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Chief Executive

Date: 30 January 2019



**Hinckley & Bosworth
Borough Council**

To: Members of the Scrutiny Commission

| | |
|--------------------------------|-----------------|
| Mr MR Lay (Chairman) | Mr DW MacDonald |
| Mrs R Camamile (Vice-Chairman) | Mr RB Roberts |
| Mr KWP Lynch (Vice-Chairman) | Mr BE Sutton |
| Mr DC Bill MBE | Mr R Ward |
| Mr SL Bray | Mr HG Williams |
| Mr WJ Crooks | |

To: Members of Finance & Performance Scrutiny

| | |
|--------------------------------|-----------------|
| Mr KWP Lynch (Chairman) | Mr DW MacDonald |
| Mr HG Williams (Vice-Chairman) | Mrs H Smith |
| Mr PS Bessant | Miss DM Taylor |
| Mrs R Camamile | Mr R Ward |
| Mr DS Cope | |

Copy to all other Members of the Council

(other recipients for information)

Dear Councillor,

There will be a joint meeting of the **SCRUTINY COMMISSION** and **FINANCE & PERFORMANCE SCRUTINY** in the De Montfort Suite, Hinckley Hub on **THURSDAY, 7 FEBRUARY 2019 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 - 7 FEBRUARY 2019

A G E N D A

1. APOLOGIES AND SUBSTITUTIONS

2. MINUTES (Pages 1 - 4)

To confirm the minutes of the meeting held on 13 December 2018.

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 12.

6. BUDGET REPORTS

(a) Medium Term Financial Strategy (Pages 5 - 56)

To present the medium term financial strategy 2019/20 to 2023/24.

(b) General Fund Budget Report (Pages 57 - 72)

To present the 2019/20 general fund revenue budget.

(c) Housing Revenue Account (Pages 73 - 86)

To present the 2019/20 housing revenue account budget, including the housing repairs account.

(d) Fees and Charges (Pages 87 - 118)

To present the proposed scale of fees & charges for 2019/2020.

(e) Capital Programme (Pages 119 - 134)

To present the capital programme for the years 2018/19 – 2021/22.

(f) Treasury Management (Pages 135 - 168)

To outline the council's prudential indicators for 2018/19-2021/22, minimum revenue provision statement and treasury management strategy.

(g) Capital Strategy (Pages 169 - 178)

To present the capital strategy for the years 2018/19 to 2021/22.

7. SCRUTINY COMMISSION WORK PROGRAMME 2016-18 (Pages 179 - 182)

Work programme attached.

8. MINUTES OF FINANCE & PERFORMANCE SCRUTINY (Pages 183 - 184)

Minutes of the meeting held on 17 December 2018 are attached for information.

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

As announced under item 3.

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HINCKLEY AND BOSWORTH BOROUGH COUNCIL

SCRUTINY COMMISSION

13 DECEMBER 2018 AT 6.30 PM

PRESENT: Mr MR Lay - Chairman
Mr KWP Lynch – Vice-Chairman

Mr DC Bill MBE, Mr SL Bray, Mr WJ Crooks, Mr DW MacDonald, Mr RB Roberts,
Mr BE Sutton, Mr R Ward and Mr HG Williams

Also in attendance: Councillor MB Cartwright, Councillor M Hall and Councillor E Hollick

Officers in attendance: Bill Cullen, Julie Kenny, Rebecca Owen, Rob Parkinson and
Madeline Shellard

303 APOLOGIES AND SUBSTITUTIONS

Apologies for absence were submitted on behalf of Councillor Camamile.

304 MINUTES

It was moved by Councillor Roberts, seconded by Councillor Bill and

RESOLVED – the minutes of the previous meeting be confirmed and
signed by the chairman.

305 DECLARATIONS OF INTEREST

No interests were declared at this stage.

306 UNIVERSAL CREDIT

The Scrutiny Commission was updated on universal credit and its impact on current tenant debt levels. It was noted that there were 404 council tenants in receipt of universal credit, and tenant debt levels had increased by 15% since the introduction of universal credit. Members heard that officers had developed close working relationships with the DWP to proactively support tenants. Helen Cole from the DWP expressed the concern that it was more difficult to engage with the most vulnerable tenants as they had less contact with them than those actively seeking work.

Councillor Crooks entered the meeting at 6.40pm.

A member asked whether, along with the increase in debt and the number of evictions due to rent arrears, the increased demand for foodbanks could be attributed to universal credit. In response, Ms Cole explained that there were still delays whilst claims were being processed and this was where foodbanks were often used.

It was noted that, where it was clear that a recipient of universal credit was not in a position to manage their budgeting, direct payments could be set up. This had been the case for 170 tenants. In response to a member's question, assurance was provided that officers started to work with tenants as soon as they started to get into arrears to try to resolve issues as soon as possible.

It was moved by Councillor Lay, seconded by Councillor Bill, and

RESOLVED –

- (i) The positive work of HBBC and DWP staff be noted;
- (ii) The inadequacy of universal credit for some groups of residents be recognised;
- (iii) A further report be brought to the Scrutiny Commission on the impact of universal credit for non-council tenants;
- (iv) The current level of debt be monitored.

307 AFFORDABLE HOUSING DELIVERY

Members received the annual position in relation to delivery of affordable housing in the borough. It was noted that recent 100% affordable housing schemes had had a positive impact on the statistics.

In relation to the extension of right to buy to tenants of registered providers, it was reported that a pilot was just starting in the midlands. Members expressed concern that this would affect supply of social housing in the borough.

A member asked whether there had been many challenges to developer contributions for affordable housing over the previous six months on viability grounds. In response it was stated that the situation had improved and, whilst there were still some challenges, the council was now more robust in its response.

RESOLVED – the report be noted.

308 PLANNING APPEALS UPDATE

The Scrutiny Commission was updated on progress on appeals over the previous six months. Officers and members were congratulated on success at recent appeals. It was requested that future reports include whether appeals against member decisions at Planning Committee resulted from decisions in accordance with or against officer recommendations.

RESOLVED –

- (i) the report be noted;
- (ii) future reports include whether member decisions were made in accordance with or against officer recommendations.

309 SCRUTINY COMMISSION WORK PROGRAMME 2016-18

In considering the work programme, it was requested that an update on healthcare provision in Hinckley be brought to a future meeting. It was also suggested that information on a registered housing provider be scrutinised due to the number of complaints made by its tenants. It was noted that the report on adoption of roads was yet to be programmed. The chairman of Finance & Performance Scrutiny requested that a report on rent arrears be scheduled for that body.

310 MINUTES OF FINANCE & PERFORMANCE SCRUTINY

The minutes of Finance & Performance Scrutiny were noted.

311 MATTERS FROM WHICH THE PUBLIC MAY BE EXCLUDED

On the motion of Councillor Lynch seconded by Councillor Crooks, it was

RESOLVED – in accordance with section 100A(4) of the Local Government Act 1972, the public be excluded from the following item of business on the grounds that it involves the disclosure of exempt information as defined in paragraphs 1, 2, 3, 5 and 10 of Part I of Schedule 12A of that Act.

312 MARTINSHAW LANE - REVIEW OF HOUSING PROJECT

Members received the report of the Martinshaw Lane Task & Finish Group. Discussion ensued about the Scrutiny Commission's remit in making recommendations. The following points were raised:

- Paragraph 8.7: The wording should be amended to ensure it was clear that there was no criticism of individuals
- Paragraph 8.14 bullet point 1: The wording should be amended to clarify that HBBC could not adopt the road itself as this was only within the gift of Leicestershire County Council
- Correspondence from October 2017 that had been seen by some members had not been included as it had not been available to the panel or officers
- It should be considered whether a recommendation to the Executive be included in relation to resolution of the outstanding matters not within the Scrutiny Commission's remit
- A public report should be produced which looked at each area and what went well, areas for improvement and recommendations within each section.

Councillor Hall left the meeting at 8.50pm.

A member submitted further information and it was agreed that the panel would meet to review the information and make any amendments to the report as necessary, before bringing back to the Scrutiny Commission.

(The Meeting closed at 9.00 pm)

CHAIRMAN

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Hinckley & Bosworth Borough Council

FORWARD TIMETABLE OF CONSULTATION AND DECISION MAKING

FINANCE & PERFORMANCE/
SCRUTINY COMMISSION
COUNCIL

7 FEBRUARY 2018

21 FEBRUARY 2018

WARDS AFFECTED:

ALL WARDS

MEDIUM TERM FINANCIAL STRATEGY (UPDATE) 2019/20 - 2023/24

Report of Head of Finance

1. PURPOSE OF REPORT

- 1.1 To seek Council's approval for the 2019/20 - 2023/24 Medium Term Financial Strategy (MTFS) attached to this report.
- 1.2 The MTFS has been prepared taking into account the Corporate Plan 2017 to 2021 and should be read in conjunction with the Capital Programme, General Fund and HRA budgets, which are presented separately.

2. RECOMMENDATION

- 2.1 That the Council approve the updated Medium Term Financial Strategy (MTFS) update for 2019/20 to 2023/24

3. BACKGROUND TO THE REPORT

Introduction

- 3.1 The purpose of the MTFS is to:
 - Structure and manage the Council's finances to support and deliver the council's objectives set out in the adopted Corporate Plan.
 - Inform decision on expenditure and savings to sustain Council services.
 - Engage officers and members in "owning" the process by which Council finances are managed.
- 3.2 The current MTFS has been used effectively to deliver on the Council's key priorities for local residents and businesses over the past two years and this refresh aims to

ensure our corporate objectives can continue to be delivered and services that are so valued by local residents can be sustained. This current refresh builds on the position agreed in the current corporate plan period since February 2017 and 2018. The MTFS update sets out the council's financial position for the years 2019/20 to 2023/24, giving a total five-year outlook. Obviously, the further into the future predictions are made, particularly in uncertain times, means that information should be interpreted with the care. Particularly at a time of heightened uncertainty due to the baseline rest and fair funding review which will be introduced as from 2020/21, but as yet we have little in terms of definite proposals

- 3.4 It is expected that as part of the fair funding review that the baseline funding from business rates will be recalibrated, which will take effect from 2020-21, including the local business rate tier split, how much business rate growth can be retained by councils, the level of New homes Bonus and other grants.
- 3.5 This MTFS has used a partial reset for business rates due to the high level of expected resistance from councils feeding back to government on the impact of a full reset. A full reset without dampening or other support could cost the Council a further 9.8% of lost core funding, or about £0.8m to £0.9m a year in lost income.
- 3.6 No major changes were made in relation to Council Tax. However, Local Authorities will be given the powers to charge a 100% premium on empty properties. This is being reviewed and the County are encouraging all districts to move to a 100% premium. This may also aid in reducing empty properties and increase New Homes Bonus funding.
- 3.7 Looking forward there are significant pressures for 2019/20, and beyond, which are mainly caused by the:
- Lower than expected New Homes Bonus,
 - Pay increase above the expected 2% due to spinal point changes,
 - Lower than expected income from Block C at the Crescent, and
 - Increased ICT pressures.

