resolution of the company, no person is entitled to inspect any of the company's accounting or other records or documents merely by virtue of being a shareholder.

61 **Provision for employees on cessation of business**

The directors may decide to make provision for the benefit of persons employed or formerly employed by the company or any of its subsidiaries (other than a director or former director or shadow director) in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary.

62 **Indemnity**

62.1 The company may indemnify any relevant officer out of the assets of the company from and against any loss, liability or expense incurred by him or them in relation to the company (including any liability incurred in connection with the activities of the company or an associated company in its capacity as a trustee of an occupational pension scheme (as defined in section 235(6) of the Companies Act 2006)) **provided that** this article shall have effect, and any indemnity provided by or pursuant to it shall apply, only to the extent permitted by, and subject to the restrictions of, the Companies Act 2006. This article does not allow for or provide (to any extent) an indemnity which is more extensive than as permitted by the Companies Act 2006 and any such indemnity is limited accordingly. This article is also without prejudice to any indemnity to which any person may otherwise be entitled.

62.2 To the extent permitted by, and subject to the restrictions in, the Companies Act 2006 and without prejudice to any indemnity to which he may otherwise be entitled, the board shall have the power to provide funds to meet any expenditure incurred or to be incurred by any relevant officer in defending any criminal or civil (including regulatory) proceedings, or in connection with an application under the Companies Act 2006, or to enable him to avoid incurring such expenditure.

62.3 Without prejudice to the provisions of article 63, the directors may exercise all the powers of the company to purchase and maintain insurance for the benefit of any person who is a relevant officer or an employee or former employee of the company or any associated company or who is or was a trustee of a retirement benefits scheme or another trust in which a relevant officer or an employee or former employee is or has been interested, indemnifying him against liability for negligence, default, breach of duty or breach of trust or any other liability which may lawfully be insured against by the company.

62.4 In these articles:

62.4.1 companies are **associated** if one is a subsidiary of the other or both are subsidiaries of the same body corporate;

62.4.2 **relevant officer** means any current or former director, secretary or other officer of the company or an associated company (including any company which is a trustee of an occupational pension scheme (as defined in section 235(6) of the Companies Act 2006)), other than any person (whether an officer or not)

engaged by the company (or associated company) as an auditor, to the extent he acts as an auditor.

63 **Insurance**

63.1 The directors may decide to purchase and maintain insurance, at the expense of the company, for the benefit of any relevant director in respect of any relevant loss.

63.2 In this article:

63.2.1 a **relevant director** means any director or former director of the company or an associated company;

63.2.2 a **relevant loss** means any loss or liability which has been or may be incurred by a relevant director in connection with that director's duties or powers in relation to the company, any associated company or any pension fund or employees' share scheme of the company or associated company; and

63.2.3 companies are **associated** if one is a subsidiary of the other or both are subsidiaries of the same body corporate.



SCRUTINY COMMISSION – 12 MARCH 2015

JOINT SCRUTINY OF THE COMMUNITY SAFETY PARTNERSHIP REPORT OF THE DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)

WARDS AFFECTED: ALL WARDS

1. PURPOSE OF REPORT

- 1.1 To present proposed terms of reference for joint scrutiny of the Blaby and Hinckley & Bosworth Community Safety Partnerships in advance of the formal merger.

2. RECOMMENDATION

- 2.1 The terms of reference be endorsed.