Summary MTFS information

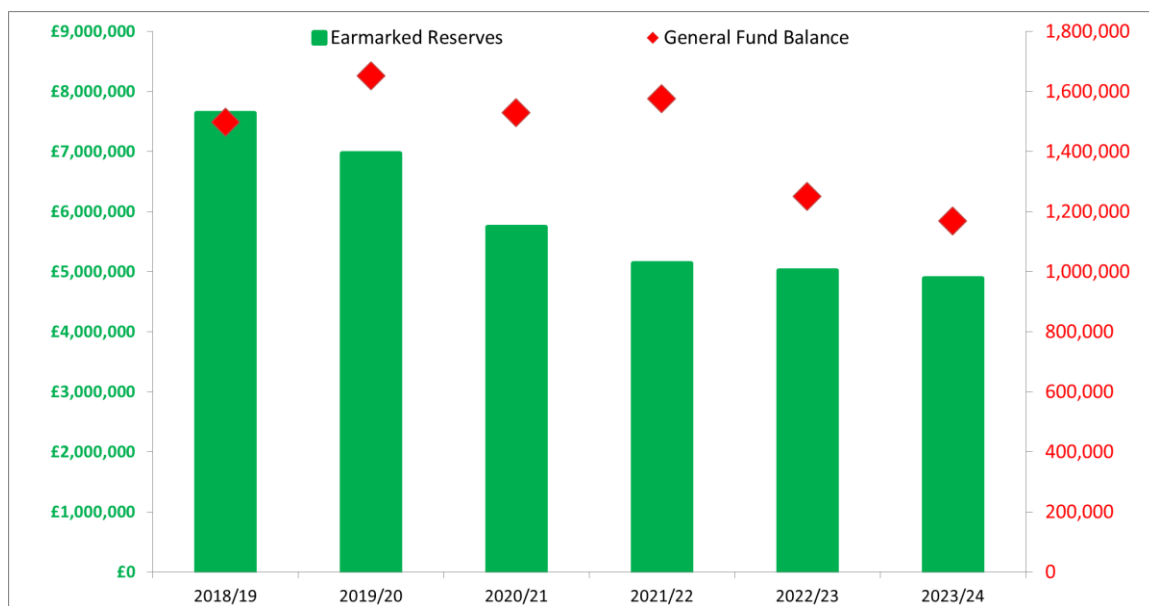
- 3.8 The MTFS update (Full details are in the attached MTFS) is one of a suite of documents, which inform the financial strategy of the Council. These include the Capital Programme, HRA Investment Strategy and Treasury Management Policy, all of which should be read in conjunction with this document. A summary of the overall MTFS excluding Special Expenses is given in the table below.
- 3.9 The table below gives a high-level overview of the expected overall net budget requirement and general fund reserve movements between 2019/20 to 2023/24.

| 2019/20-2023/24 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| FINANCIAL FORECAST | Budget | Forecast | Forecast | Forecast | Forecast |
| | £ | £ | £ | £ | £ |
| Net Service Expenditure | 11,384,598 | 11,082,610 | 11,406,989 | 11,344,541 | 11,664,975 |
| Net Budget movements | -301,988 | 324,379 | -62,448 | 320,434 | 351,831 |
| NET Borough Budget Requirement | 11,082,610 | 11,406,989 | 11,344,541 | 11,664,975 | 12,016,806 |
| Pension adjustments | -327,590 | -327,590 | -327,590 | -327,590 | -327,590 |

| | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Contribution to Reserves | 1,577,880 | 378,000 | 176,000 | 211,740 | 281,995 |
| Contributions from unapplied grants | -158,000 | -54,223 | 0 | 0 | 0 |
| Contribution from Reserves | -1,503,399 | -1,127,578 | -758,120 | -332,000 | -411,000 |
| Contribution to/(from) Balances | 155,527 | -122,882 | 46,069 | -325,599 | -81,633 |
| NET BUDGET/FORECAST EXPENDITURE | 10,827,029 | 10,152,715 | 10,480,901 | 10,891,526 | 11,478,578 |
| Performance against target of 15% | 15.26% | 15.06% | 15.03% | 11.47% | 10.17% |
| 15% minimum balances | 1,624,054 | 1,522,907 | 1,572,135 | 1,633,729 | 1,721,787 |
| General Fund (Balances) | 1,651,887 | 1,529,004 | 1,575,073 | 1,249,475 | 1,167,841 |
| Amount above or below minimum balance | 27,832 | 6,097 | 2,938 | -384,254 | -553,945 |

* the 2018/19 year saw a restructure of the budget, which meant £0.6m of S31 business rate income was moved into sources of funding, shown separately, there was an adverse variance on planning income of £0.17m, and in one off in year supplementaries of £0.85m. This is why the year saw a large change in the net expenditure figure. All variances are reported to the Finance and Scrutiny Committee in the year.

- 3.10 It should be noted that the Council have already taken action to generate income to become more self reliant, by looking for income from other sources and it has also had to make difficult decisions in relation to the level of charges it makes. Key decisions in this area have been:
- To run with a 5% vacancy factor which saves approximately £0.6m a year,
 - To accept the government's offer to increase the Council Tax by £5 each year of the four year settlement, as the Council is in the bottom quartile of charge levied in England and Wales, and
 - Levy a £24 garden waste charge, which is subject to annual confirmation as part of setting the fees and charges of the Council, and
 - Last year's 10p increase in car parking charges.
- 3.11 Other areas include entering into agreements that have generated significant management fee income over the life of this MTFS, obtaining other commercial rents, and encouraging business to the area that has increased business rate growth. In addition, work is ongoing to establish a crematorium that will generate income, while meeting the needs of local residents.
- 3.12 In order to drive efficiency savings within the cost of supplies and services, a rate of 0% has been applied to non-contract related expenditure. As the Retail Price Index (RPI) has stood between 2-4% in year, the application of 0% represents an effective saving on running costs. The Council also run with a 5% vacancy factor with saves in the region of £0.6m. It is this level of commitment to efficiency, which means we remain in the bottom 15 out of 201 district councils for the level of council tax charged, and the lowest out of the seven Leicestershire District Councils.
- 3.13 The MTFS poses challenges that may occur if the fair funding review leads to a loss of income. The Council is in a reasonable financial position in the short term, and based on the assumptions used has sufficient reserves for the five year period of the MTFS. The table below notes the use of Earmarked reserves to support the general fund position over the life of the MTFS.



- 3.14 Other risks to the Council's funding that central government are considering are garden waste becoming a free service, and the collection of food waste being separate to general domestic waste. The Department for Environment, Food & Rural Affairs (DEFRA) is carrying out a consultation on the issue. This would remove £760,000 of income for garden waste and would cost approximately £800,00 for separate food collection. There maybe some government funding, but this is not clear from current information. There would also be about £1.2m for capital outlay to deal with food waste collection.

4. **Review of the key changes of the MTFS update**

- 4.1 Table 1 below shows any surplus/deficit on the General Fund balance after applying the proposed Council's policy of holding 15% of the net budget requirement in balances at the end of each financial year. The updated MTFS gives an average of 13.4%, including 2022/23 and 2023/24, but 15.4% for the first three years prior to that.
- 4.2 Table 1 gives an overview of the general fund and earmarked reserve position expected over the life of the MTFS. The table shows that the total of all reserves are reducing over the life of the MTFS. Full details are the in the attached MTFS.

| Table 1 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| General Fund Balance | 1,496,359 | 1,651,887 | 1,529,004 | 1,575,073 | 1,249,475 | 1,167,841 |
| Percentage of net budget | 13.56% | 15.26% | 15.06% | 15.03% | 11.47% | 10.17% |
| Earmarked Reserves | 7,643,767 | 6,968,248 | 5,743,670 | 5,136,550 | 5,016,290 | 4,887,285 |
| Total Reserves | 9,140,126 | 8,620,134 | 7,272,674 | 6,711,624 | 6,265,765 | 6,055,127 |
| General Fund Surplus/(Deficit) | -826,566 | 155,527 | -122,882 | 46,069 | -325,599 | -81,633 |

- 4.3 When interpreting the table above it should be kept in mind that this is based on a partial reset for business rates, which is not currently the governments favoured option. If a full reset is the final decision despite opposition from council there would be a significant loss to the Council's funding of potentially in the region of £0.8m-£0.9m a year, but is currently being resisted as part of the consultation exercise, and it is assumed tapering or dampening would apply.

Changes to reserves

- 4.4 The key change underlying the reserves that support the MTFS is the increase in pressure that has been placed on the finances of the council in 2019/20 and over the MTFS period, further detail is given below at Table 4. These pressures have changed the forecast position of the Council's general fund up to 2023/24, compared to the position in the last MTFS update, mainly due to the :

- Lower rates of new homes bonus than usual (£1.2m),
- Higher costs of pay (£1.1m) due to the national settlement, in particular changes to spinal point structure has led to significant pressures. pressures from business rates retained income being lower than previously expected, but compensated for by forecasting lower levels of appeals provisions and collection fund loss.
- Income from the Crescent being lower than forecast, and
- Planning income being lower than expected for 2018/19 by £170,000. A key assumption is that it will return to the budgeted level in future.

These pressures have reduced the level of general fund balance expected, which needs support from reserves to maintain a reasonable balance.

- 4.5 Table 2 (a) and 2(b) give the earmarked reserve balances as noted in the prior MTFS approved by the Council in February 2018 compared to the updated MTFS. This demonstrates how the Council will use the earmarked revenue reserves to maintain the general fund position. If we did not have these reserves to fall on, the general fund would not be able to maintain its current forecast performance. The tables show a higher level of revenue reserves, but this is after transferring some capital reserves (£425k) to revenue reserves and including the £0.5m gain form the successful pilot bid for Leicestershire.

| Table 2(a) Updated MTFS | £000 2018/19 | £000 2019/20 | £000 2020/21 | £000 2021/22 | £000 2022/23 | £000 2023/24 |
|---------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Earmarked Revenue reserves | 5,196 | 5,768 | 4,994 | 4,387 | 4,266 | 4,137 |
| Earmarked Capital reserves | 2,447 | 1,200 | 750 | 750 | 750 | 750 |
| Total | 7,644 | 6,968 | 5,744 | 5,137 | 5,016 | 4,887 |
| As a % of the 2018/19 position | 100% | 91.2% | 75.1% | 67.2% | 65.6% | 63.9% |
| Table 2(b) Prior MTFS | £000 2018/19 | £000 2019/20 | £000 2020/21 | £000 2021/22 | £000 2022/23 | £000 2023/24 |
| Earmarked Revenue reserves | 4,971 | 5,606 | 4,868 | 3,936 | 3,193 | n/a |
| Earmarked Capital reserves | 1,650 | 1,190 | 580 | 420 | 385 | n/a |

| | | | | | | |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|------------|
| Total | 6,621 | 6,796 | 5,448 | 4,356 | 3,578 | n/a |
| As a % of the 2018/19 position | 100% | 102.6% | 82.3% | 65.8% | 54.1% | n/a |

- 4.6 To support the general fund position as noted in the MTFS forecast at Table 1 above, the Council is using about £1.6m of reserves, mainly from the Business Rates Equalisation Reserve between 2020/21 to 2023/24. This is possible due to strong growth in 2016/17 and 2017/18, and the decision to strengthen this reserve by £1,059,000 in 2019/20 to provide a cushion against uncertainties that may impact on the council income. The forecast use on this level of reserve indicates that a tight control on costs and seeking additional income will be needed due to the high level of uncertainty caused by the fair funding review and baseline reset of business rates. The overall reserves movements are included below (Table 3).

Earmarked Reserves

- 4.7 The following use of reserves needs to be noted by members as they represent a set aside of general fund balances to meet future pressures and costs. No new reserves are being created in this MTFS.
- 4.8 Table 3 gives the overall transfers in and out of reserves for 2019/20 and transfers between capital and revenue transfers. The full detail is in the attached MTFS

| Table 3 | 2019/20 (1/4/2019) | Transfer out | Transfers in | Closing Balance 31/3/2020 |
|--------------------------|-------------------------------|---------------------|---------------------|--|
| Reserve movements | | | | |
| Total | 7,643,767 | -2,253,399 | 1,577,880 | 6,968,248 |

| Transfers between Earmarked reserves | Bal 1 April 2019 | Transfers to General Fund | Transfers From General Fund | Transfers between reserves | Bal 31 March 2020 |
|---|---------------------------------|--|--|---|----------------------------------|
| Revenue Reserves | £000 | £000 | £000 | £000 | £000 |
| Business Rates Equalisation Reserve | 2,205 | 0 | 634 | 425 | 3,264 |
| Capital Reserves | £000 | £000 | £000 | £000 | £000 |
| Minor Capital Projects | 175 | | | -175 | 0 |
| PCIF reserve | 250 | | | -250 | 0 |

- 4.9 As well as an increase in pressures, which in the short term are covered by reserves, there is still the risk that income will be lower than expected due to the baseline funding reset and fair funding review. Further details of all reserves movements are given in the MTFS attached.

5. Pressures in 2019/20 and over the MTFS period

- 5.1 The forecast scenario includes significant pressures and is only achievable in 2019/20 through use of reserve balances. The table below gives the overall savings and pressures included in the 2019/20 General Fund revenue budget report. More detail is given in the attached MTFS

| Table 4 | Pressures | Income/ Savings | Net |
|--------------|------------------|--------------------|---------------|
| | £ | £ | £ |
| Total | 1,057,668 | -1,021,100 | 36,568 |

6. Payroll pressures

- 6.1 The tables below gives the change in pay pressures between the current and prior year MTFS. Following further information and negotiations with unions, the second part of the national settlement has been agreed. The spinal point changes to our pay structure means that pay costs will increase at a higher rate than forecast. This puts an annual pressure of £200,000 or £1,011,129 over the MTFS period onto the Council's employee costs; £760,000 falls on the general fund and £241,000 on the HRA. Note, there is a further £35,000 (at 2019/20 costs) not included in the table below of payroll pressures budgeted for in relation to posts about to be filled, but who have not yet been appointed. Including pay inflation this will add a further £0.2 to the five year costs total.

| Table 5, payroll pressures | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Updated MTFS | £m | £m | £m | £m | £m | £m |
| Capital | 0.21 | 0.21 | 0.22 | 0.22 | 0.23 | 1.09 |
| GF | 10.57 | 10.89 | 11.22 | 11.49 | 11.72 | 55.88 |
| HRA | 1.77 | 1.83 | 1.88 | 1.94 | 1.97 | 9.39 |
| Total | 12.54 | 12.93 | 13.32 | 13.65 | 13.92 | 66.36 |
| Prior MTFS | £m | £m | £m | £m | £m | £m |
| Capital | 0.21 | 0.21 | 0.22 | 0.22 | 0.22 | 1.08 |
| General | 10.57 | 10.81 | 11.03 | 11.25 | 11.47 | 55.13 |
| HRA | 1.74 | 1.79 | 1.83 | 1.87 | 1.91 | 9.14 |
| Total | 12.52 | 12.81 | 13.08 | 13.34 | 13.60 | 65.35 |
| Net increase/ Decrease | 0.02 | 0.12 | 0.24 | 0.31 | 0.32 | 1.01 |

The Local Development Plan (LDP)

- 6.2 The table below gives the comparisons of the updated MTFS and prior year MTFS position on the LDP. I have added the Strategic Growth plan (SGP) costs in to this table as well as the LDP reserve being used to fund that cost. The first three years, 2018/19 to 2020/21 have been costed, but the following years are based on an average prediction, as there is likely to be ongoing LDP costs. If the assumptions are reasonable, this indicated that there are sufficient reserves to fund our ongoing LDP.

| Table 5 (a), | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | Total |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| LDP | £ | £ | £ | £ | £ | £ |
| Updated MTFS | 200,000 | 339,000 | 75,292 | 75,292 | 75,292 | 764,875 |
| Prior MTFS | 84,000 | 268,000 | 100,000 | 100,000 | 100,000 | 652,000 |
| LDP Net increase/Decrease | 116,000 | 71,000 | -24,708 | -24,708 | -24,708 | 112,875 |
| SGP | 20,000 | 34,650 | 23580 | | | |
| Total pressure | 136,000 | 105,650 | -1,128 | -24,708 | -24,708 | 191,105 |

Other pressures over £50,000

6.3 The other pressures over £50,000 are:

- £85,000 the cost of elections in 2019/20, which is covered by a reserve
- £58,875 of Flexible Homeless Grant –Expenditure, which covers homelessness officers, currently grant funded, but as grant carried forward the growth is needed in 2019/20 to spend the carry forward
- £35,000 other payroll pressures for a monitoring officer in planning.

7. Savings and income growth in 2019/20 and over the MTFS period

7.1 The table below gives the larger items that are included in the base budget as annual saving or income targets currently rolled forward that are built into the overall budget for the MTFS to 2023/24.

| Table 6 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | Total |
|---------------------|----------------|----------------|----------------|----------------|----------------|------------------|
| | £ | £ | £ | £ | £ | |
| Capital Financing | 29,780 | 29,780 | 29,780 | 29,780 | 29,780 | 148,900 |
| Development control | 170,000 | 170,000 | 170,000 | 170,000 | 170,000 | 850,000 |
| Fees and Charges | 78,596 | 80,482 | 82,413 | 78,600 | 80,480 | 400,571 |
| Legal cost | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 250,000 |
| Training | 25,000 | 20,000 | 0 | 0 | 0 | 45,000 |
| Total | 353,376 | 350,262 | 332,193 | 328,380 | 330,260 | 1,694,471 |

7.2 The MTFS has been updated to reflect the decision by members to sell Block C and use the capital receipt to support the building of the crematorium investment. The table below summarises the changes made.

| Table 7 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | Total |
|---------------------|----------------|----------------|----------------|----------------|----------------|------------------|
| Updated MTFS | £ | £ | £ | £ | £ | £ |
| Crematorium | 0 | 377,272 | 394,379 | 412,253 | 430,929 | 1,614,833 |
| Block C (net)* | 100,810 | 0 | 0 | 0 | 0 | 100,810 |
| Total | 100,810 | 377,272 | 394,379 | 412,253 | 430,929 | 1,715,643 |
| Prior MTFS | £ | £ | £ | £ | £ | £ |
| Crematorium | 63,266 | 79,641 | 96,749 | 114,622 | 133,299 | 487,577 |
| Block C (net) | 186,502 | 186,502 | 186,502 | 186,502 | 186,502 | 932,510 |
| Total | 249,768 | 266,143 | 283,251 | 301,124 | 319,801 | 1,420,087 |
| Net | | | | | | |
| increase/Decrease | -148,958 | 111,129 | 111,128 | 111,129 | 111,128 | 295,556 |

* Note 2019/20 is low for the current MTFS as assumed year of disposal, 2018/19 net position would have been £186,502

8. Local Government funding - Fair Funding review

8.1 Funding baselines for local authorities, as determined by the local government finance settlement, are based on an assessment of local authorities' relative needs and resources. The Government has recently announced some generalised information regarding the shape of its Fair Funding Review and the date for implementation which is now expected in 2020-21. The details of how this will be

implemented and its affects are not due until December 2019. The review determines the starting position of funding for local authorities based on an assessment of the relative level of needs and resources of all councils across England. The outcome of the review will determine the level of business rate tariffs and levies chargeable against locally collected business rate income, and the level of income that can be retained by local authorities.

- 8.2 The proposals in the consultation do allow for transitional arrangements (or damping) which will be something of a relief for local government as a whole. The Government's intention appears to be that damping should encompass all the changes in funding in 2020-21, including the business rate baseline reset.

9. Local Governing Funding allocations (Core funding) 2019/20

- 9.1 Each year the council receives a significant amount of financial support from central government in the form of grants and allocations. The Table below gives a summary of the forecast funding. There is still uncertainty over the future of NHB, fair funding review and what the review of business rates funding will do. Therefore, there is a risk that the higher income level post 2020/21 will not be realised. The MTFS assumes a partial reset for the business rates baseline for 2020/21, a full reset would considerably reduce this source of income, by about a further £0.8m a year.

- 9.2 In the two years before 2018/19 HBBC have done well, mainly from higher than anticipated retained growth from business rates, coupled with higher levels of Section 31 grant to cover reliefs given. Table 8 below gives the prior MTFS period compared to the updated MTFS for the same period. This indicates the Council is £0.5m better off over the period to 2022/23 in comparison to the last MTFS. However, this includes:
- the £0.5m pilot bid gain, and
 - half the level of funding for the local business rate pool, which would cost £1.5m if a 50% levy as opposed to a 25% levy was retained. .

The final decision on the how local pools will be funded under the revised business rate scheme has not yet been decided. The Table below give the overall forecast position.

| Table8 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | Total | 2023-24 |
|------------------------------|----------------|----------------|----------------|----------------|---------------|----------------|
| Updated MTFS | £000 | £000 | £000 | £000 | £000 | £000 |
| Council Tax | 4,365 | 4,591 | 4,830 | 5,081 | 18,867 | 5,345 |
| NNDR | 3,933 | 3,800 | 3,882 | 3,967 | 15,582 | 4,053 |
| NNDR pilot bid share | 500 | 0 | 0 | 0 | 500 | 0 |
| Collection fund loss/Surplus | -243 | -179 | -179 | -179 | -781 | -179 |
| New Homes Bonus | 2,272 | 1,941 | 1,948 | 2,023 | 8,184 | 2,260 |
| Revenue Support Grant | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 10,827 | 10,153 | 10,481 | 10,892 | 42,352 | 11,479 |
| Prior MTFS | £000 | £000 | £000 | £000 | £000 | £000 |
| Council Tax | 4,359 | 4,584 | 4,778 | 4,972 | 18,694 | n/a |
| NNDR | 3,712 | 3,666 | 3,754 | 3,848 | 14,980 | n/a |
| New Homes Bonus | 2,696 | 2,220 | 2,020 | 1,908 | 8,844 | n/a |
| Collection fund loss/Surplus | -229 | -169 | -169 | -169 | -737 | n/a |

| | | | | | | |
|-----------------------|---------------|---------------|---------------|---------------|---------------|------------|
| Revenue Support Grant | 80 | 0 | 0 | 0 | 80 | n/a |
| Total | 10,618 | 10,301 | 10,382 | 10,559 | 41,860 | n/a |
| Difference | 209 | -148 | 99 | 333 | 492 | n/a |

9.3 Each of these funding areas and the potential risks to them are covered in detail in the attached MTFS.

10. EXEMPTIONS IN ACCORDANCE WITH THE ACCESS TO INFORMATION PROCEDURE RULES

10.1 Report to be taken in open session

11. FINANCIAL IMPLICATIONS [AW]

11.1 Contained in the body of the report.

12. LEGAL IMPLICATIONS [MR]

12.1 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. The Council has a statutory requirement to set a budget for each financial year and approve the MTFS, including a three year capital programme.