3. BACKGROUND TO THE REPORT

- 3.1 In April 2011, an informal merger of the Blaby and Hinckley & Bosworth Community Safety Partnerships was implemented with the intention of realising efficiency savings, increasing operational capacity and better outcomes for communities.
- 3.2 Following the success of the informal merger, work began towards a formal merger of the Community Safety Partnerships in the two districts. It is anticipated that this will be progressed during 2015/16.
- 3.3 A key requirement of the formal merger is joint scrutiny of the partnership, which needs to be in place prior to approval of the merger. The proposed terms of reference have been drafted in consultation with the Chairs of the main Overview & Scrutiny body of both authorities and are attached.
- 3.4 Under the joint scrutiny arrangements, the full membership of both authorities' main Overview & Scrutiny bodies will make up the Joint Community Safety Partnership Overview and Scrutiny Committee and it will meet in autumn each year, with the option to hold additional meetings if necessary. The venue and Chair will alternate.
- 3.5 The Joint Community Safety Partnership Overview and Scrutiny Committee will scrutinise the way the Joint Community Safety Partnership works. Members will appreciate that this is a different function to the one currently undertaken by HBBC's Scrutiny Commission in its twice-yearly review of the CSP in relation to crime reduction and local issues.
- 3.6 A report will be presented to Council in due course regarding the full details of the merger and related formal agreements, including inclusion of the joint committee in the relevant section of the Constitution.

4. FINANCIAL IMPLICATIONS (KP)

- 4.1 The only financial implication arising from this change in arrangement is the cost of training for members. This is estimated to be £375 and will be met from existing member training budgets.

5. LEGAL IMPLICATIONS (EH)

- 5.1 The Council may establish joint arrangements with one or more local authorities using the joint committee in section 102(1)(b) of the Local Government Act 1972. The

council may only agree thin in relation to functions which are not executive functions in any of the participating authorities. Scrutiny is not an executive function for these purposes of either authority.

6. CORPORATE PLAN IMPLICATIONS

6.1 The matters considered within this report support all of the Council's aims, in particular providing value for money and proactive services by creating the formal merger and scrutinising the functions of the merged partnership to ensure continuing value and effectiveness.

7. CONSULTATION

7.1 No formal consultation on this particular report, however the wider subject of the formal merger will be subject to the relevant consultation.

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
Failure to monitor effectiveness of arrangements	Ensure robust scrutiny arrangements are in place	Relevant Chief Officers for Scrutiny and Community Safety

9. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

9.1 This report and implications therein has no implications on any single or group of communities or groups more than another as it supports an arrangement which will provide value for money and an effective and efficient service across the Borough.

10. CORPORATE IMPLICATIONS

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

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

Background papers: None

Contact Officer: Rebecca Owen, ext 5879 / Sharon Stacey, ext 5636

Executive Member: Councillor David Bill, Chair of Hinckley & Bosworth Community Safety Partnership

Blaby District Council & Hinckley & Bosworth Borough Council Joint Community Safety Partnership Overview and Scrutiny Committee

Membership and Quorum

All Scrutiny Commission members of both Blaby District Council and Hinckley and Bosworth Council. 8 Members present will constitute quorum with a minimum of 3 from each Council.

Regularity of meetings and venue

A minimum of one meeting to be held annually, alternating the venue each year, to be held during October/November and at another suitable time if required. A Planning Meeting to be held with Officers and Chairs of each Scrutiny Commission a minimum of four weeks prior to the Annual Meeting.

Chairing

The role of Chair and Vice Chair shall be rotated annually between the Scrutiny Commission Chairs of each Authority. In the absence of the host Chair the other Authority Scrutiny Chair shall act as meeting Chair and a Vice Chair will be appointed from Members present for that meeting only.

Terms of Reference

- To perform a joint Overview and Scrutiny function in relation to the Joint Community Safety Partnership Board.
- To receive a joint report from the Chair of the Joint Community Safety Partnership Board on the delivery of Joint CSP Action Plan and priorities for the last year and Joint Community Safety priorities for the coming year;
- To receive requests from either Authority to carry out additional work and determine the appropriate way to handle these requests;
- To report to the Joint Community Safety Partnership Board and Leicestershire Safer Communities Strategy Board any recommendations arising from the Joint Committees work
- To review arrangements to secure continuous improvement in the way in which the Community Safety Partnership functions are exercised having regard to a combination of economy, efficiency and effectiveness;
- To monitor the performance and risks relating to those services delivered jointly by the Community Safety Partnership against national and local performance targets;
- To consider any matter in relation to the Community Safety Partnership function affecting both areas or their residents jointly;
- To refer items put forward for consideration by individual members of the Joint Committee where these relate to joint community safety partnership services;
- Contribute to the Police and Crime Commission budget process.

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