13. CORPORATE PLAN IMPLICATIONS

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

14. CONSULTATION

14.1 All members of the Strategic Leadership Team have been consulted in preparing this Strategy.

15. RISK IMPLICATIONS

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

15.2 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.

15.3 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 | A budget strategy is produced to ensure that the objectives of the budget exercise are known throughout the organisation. | A Wilson |

| | | |
|--|---|--|
| its aspirations and cannot set a balanced budget | <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 have been maintained to ensure financial resilience</p> | |
|--|---|--|

16. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

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

17. CORPORATE IMPLICATIONS

17.1 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
- Data Protection implications
- Voluntary Sector

Background papers: Corporate Plan 2017 to 2021, Capital Programme, General Fund and HRA budgets and Treasury report

Contact Officer: Ashley Wilson, Head of Finance, ext. 5609

Executive Member: Cllr C Ladkin

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Hinckley & Bosworth
Borough Council

Medium Term Financial Strategy 2019/20-2023/24

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1. MEDIUM TERM FINANCIAL STRATEGY 2019/20 - 2023/24

1.1 The purpose of the Medium Term Financial Strategy (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 set out in its Corporate Plan.
- Engage officers and members in "owning" the process by which Council finances are managed.

1.2 The MTFS has been prepared taking into account the Corporate Plan 2017 to 2021 and should be read in conjunction with the Capital Programme, General Fund and HRA budgets, which are presented separately.

2. EXECUTIVE SUMMARY

2.1 The MTFS has been fundamental to securing the key ambitions and objectives of the Council's Corporate Plan adopted in 2017. The MTFS refresh 2019-2024 sets the framework for continuing to deliver high quality local services to residents and businesses. It enables the Council to deliver on its key flagship projects including Parish and Community Initiatives, Developing Communities Fund programmes, the development of a new crematorium, the delivery of new affordable housing schemes and investment in new economic initiatives to improve our market towns and for investment in our business units.

2.2 The 2019/20-2023/24 MTFS comes at the end of the four-year financial settlement entered into in 2016/17, with 2019/20 being the final year. Central Government have not replaced this with a clear intent of what will happen in future years. There is a fair funding review during 2019 and a review of business rates retention at the local level. The results are due in December 2019. This makes forecasting a future five-year period challenging.

2.3 Information from ongoing consultation is not definitive and covers potential areas of change, which indicates a risk to sources of income that have been a core part of HBBC's financing in the past. This involves changes to business rates and the baseline funding that may be retained. This means there could be a sizeable reduction to district council funding.

2.4 There have also been hints that other areas of funding, such as New Homes Bonus (NHB) may also have changes made. This is another key part of HBBC's funding.

2.5 The main pressures on the budget come from reductions in New Homes Bonus (NHB) and increased pay costs. The national agreement on pay increases has affected both 2018/19 and 2019/20. There was also the TUPE inwards of staff as part of the waste service changes made in 2018/19. This means that the expected pay bill for 2019/20 is £12.5m, which is £1.2m (11%) higher than in 2017/18. There

was an offset saving on the waste contract of about £0.5m, but this still leaves a large pressure.

- 2.6 The NHB is lower payment in 2019/20 than expected, due to a fall off in new properties and an increase in empty properties. This has reduced the forecast income over the MTFS by £0.7m, and if repeated next year similar amount will be lost.
- 2.7 However, the council has £9.1m of expected total reserves at the end of 2018/19, and this MTFS has £6.1m expected at the end of the 2023/24, which means it can deal with these pressures in the short term. These level of reserves should give the Council time to take action, should the fair funding review prove be detrimental to the expected level of funding forecast, which is currently a key risk

3. BACKGROUND TO THE REPORT

Introduction

- 3.1 The MTFS has ensured that the Council has been able to deliver on its commitments in its adopted Corporate Plan (2017-2021). This refresh of the MTFS builds on the position agreed at the February 2017 and 2018 Council meeting. The MTFS underpins the council's Corporate Plan going forward and ensures that resources are allocated and used effectively to achieve corporate targets. In addition, the MTFS is an integral element of the financial planning procedures of the Council and forecasts how the Council will remain financially resilient and sustainable as an organisation, whilst at the same time not placing an unreasonable burden on local taxpayers. The MTFS update sets out the council's financial position for the years 2019/20 to 2023/24, giving a total five-year outlook. The further into the future predictions are made, particularly in uncertain times, means that information should be interpreted with care.
- 3.2 The update to the MTFS comes at a time of significant uncertainty, which will have an effect on public sector finances. We are currently entering the last year of the four year settlement, with 2020/21 being the period when the fair funding review results are released. There is also the uncertainty of the "Brexit" outcome, which could influence the financial outlook and growth and room for increasing public spend. However, spending on public services will grow 1.2% above inflation a year from next year until 2023-24. However, it is not clear that this will benefit district councils as it is mainly earmarked for:
- NHS funding will increase by £20.5 billion after inflation by 2023-24.
 - Local authorities in England will receive a further £650 million in social care funding next year.
 - £400 million extra for schools this year

- £28.8 billion National Roads Fund, paid for by road tax, includes £25.3 billion for the Strategic Road Network (motorways, trunk and A roads)
 - Over £1.5 billion to support the high street, this is aimed at small retail businesses which will see their business rates bills cut by a third for two years from April 2019, saving them £900 million, and
 - Local high streets will benefit from £675 million to improve transport links
- 3.3 Other recent issues affecting the Council during the term of the MTFS update are the significant changes to the administration of Business Rates as part of the baseline reset in 2020/21. There is still uncertainty over the exact impact this will have, therefore longer term forecast are becoming more uncertain.
- 3.4 It is expected that as part of the fair funding review that the baseline funding from business rates will be recalibrated, which will take effect from 2020-21. This would be at the same time that local business rate share will increase from 50% to 75% in 2020-21. If this is a full reset, then accumulated growth going back to 2013/14 will be lost, this will be via an amendment to the tariff. In addition, there is no definitive information on tier split or any transitional funding to soften the impact of lost growth for districts councils. Also, the methodology for redistribution from lower need to higher need areas via tariffs and top up is still not clear. This MTFS uses a reset of the baseline that would leave some income growth and a partial levy of 25%, but this may turn out to be optimistic.
- 3.5 No major changes were made in relation to Council Tax. However, Local Authorities will be given the powers to charge a 100% premium on empty properties. This is being reviewed and the County are encouraging all districts to move to a 100% premium. This may also aid in reducing empty properties and increase New Homes Bonus funding.
- 3.6 No additional funding will be made available for public sector pay in Local Authorities. Therefore, the second stage of the national pay agreement will fall fully on the general fund and HRA. This is at a cost of about £200k per year and £1m over the five years of the MTFS.
- 3.87 The main financial implication of the recent budget was the proposal to lift the cap in HRA borrowing. This was covered in the recently approved HRA investment plan and options are being considered separately to this MTFS, which deals with the general fund budget and forecast.
- 3.8 Looking forward there are significant pressures for 2019/20, and beyond, which are mainly caused by the:
- Lower than expected New homes Bonus,
 - Pay increase above the expected 2% due to spinal point changes,

- Lower than expected income from Block C at the Crescent, and
 - Increased ICT pressures.
- 3.9 The same ten strategic financial objectives, as agreed by Council in previous iterations of the MTFS have been used during this update. These objectives serve to ensure the delivery of the council's corporate strategic objectives of delivering the council's MTFS 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 objectives are listed in Appendix 3.
- 3.10 The MTFS update (Full details are contained at Appendix 1) is one of a suite of documents, which inform the financial strategy of the Council. These include the Capital Programme, HRA Investment Strategy and Treasury Management Policy, all of which should be read in conjunction with this document. A summary of the overall MTFS excluding Special Expenses is given in the table below.
- 3.11 Note that the four-year settlement agreed in 2016 comes to an end in 2019/20 and a fair funding review is in progress (see section 8 below). The results will not be announced until the financial settlement in December 2019. This makes the years 2020/21 to 2023/24 challenging to forecast due to the lack of information from Central Government on its intentions, in relation to the fair funding review and the baseline reset for retained business rates income. Therefore, the MTFS updated in this report is based on the most recent announcements and advice, which could be impacted positively or negatively than forecast when the final announcement is made. This is covered by inclusion of some alternative scenarios in the report that follows.
- 3.12 The table below gives a high-level overview of the expected budget and general fund reserve movements between 2019/20 to 2023/24. The table shows three years of achieving the 15% target and then it drops below in the final two years, ending at just over 10%. Further reserves of £580,000 could have been used to hit the 15% target in all years, but due to the uncertainty, it was considered prudent to hold as much as in reserve as possible until the fair funding review is completed and there is clarity in terms of funding levels.

| 2019/20-2023/24 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|--|---------------|---------------|---------------|---------------|---------------|
| FINANCIAL FORECAST | Budget | Forecast | Forecast | Forecast | Forecast |
| | £000 | £000 | £000 | £000 | £000 |
| Net Service Expenditure | 9,596 | 11,385 | 11,407 | 11,345 | 11,665 |
| <i>Net Budget movements</i> | 1,788 | -302 | -62 | 320 | 352 |
| NET Borough Budget Requirement | 11,385 | 11,083 | 11,345 | 11,665 | 12,017 |
| Pension adjustments | -534 | -328 | -328 | -328 | -328 |
| Contribution to Reserves | 2,771 | 1,578 | 176 | 212 | 282 |
| Contributions from unapplied grants | -239 | -158 | 0 | 0 | 0 |
| Contribution from Reserves | -1,524 | -1,503 | -758 | -332 | -411 |
| Contribution to/(from) Balances | -827 | 156 | 46 | -326 | -82 |
| NET BUDGET/FORECAST EXPENDITURE | 11,032 | 10,827 | 10,481 | 10,892 | 11,479 |
| <i>Performance against target of 15%</i> | 13.56% | 15.26% | 15.03% | 11.47% | 10.17% |
| <i>15% minimum balances</i> | 1,655 | 1,624 | 1,572 | 1,634 | 1,722 |
| <i>General Fund (Balances)</i> | 1,496 | 1,652 | 1,575 | 1,249 | 1,168 |
| <i>Amount above or below minimum balance</i> | -158 | 28 | 3 | -384 | -554 |

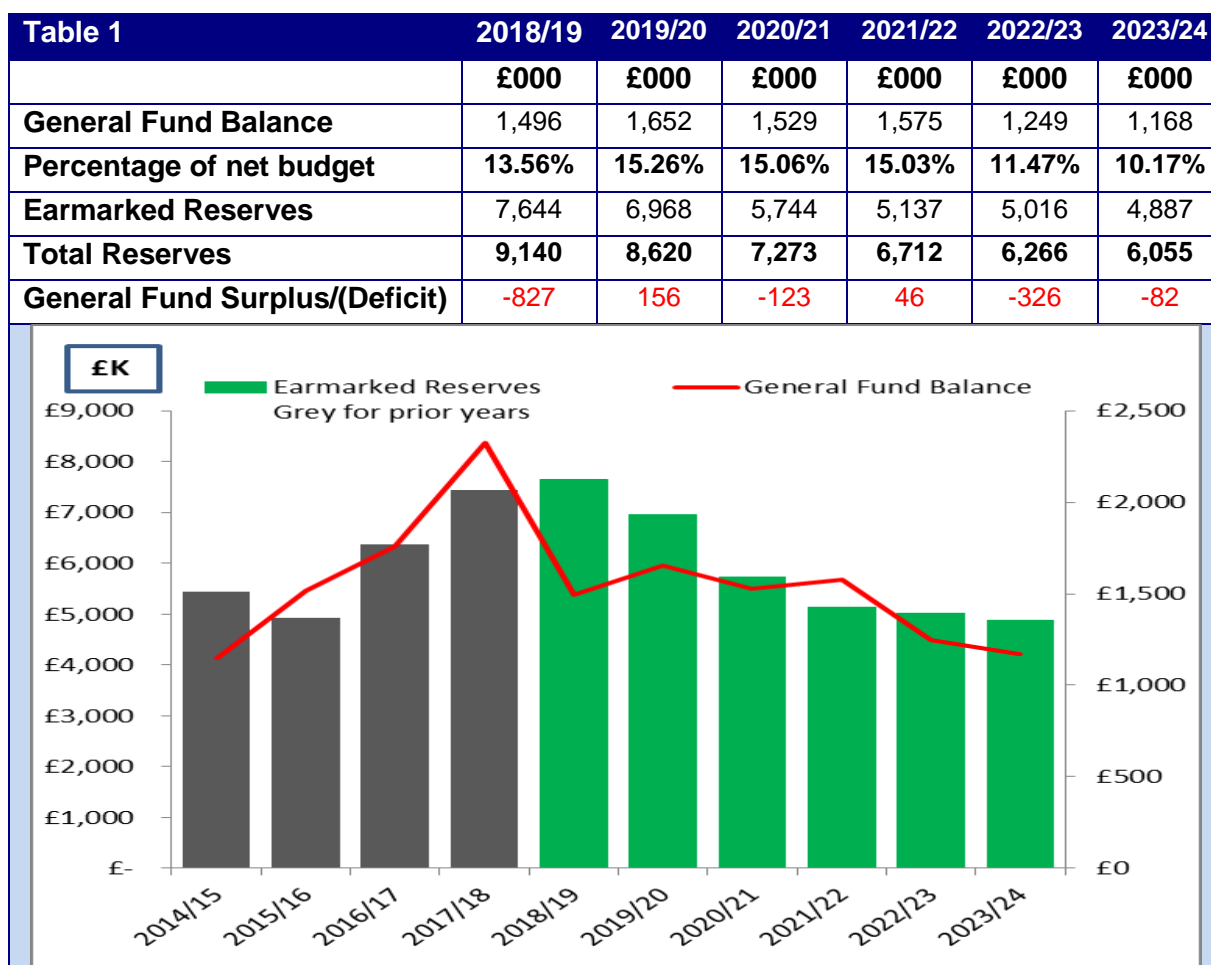
Corporate Plan and the MTFS update

- 3.13 The MTFS is the mechanism by which the finances are managed to ensure the Corporate Plan priorities can be delivered. The Council has already made difficult decisions to agree previous budgets that enable a balanced position to be achieved as included in the prior MTFS. However, there are still challenges ahead, the Council is well placed to deliver its corporate priorities in the short term whilst maintaining future balanced budgets over the life of the updated MTFS based on the assumptions used, but caution is needed due to the high level of uncertainty due to the fair funding review and business rates baseline reset. The Council will need to be balanced when there is any consideration of taking on new costs and will need to begin to consider where possible savings and new income can should be sought.
- 3.14 It should be noted that the Council have already taken action to generate income to become more self reliant, by looking for income from other sources. It has also had to make difficult decisions in relation to the level of charges it makes. Key decisions in this area have been:
- to accept the government's offer to increase the Council Tax by £5 each year of the four year settlement,
 - levy a £24 garden waste charge, which is subject to annual confirmation as part of setting the fees and charges of the Council,
 - last year's 10p increase in car parking charges,
 - maintaining a 5% vacancy factor saving in the region of £0.6m a year, and

- managing working capital to minimise borrowing, with a current under-borrowed level of almost £30m saving considerable costs in interest.
- 3.15 Other areas include entering into agreements that have generated significant management fee income over the life of this MTFS, obtaining other commercial rents, and encouraging business to the area, which has increased business rate growth. In addition, work is ongoing to establish a crematorium that will generate income, while meeting the needs of local residents.
- 3.16 In order to drive efficiency savings within the cost of supplies and services, a rate of 0% has been applied to non-contract related expenditure. As the Retail Price Index (RPI) has stood between 2-4% in year, the application of 0% represents an effective saving on running costs.
- 3.17 It is this level of commitment to efficiency, which means we remain in the bottom 15 out of 201 district councils for the level of council tax charged, and the lowest out of the seven Leicestershire District Councils.
- 3.17.1 The MTFS poses challenges that may occur if the fair funding review leads to a loss of income. The Council is in a reasonable financial position in the short term, but is currently spending more than it has coming in. The council is currently planning to use the reserves to support the general fund. This is reasonable in the short term, but this cannot be done indefinitely and indicates actions are necessary to bring the longer terms finances into balance. This will need a mix of new income and controlling costs. The MTFS in this report uses approximately £0.5m a year to support the expected pressures on the general fund, and leaves little scope to renew our earmarked reserves. There is a lot of uncertainty over the fair funding review and the baseline reset for business rates in 2020/21, which may be more favourable than anticipated, but in the face of uncertainty it is better to ensure suitable action is taken to ensure finances are used prudently.
- 3.18 Other risks to the Council's funding that central government are considering are garden waste becoming a free service, and the collection of food waste being separate to general domestic waste. The Department for Environment, Food & Rural Affairs (DEFRA) is carrying out a consultation on the issue. This would remove £760,000 of income for garden waste and would cost approximately £800,00 for separate food collection. There maybe some government funding, but this is not clear from current information. There would also be about £1.2m for capital outlay to deal with food waste collection.
- 3.19 Other income opportunities are open to members in relation to a review of fees and charges, and investments in economic initiatives that bring n further income. It should be noted garden waste charges that are amongst the lowest in the country and are static at £24 over the life of the MTFS. At £24 HBBC is currently the cheapest out of the six districts currently charging in Leicestershire.

4. Review of the key changes of the MTFS update

- 4.1 Appendix 2 of the MTFS details the level of reserves and balances that the Council will hold at the end of each financial year of the MTFS. Table 1 below shows any surplus/deficit on the General Fund balance after applying the proposed Council's policy of holding 15% of the net budget requirement in balances at the end of each financial year. The updated MTFS gives an average of 13.35%, including 2022/23 and 2023/24, but 15.4% for the first three years prior to that. The council could use a further £580,000 of its reserves to show 15% being achieved in each year, but these would leave the reserves with less flexibility to meet contingencies. Care is needed over the MTFS period to ensure there is tight control over the management of the cost base of the council and to increase income where possible due to the uncertainty of the fair funding review..
- 4.2 The graph in Table 1 gives an overview of the general fund and earmarked reserve position expected over the life of the MTFS. The graph shows that the total of all reserves are reducing by about £3.2m over the life of the MTFS. Based on the assumption used, this is affordable over the period of the MTFS, but care is needed not to overcommit reserves until further information is released in relation to the fair funding review, which is due in December 2019.



- .3 When interpreting the graph above, it should be kept in mind that part of current earmarked reserves are intended for capital purposes, and are not available for revenue support. Also, the outcome of the fair funding review may mean we do not have the level of income expected.

Changes to reserves

- 4.4 The key change underlying the reserves that support the MTFS is the increase in pressure that has been placed on the finances of the council in 2019/20 and over the MTFS period, further detail is given below at Table 4. These pressures are set out in paragraph 3.8.

These pressures are in place and are based on costs being incurred or about to be incurred have we are using , support from reserves to maintain a reasonable balance.

- 4.5 Table 2(a) and 2(b) below gives the earmarked reserve balances as noted in the prior MTFS approved by the Council in February 2018 compared to the updated MTFS. This demonstrates how the Council will use the earmarked revenue reserves to maintain the general fund position. If we did not have these reserves to fall on, the general fund would not be able to maintain the forecast performance against target as reported in this MTFS. However, Capital reserves are not so heavily committed and two of these reserves have been closed at the end of 2019/20. The remaining balances on these reserves of £425,000 are to be transferred to the Business Rates Equalisation reserve, along with the £0.5m pilot bid gain, to provide a greater level of cover for risks stemming from the fair funding review and business baseline reset (See table 3c).

| Table 2(a) Updated MTFS | £000 2018/19 | £000 2019/20 | £000 2020/21 | £000 2021/22 | £000 2022/23 | £000 2023/24 |
|---------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Earmarked Revenue reserves | 5,196 | 5,768 | 4,994 | 4,387 | 4,266 | 4,137 |
| Earmarked Capital reserves | 2,447 | 1,200 | 750 | 750 | 750 | 750 |
| Total | 7,644 | 6,968 | 5,744 | 5,137 | 5,016 | 4,887 |
| As a % of the 2018/19 position | 100% | 91.2% | 75.1% | 67.2% | 65.6% | 63.9% |
| Table 2(b) Prior MTFS | £000 2018/19 | £000 2019/20 | £000 2020/21 | £000 2021/22 | £000 2022/23 | £000 2023/24 |
| Earmarked Revenue reserves | 4,971 | 5,606 | 4,868 | 3,936 | 3,193 | n/a |
| Earmarked Capital reserves | 1,650 | 1,190 | 580 | 420 | 385 | n/a |
| Total | 6,621 | 6,796 | 5,448 | 4,356 | 3,578 | n/a |
| As a % of the 2018/19 position | 100% | 102.6% | 82.3% | 65.8% | 54.1% | n/a |

| Table 2 (c) | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Updated Earmarked Revenue Reserves MTFS | 5,196 | 5,768 | 4,994 | 4,387 | 4,266 | 4,137 |
| Earmarked Revenue Reserve balances MTFS 2017/18 | 4,971 | 5,606 | 4,868 | 3,936 | 3,193 | n/a |
| Net increase/Decrease | 225 | 162 | 126 | 451 | 1,073 | n/a |

- 4.6 To support the general fund position as noted in the MTFS forecast at Table 1 above, the Council is using about £1.6m of reserves, mainly from the Business Rates Equalisation Reserve between 2020/21 to 2023/24, which is to cover shortfalls in business rates income and to cover appeals not covered by our appeals provision.. This is possible due to strong growth in 2016/17 and 2017/18, and the decision to strengthen this reserve by £1,059,000 in 2019/20 to provide a cushion against uncertainties that may impact on the council income. The forecast use on this level of reserve indicates that a tight control on costs and seeking additional income will be needed due to the high level of uncertainty caused by the fair funding review and baseline reset of business rates. The reserves movements are included below (Table 3).

- 4.6.1 The table below gives an indication of the potential impact of some of the risks discussed later in this report occurring. The profile below assumes that the fall of £170,000 in building control income noticed in 2018/19 is recurring and that the fall in NHB awarded for 2019/20 of £0.35m is repeated for 2020/21. This is to demonstrate how just two factors going against the forecast can have a dramatic impact on the level of reserves needed.

| Table 2 (d) | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Earmarked Revenue reserves Forecast | 5,196 | 5,768 | 4,994 | 4,387 | 4,266 | 4,137 |
| Earmarked Revenue reserves Forecast with loss of Planning income and NHB | 5,196 | 5,598 | 4,654 | 3,877 | 3,586 | 3,287 |
| Loss Risk Total | 0 | -170 | -340 | -510 | -680 | -850 |

Earmarked Reserves

- 4.9 The following use of reserves needs to be noted and agreed by members as they represent a set aside of general fund balances to meet future pressures and costs. No new reserves are being created in this MTFs. Note, that the business plan equalisation reserves has had £925,000 put transferred in for 2019/20, this is made up of the transfer from capital reserves (£425k, table 3c) and the set aside of the forecast business rate pilot gain expected for 2019/20 of £500,000. This is needed to maintain the gain on the business rate pilot in reserves until the governance arrangements are agreed, and to enable reserves to be in a better position to deal with any income reductions that may arise from the fair funding review. The other large revenue based movement is on the Asset management reserve (£397,000), which has been released to the general fund following members' decision to market Block C. These reserve movements help to support the achievement of the 15% performance target for the general fund.
- 4.10 Table 3 gives the transfers in and out of reserves for 2019/20 and 3a gives the expected net use of reserves over the remaining years of the updated MTFs.

| Table 3 £ | 2019/20 (1/4/2019) | Transfer out | Transfers in | Closing Balance |
|----------------------------------|-------------------------------|---------------------|---------------------|----------------------------|
| Hub Future Rental | 400,000 | 0 | 0 | 400,000 |
| Special Expenses Reserve | 136,360 | -10,000 | 0 | 126,360 |
| Local Plan Procedure | 573,532 | -238,650 | 71,880 | 406,762 |
| Business Rates Equalisation | 2,210,585 | 0 | 1,059,000 | 3,263,685 |
| ICT Reserve | 239,765 | -139,500 | 162,000 | 262,265 |
| Waste Management Reserve | 375,260 | -55,000 | 0 | 320,260 |
| Asset Management Reserve | 797,400 | -397,400 | 0 | 400,000 |
| Enforcement and Planning Appeals | 230,000 | 0 | 0 | 230,000 |

| | | | | |
|-------------------------------------|------------------|-------------------|------------------|------------------|
| Earl Shilton Toilets | 100,000 | -50,000 | 0 | 50,000 |
| Building Maintenance costs | 588,120 | 0 | 0 | 588,120 |
| Minor Capital Projects | 175,000 | -175,000 | 0 | 0 |
| Hinckley Community Development Fund | 350,000 | -150,000 | 0 | 200,000 |
| PCIF | 375,000 | -375,000 | 0 | 0 |
| Developing Communities Fund | 750,008 | -400,000 | 250,000 | 600,008 |
| Smaller than £100k | 342,737 | -262,849 | 35,000 | 120,788 |
| Total | 7,643,767 | -2,253,399 | 1,577,880 | 6,968,248 |

| Table 3a Anticipated use (Balances over £100k) | Bal 31st March 2020 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | Remaining balance |
|---|------------------------------------|----------------|----------------|----------------|----------------|------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Hub Future Rental Management Reserve | 400 | 0 | 0 | 0 | 0 | 400 |
| Special Expenses Reserve | 126 | -10 | -10 | 0 | 0 | 106 |
| Local Plan Procedure | 407 | -105 | -25 | -25 | -21 | 231 |
| Business Rates Equalisation Reserve | 3,264 | -465 | -507 | -173 | -252 | 1,867 |
| ICT Reserve | 262 | -102 | 8 | -84 | -84 | 0 |
| Waste Management Reserve | 320 | -80 | -80 | 137 | 103 | 400 |
| Asset Management Reserve | 400 | 0 | 0 | 0 | 0 | 400 |
| Enforcement and Planning Appeals | 230 | 0 | 0 | 0 | 0 | 230 |
| Earl Shilton Toilets | 50 | 0 | 0 | 0 | 0 | 50 |
| Building Maintenance costs | 588 | 0 | 0 | 0 | 0 | 588 |
| Minor Capital Projects | 0 | 0 | 0 | 0 | 0 | 0 |
| Hinckley Community Development Fund | 200 | -200 | 0 | 0 | 0 | 0 |
| PCIF reserve (Future Top up pressure) | 0 | 0 | 0 | 0 | 0 | 0 |
| Developing Communities Fund | 600 | -250 | 0 | 0 | 0 | 350 |
| Smaller than £100k | 121 | -13 | 7 | 25 | 25 | 165 |
| Total | 6,968 | -1,225 | -607 | -120 | -129 | 4,887 |

| Table 3c | Bal 1 April 2019 | Transfers to General Fund | Transfers From General Fund | Transfers between reserves | Bal 31 March 2020 |
|---------------------------------------|------------------|---------------------------|-----------------------------|----------------------------|-------------------|
| Transfers between Earmarked reserves | | | | | |
| Revenue Reserves | £000 | £000 | £000 | £000 | £000 |
| Business Rates Equalisation Reserve | 2,211 | -236 | 500 | 425 | 2,810 |
| Capital Reserves | £000 | £000 | £000 | £000 | £000 |
| Minor Capital Projects | 175 | | | -175 | 0 |
| PCIF reserve (Future Top up pressure) | 250 | | | -250 | 0 |

4.11 As well as an increase in pressures, which are covered by reserves, there is still the risk that income will be lower than expected due to the baseline funding reset and fair funding review.

4.12 Further details of all reserves movements are given in Appendix 2.

5 Pressures in 2019/20 and over the MTFS period

5.0 Due to the reduction in more certain income streams such as RSG, and the move to more changeable income streams from business rates and New Homes Bonus (NHB), the level of general fund minimum balances has been set to a target level of 15% over the life of the MTFS. This does not mean that a range of 10% to 15% in any one year is problematic, but that the longer-term average should have a target level of 15%. The MTFS in this report has an average to 2023/24 of 13.35%, which is less than the desired target, but a deliberate decision in for this five year forecast. The later years forecast post the fair funding review and baseline reset, are less certain due to a lack of clarity from Central Government at this stage, but current information available suggests pressures will mean the general fund is reducing to 10.17% in 2023/24, and the trend based on current assumptions would be downwards after that. However, this is subject to the fair funding review and any actions taken to generate income by the Council.

5.1 Income streams continue to be less certain with the potential for a rebase of baseline funding in relation to business rates likely in 2020/21, which will remove some or all the levels of growth realised to date.

5.2 The forecast scenario includes significant pressures and is only achievable in 2019/20 through use of reserve balances. The table below gives the overall savings and pressures included in the 2019/20 General Fund revenue budget report.

| Table 4 | Pressures | Income/ Savings | Net |
|---|------------------|--------------------|---------------|
| | £ | £ | £ |
| Pay cost increases | 411,092 | | 411,092 |
| Local Plan | 94,000 | | 94,000 |
| Elections and related costs/ grant income | 85,000 | | 85,000 |
| Flexible Homeless Grant -Expenditure | 58,875 | -58,875 | 0 |
| Allowance for inflation - costs and fees | 125,131 | -78,596 | 46,535 |
| B&B pressure -chance in legislation | 40,000 | | 40,000 |
| Apprenticeships/interns | 38,140 | | 38,140 |
| Car parks | | -28,400 | -28,400 |
| Block C Rentals/Service charges | 28,570 | | 28,570 |
| Housing Repairs DSO | 20,000 | | 20,000 |
| Reduction in Market Income | | -2,000 | -2,000 |
| Strategic Growth plan | 20,000 | -28,289 | -8,289 |
| ICT costs | 40,500 | -50,000 | -9,500 |
| Increase in tipping away fees | | -11,000 | -11,000 |
| Increase in Bulky items collection | | -14,800 | -14,800 |
| Rev and Bens - contributions | | -15,000 | -15,000 |
| Insurance costs savings | | -15,000 | -15,000 |
| Debtor management savings | | -16,970 | -16,970 |
| Middle Manager Training & other training | | -25,000 | -25,000 |
| Waste and Dry Recycling - Increase in customer base | 30,600 | -58,000 | -27,400 |
| Rentals on industrial units | | -28,767 | -28,767 |
| Town Centre Events (Removal of one off costs from budget) | | -36,000 | -36,000 |
| Other small movements | 65,760 | -152,570 | -86,810 |
| Investment income and provision change | | -155,193 | -155,193 |
| Reversal of one prior year supplementaries | | -246,641 | -246,641 |
| Total | 1,057,668 | -1,021,100 | 36,568 |

- 5.3 The net difference between the costs and pressures is £36,568, but when only the recurring items are considered this becomes much higher at £0.4m, which puts significant pressure on the general fund over the MTFS period. The General Fund Budget has further details of these pressures and savings, which should be read in conjunction with this report. The more significant pressures, over £50k, and savings or Income changes are covered below.

Payroll pressures

- 6 The Tables below gives the change in pay pressures between the current and prior year MTFS. Following further information and negotiations with unions, the second part of the national settlement has been agreed. The spinal point changes to our pay structure means that pay costs will increase at a higher rate than forecast. This puts

an annual pressure of £200,000 on average and overall impact of £1,011,129 onto the Council's employee costs; £760,000 falls on the general fund and £241,000 on the HRA. This is after taking into consideration the 5% managed vacancy factor in place, which will save the Council £0.6m in 2019/20 and £3m over the life of the MTFS. Note, there is a further £35,000 (at 2019/20 costs) not included in the table below of payroll pressures budgeted for in relation to posts about to be filled, but who have not yet been appointed. Including pay inflation this will add a further ££0.2 to the five year costs total.

| Table 5, payroll pressures | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Updated MTFS | £m | £m | £m | £m | £m | £m |
| Capital | 0.21 | 0.21 | 0.22 | 0.22 | 0.23 | 1.09 |
| GF | 10.57 | 10.89 | 11.22 | 11.49 | 11.72 | 55.88 |
| HRA | 1.77 | 1.83 | 1.88 | 1.94 | 1.97 | 9.39 |
| Total | 12.54 | 12.93 | 13.32 | 13.65 | 13.92 | 66.36 |
| Prior MTFS | £m | £m | £m | £m | £m | £m |
| Capital | 0.21 | 0.21 | 0.22 | 0.22 | 0.22 | 1.08 |
| General | 10.57 | 10.81 | 11.03 | 11.25 | 11.47 | 55.13 |
| HRA | 1.74 | 1.79 | 1.83 | 1.87 | 1.91 | 9.14 |
| Total | 12.52 | 12.81 | 13.08 | 13.34 | 13.60 | 65.35 |
| Net increase/Decrease | 0.02 | 0.12 | 0.24 | 0.31 | 0.32 | 1.01 |

The Local Development Plan (LDP)

- 6.1 The table below gives the comparisons of the updated MTFS and prior year MTFS position on the LDP. The Strategic Growth plan (SGP) has been added to the costs in to this table as well as the LDP reserve is being used to fund that cost. The first three years, 2018/19 to 2020/21 have been costed, but the following years are based on an average prediction, as there is likely to be ongoing LDP costs. If the assumptions are reasonable, this indicated that there are sufficient reserves to fund our ongoing LDP, and there will be £231,112 of the LDP reserve left at the end of 2023/24. These costs are covered by reserves based on current expectations of spend

| Table 5 (a), | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | Total |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| LDP | £ | £ | £ | £ | £ | £ |
| Updated MTFS | 200,000 | 339,000 | 75,292 | 75,292 | 75,292 | 764,875 |
| Prior MTFS | 84,000 | 268,000 | 100,000 | 100,000 | 100,000 | 652,000 |
| LDP Net increase/Decrease | 116,000 | 71,000 | -24,708 | -24,708 | -24,708 | 112,875 |
| SGP | 20,000 | 34,650 | 23,580 | | | |
| Total pressure | 136,000 | 105,650 | -1,128 | -24,708 | -24,708 | 191,105 |

- 6.2 The main change for 2019/20 and 2020/21 are given below. These have been costed at £67,000 (light blue highlight) of the 2019/20 costs are from carry forwards

arising before 2018/19. It is assumed some of the £150,000 of 2019/20 pressures will be managed within the budget allocation of £200,000.

| Table 5(b) Description | 2019/20 | 2020/21 |
|---|-----------------|----------------|
| Habitat Survey Refresh | £15,000 | |
| Agricultural Land Survey | £20,000 | |
| Strategic Flood Risk Assessment | £10,000 | |
| Green Infrastructure Strategy | £9,000 | |
| Employment Sites and Premises Study - new study | £20,000 | |
| Gypsy and Traveller Accommodation Needs Study refresh | £17,000 | |
| Sustainability Appraisal - Reg 19 | £22,000 | |
| Strategic Flood Risk Assessment | £10,000 | |
| Gypsy and Traveller Accommodation Needs Study refresh | £17,000 | |
| Commonplace Consultation Software | £10,000 | |
| Sustainability Appraisal | | £6,000 |
| Infrastructure Capacity Study - Infrastructure Delivery Plan | | £25,000 |
| Counsel Support | | £40,000 |
| | £150,000 | £71,000 |

Other pressures over £50,000

6.3 The other pressures over £50,000 are:

- £85,000 the cost of elections in 2019/20, which is covered by a reserve
- £58,875 of Flexible Homeless Grant –Expenditure, which covers homelessness officers, currently grant funded, but as grant carried forward the a growth is needed in 2019/20 to spend the carry forward
- £35,000 other payroll pressures for a monitoring officer in planning.

7. Savings and income growth in 2019/20 and over the MTFS period

7.0 There are underlying savings that support the budget on an ongoing basis, such as the senior management restructuring, the vacancy factor of 5% that saves in the region of £0.6m a year. Other areas of income such as Garden waste charges, which raise £0.75m a year and the leisure centre fee of around £1m a year over the life of the MTFS are all successes of action taken by the Council to increase its income.

7.1 The table below gives items that are included in the base budget as annual saving or income targets currently rolled forward that are built into the overall budget for the MTFS to 2023/24.

| Table 6 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | Total |
|---------------------|----------------|----------------|----------------|----------------|----------------|------------------|
| | £ | £ | £ | £ | £ | |
| Capital Financing | 29,780 | 29,780 | 29,780 | 29,780 | 29,780 | 148,900 |
| Development control | 170,000 | 170,000 | 170,000 | 170,000 | 170,000 | 850,000 |
| Fees and Charges | 78,596 | 80,482 | 82,413 | 78,600 | 80,480 | 400,571 |
| Legal cost | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 250,000 |
| Training | 25,000 | 20,000 | 0 | 0 | 0 | 45,000 |
| Total | 353,376 | 350,262 | 332,193 | 328,380 | 330,260 | 1,694,471 |

- 7.2 The MTFS has been updated to reflect the decision by members to sell some commercial assets in the Crescent and use the capital receipt to support the building of the crematorium investment. The table below summarises the changes made. If block C is sold in 2020/21 and the crematorium can commence operation, the additional funding obtained is £295,556. However, the income from the crematorium is considered more certain. In 2018/19 the rental income from Block C is expected to be £331,143, compared to the forecast income last year of £416,835. The crematorium has been moved back a year for when income commences, a further slippage of one year would lose the Council up to £377,272 of income, assuming that it is fully operational in its first year. This may not be the case.

| Table 7 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | Total |
|-----------------------|-----------------|----------------|----------------|----------------|----------------|------------------|
| Updated MTFS | £ | £ | £ | £ | £ | £ |
| Crematorium | 0 | 377,272 | 394,379 | 412,253 | 430,929 | 1,614,833 |
| Block C (net) | 100,810 | 0 | 0 | 0 | 0 | 100,810 |
| Total | 100,810 | 377,272 | 394,379 | 412,253 | 430,929 | 1,715,643 |
| Prior MTFS | £ | £ | £ | £ | £ | £ |
| Crematorium | 63,266 | 79,641 | 96,749 | 114,622 | 133,299 | 487,577 |
| Block C (net) | 186,502 | 186,502 | 186,502 | 186,502 | 186,502 | 932,510 |
| Total | 249,768 | 266,143 | 283,251 | 301,124 | 319,801 | 1,420,087 |
| Net increase/Decrease | -148,958 | 111,129 | 111,128 | 111,129 | 111,128 | 295,556 |

8. Local Government funding - Fair Funding review

- 8.0 Funding baselines for local authorities, as determined by the local government finance settlement, are based on an assessment of local authorities' relative needs and resources. The methodology behind this assessment was introduced over ten years ago, and has not been updated since the introduction of the 50% business rates retention system in 2013/14.
- 8.1 The Government has recently announced some generalised information regarding the shape of its Fair Funding Review and the date for implementation which is now expected in 2020-21. The review determines the starting position of funding for local authorities based on an assessment of the relative level of needs and resources of all councils across England. The outcome of the review will determine the level of business rate tariffs and levies chargeable against locally collected business rate income, and the level of income that can be retained by local authorities.

- 8.2 The aim of the fair funding review is to ensure local government funding allocated in a fair, robust and evidence based way. The results of the Fair Funding Review are due in December 2019 as part of the financial settlement. This makes elements of forecasting post 2019/20 problematic as there is little detail on issues, in particular the baseline reset for business rates, and or how tariffs or top up will be applied and what levy on growth there will be.
- 8.3 The Fair funding review is not yet complete, but some consultation and initial views have been published. The Government is “working towards implementing the outcome of the first part of the review as part of the 2020-21 local government finance settlement”, with a further stage of formal consultation before the provisional settlement itself in December 2019.
- 8.4 The overall direction of travel represented in this latest consultation paper is towards a flatter distribution of “needs”. We were expecting the distribution of “needs” to be flatter to counter-act the effects of council tax equalisation. Some key areas that have been covered by the consultation and initial intentions are:
- It is proposed that deprivation will no longer form part of the Foundation Formula of the fair funding basis. This is a blow for the more deprived authorities that there will be no deprivation indicators in the third largest funding block. The foundation formula applies to all authorities so everyone is affected.
 - There are options for partial council tax equalisation, with a cap being used to control the impact. This proposal is not clear from the consultation as to what it will mean in practice
 - There are still some very large gaps in what we know about the outcome of the FFR, particularly in respect of the Adult’s and Children’s social care formulae, which is likely to cover half of the “needs” assessment. This has the potential to change other areas of consideration as a key area of central government to fund.
 - Rurality is to be removed from the Foundation Formula and will instead be funded through the Area Cost Adjustment (ACA) as a specific item. Instead of using sparsity. It will be based on the Department of Transport’s travel time data, but again the details are unclear. An ACA can be adjusted to apply more specifically to an areas needed.
 - For urban authorities, it is probably helpful that density will now be included in the ACA, alongside sparsity. There is no information on weighting of the density factor in the ACA, but it is likely to have a lower weighting than it currently enjoys.
 - The outcome of the FFR looks particularly bleak for London, therefore there may be significant push back from London Boroughs.

- 8.5 The proposals in the consultation do allow for transitional arrangements (or damping) will be something of a relief for local government as a whole. The Government's intention appears to be that damping should encompass all the changes in funding in 2020/21, including the business rate baseline reset. Our advisors have done some initial modelling should all the issues hinted at in consultation turn out to go fully against district councils. This indicates there is maximum potential loss of overall funding of 9.8%, which could mean up to £0.9m of further pressures a year for the Council.. This is felt to be an extreme position but does give some indication of the level of possible risk.
- 8.6 The MTFS forecast to 2023/24 has taken into accounts the Government's consultation paper on its plans to reform the Business Rate Retention System issued on the 13 December 2018 and modelling provided by our professional advisors. The full baseline reset is still ministers' preferred option; this is very bad news for most districts and for the class as a whole. There would be large funding reductions if this went ahead, as our growth is about £1.2m. There should be a smaller levy which means that more of future growth will be retained (assuming no requirement to fund the pool at its current level), but the higher share of growth is likely to go to counties in two-tier areas. Therefore, districts are likely to lose a large share of the growth built up since 2013/14. A decision still needs to be made on this, and there will be significant push back from districts.
- 8.6.1 Although there are many risks highlighted based on consultation on the formula for the fair funding review (FFR) and baseline reset, the outcome of the FFR will need to be politically acceptable and capable of securing a parliamentary majority in late January or early February 2020. This may not be possible, so there could be further delays as other consideration may be taking precedence. Also, it is felt that the outcome cannot be one that threatens the financial viability of individual authorities or classes of authority. Therefore, many of the risks highlighted in the MTFS may be lessened by feedback and pressure on the proposals over the months up to December 2019. In the end, ministers will have to make decisions on how all the elements come together, including the FFR, reform of business rates and the Spending Review.

8.7. Local Governing Funding allocations (Core funding) 2019/20

- 8.8 Each year the council receives a significant amount of financial support from central government in the form of grants and allocations. 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.
- 8.8 The last full review was undertaken in 2015 (CSR15) following the General Election in May 2015 and covered the four years following and is why the four year agreed financial position comes to an end in 2019/20. The spending targets set in this review

were significantly influenced by the Government's desire to remove the deficit and move into surplus by 2019/20, which has not been achieved.

8.9 In the two years before 2018/19 HBBC have done well, mainly from higher than anticipated retained growth from business rates, coupled with higher levels of Section 31 grant to cover reliefs given. Table 8 below gives the prior MTFS period compared to the updated MTFS for the same period. This indicates the Council is £0.5m better off over the period to 2022/23 in comparison to the last MTFS. However, this includes:

- the £0.5m pilot bid gain, and
- half the level of funding for the local business rate pool, which would cost £1.5m if a 50% levy as opposed to a 25% levy was retained. .

The final decision on the how local pools will be funded under the revised business rate scheme has not yet been decided.

8.9.1 In addition, there is continued uncertainty over the longer-term NHB baseline funding (see table 10). Therefore, there is a risk that the higher income level post 2020/21 will not be realised. These risks are covered in the rest of this report. In particular this MTFS assumes a partial reset for the business rates baseline for 2020/21, a full reset would considerably reduce this source of income, by about a further £0.8m a year.

| <i>Table 8</i> | 2019-20 | 2020-21 | 2021-22 | 2022-23 | Total | 2023-24 |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Updated MTFS | £000 | £000 | £000 | £000 | £000 | £000 |
| Council Tax | 4,365 | 4,591 | 4,830 | 5,081 | 18,867 | 5,345 |
| NNDR | 3,933 | 3,800 | 3,882 | 3,967 | 15,582 | 4,053 |
| NNDR pilot bid share | 500 | 0 | 0 | 0 | 500 | 0 |
| Collection fund loss/Surplus | -243 | -179 | -179 | -179 | -781 | -179 |
| New Homes Bonus | 2,272 | 1,941 | 1,948 | 2,023 | 8,184 | 2,260 |
| Revenue Support Grant | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 10,827 | 10,153 | 10,481 | 10,892 | 42,352 | 11,479 |
| Prior MTFS | £000 | £000 | £000 | £000 | £000 | £000 |
| Council Tax | 4,359 | 4,584 | 4,778 | 4,972 | 18,694 | n/a |
| NNDR | 3,712 | 3,666 | 3,754 | 3,848 | 14,980 | n/a |
| New Homes Bonus | 2,696 | 2,220 | 2,020 | 1,908 | 8,844 | n/a |
| Collection fund loss/Surplus | -229 | -169 | -169 | -169 | -737 | n/a |
| Revenue Support Grant | 80 | 0 | 0 | 0 | 80 | n/a |
| Total | 10,618 | 10,301 | 10,382 | 10,559 | 41,860 | n/a |
| Difference | 209 | -148 | 99 | 333 | 492 | n/a |

8.10 The financial settlement and budget gave some indications of other changes being made, such as:

- The proposal to allow local authorities to retain 75% of business rates income is positive, but details on the allocation (between District and Counties in the two-

tier area) and redistribution (to enable low-growth areas to have a degree of protection - called 'damping') have yet to be announced.

- Balanced against the Business Rates proposal will be the withdrawal (over the same period - to 2019/20) of Revenue Support Grant.,
- NHB is now on a four year basis, and there remains the risk that the 0.4% disregard threshold in relation to all housing stock held may increase, moving more properties into being disregarded for NHB.
- One area of good news is that the negative RSG proposal is now likely to be removed.

9. Business rates

9.0 Leicestershire was one of the successful areas in its submission for a business rate pilot for 2019/20. The expected benefit to HBBC is a share of the agreed allocation of any gain to districts as per the bid. For the purpose of this MTFS it is assumed our share of this gain will be £0.5m, but the exact amount will depend on performance in year and may be more or less than this. The bid noted that the gain would be used by districts for the following broad areas:

- Financial Sustainability (~46%) and
- Housing & Commercial Infrastructure (~54%)

The Governance arrangements for this are currently being agreed, and how it will be monitored. The amount budgeted has been transferred to the Business Equalisation Reserve. Without the £0.5m gain from the pilot, the 2019/20 year would be £121k down on the prior forecast.

| <i>Table 8a</i> | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|------------------------------|--------------|--------------|--------------|--------------|---------------|
| | Pilot year | | | | |
| Updated MTFS | £000 | £000 | £000 | £000 | £000 |
| NNDR | 3,933 | 3,800 | 3,882 | 3,967 | 15,582 |
| NNDR pilot bid share | 500 | 0 | 0 | 0 | 0 |
| Collection fund loss/Surplus | -257 | -202 | -202 | -202 | -863 |
| Total | 4,176 | 3,598 | 3,680 | 3,765 | 14,719 |
| Prior MTFS | £0 | £0 | £0 | £0 | £0 |
| NNDR | 3,712 | 3,666 | 3,754 | 3,848 | n/a |
| Collection fund loss/Surplus | -229 | -169 | -169 | -169 | n/a |
| Total | 3,483 | 3,497 | 3,585 | 3,679 | n/a |
| Difference | 379 | 176 | 175 | 170 | n/a |

9.1 Business rates and the level of retention of growth is a key element of the funding of the Council. 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. The recent financial settlement and budget statement have indicated that there will be changes to both the level of local retention and the level of growth that will be retained due to a baseline reset following a funding review.

9.2 Current indication from the consultation process are that:

- Councils will not lose all growth from 2018/19 and 2019/20 as the baseline year will be from the beginning of 2018/19,
- The future is likely to be generally more changeable with regular baseline resets based on 3-yearly revaluations, and
- Government wants to “scrap” the levy but is unable to do so without changes primary legislation, but they can alter the rate it is charged at without this. Therefore this may be the mechanism for allowing some further income to be retained, but it is unclear then how business rate pools will be funded.

The basic calculation is expected to be based on 40% of the business rates collected in 2020/21, but with amendments to the level of baseline funding, tariff and levy if one is retained. There may also be a lower tier split used for districts if there is a desire to transfer funding to upper tiers.

9.3 This comes at the same time as the move to a 75% retained business rates model. No details have been given, other than the Business Rate Retention Scheme (BRRS) will increase from 50% to 75% in 2020-21. It is not expected that the tier split will increase from 40% for district councils, although it may be changed and any changes potentially compensated via tariffs and top up transactions. A 75% retained business rates should mean the levy on growth, if used, should be 25%, not 50% as currently. This is because the 50% used presently is the element that is paid to central government or to a local pool where one is in place. However, this does not have to be the case, and a higher rate could be set.

9.4 The last baseline was set in 2013/14 with inflation and formula amendments since then. These forecast changes are key assumption for these later years of the MTFS. A lower retention or a harsher settlement on growth could adversely affect these predictions. There is no agreed detail on how a full reset, phased or supported reset of the baseline will be implemented or to what extent it will reduce the impact of the reset on the finances of local authorities. Central Government have made it clear their preference is a full reset, but are aware of the problems this may cause. If support or transitional funding options are applied then the position may be improved on that forecast. The table below gives more detail on the forecast position, included in the MTFS. Note, that 2019/20 reflects the successful pilot bid position.

| Table 8 | 2019/20 Pilot | 2020/21 | 2021/22 | 2022/23 | 2023/24 | Total |
|---------|------------------|---------|---------|---------|---------|-------|
|---------|------------------|---------|---------|---------|---------|-------|

| year | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|--------------|
| | £m | £m | £m | £m | £m | £m |
| NNDR collected | 32.53 | 33.96 | 34.64 | 35.34 | 36.04 | 172.51 |
| HBBC share 40% (37.5% pilot year) | 12.20 | 13.59 | 13.86 | 14.13 | 14.42 | 68.19 |
| Tariff | -8.65 | -10.73 | -10.95 | -11.17 | -11.39 | -52.89 |
| S31 funding | 1.44 | 1.31 | 1.34 | 1.38 | 1.41 | 6.88 |
| Retained (Pre-levy) | 4.98 | 4.16 | 4.25 | 4.34 | 4.44 | 22.18 |
| Allowed baseline | 2.64 | 2.70 | 2.77 | 2.84 | 2.90 | 13.85 |
| Retained above base line | 2.34 | 1.46 | 1.48 | 1.51 | 1.53 | 8.33 |
| Levy | -1.29 | -0.37 | -0.37 | -0.38 | -0.38 | -2.79 |
| Retained post Levy | 3.69 | 3.80 | 3.88 | 3.97 | 4.05 | 19.40 |
| Adjustment for renewables as keep 100% | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Share of gain on Pilot bid | 0.50 | n/a | n/a | n/a | n/a | 0.50 |
| Total | 4.19 | 3.80 | 3.88 | 3.97 | 4.05 | 19.90 |
| Simplified | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | Total |
| | £m | £m | £m | £m | £m | £m |
| Baseline funding | 2.64 | 2.70 | 2.77 | 2.84 | 2.90 | 13.85 |
| Retained growth, pilot bid gain and renewables | 1.55 | 1.10 | 1.11 | 1.13 | 1.15 | 6.04 |
| Total | 4.19 | 3.80 | 3.88 | 3.97 | 4.05 | 19.90 |

9.4.1 The above table has key assumptions that may be affected by the fair funding review and baseline reset for 2020/21. The lines for “retained above baseline” and “Levy” are areas that are potentially going to change. In particular the 2019/20 year has a levy (and pool payment) element based on the current 50% level. After the 2019/20 year the retained element drops and it is the reduced levy that prevent to full impact falling on the general fund. If there was a full reset, then the Council could be potentially only going to get its baseline-funding element, which would be a significant loss of growth. Previous consultation does note that there will be suitable procedures for tapering relief or alternative dampening processes when the rebase is completed, but there remains a risk that not all current income levels will be retained.

9.4.2 In table 8 b above, for 2019/20 the Levy is set at 50%.. This is because although we have won a 75% pool bid, the agreement agreed to ensure the business rate pool payment to the LLEP would be protected, so 25% of the 50% is due to that agreement. This element of the agreement means that we give the pool the same contribution as if the pilot had not been won. In the years 2020/21 to 2023/24, I have assumed there will be a levy of just 25%. This is a key assumption, as this is what we would pay to central government if there were no pool. There is the possibility a higher levy may be used or as noted in consultation that there may be no levy.

- 9.4.5 If the levy was kept at the current 50% for the length of the MTFS, then the Council would lose £1.3m of funding, if it were scrapped, then there would be a gain of £1.3m. Government have noted if the levy were scrapped, they would encourage local arrangements to be developed for funding the local pool out of business rates income.

Business Rates Appeals

- 9.5 Business rates have been subject to a new rateable value listing as from the beginning of 2017/18, which is expected to lead to a significant increase in appeals. There has been a consideration by the DCLG in consultation with Society of County Treasurers Technical Support Team that indicates that a figure of as much as 4.5% of gross rates after the multiplier has been applied can be expected (£1.5m). Following on from information provided by our advisors, it is felt that this may be slightly too high for our area based on the portfolio of property held, and the likely threat of appeals that poses. Therefore, the provision increase for 2019/20 is to be at the £1m level for the 2017 listing. This will bring the level of provision to 2.5m. The expected increase in the provision is in the table below. The years 2017/18 and 2018/19 are actuals, the others years are forecast. It ends in 2021/22 as a further revaluation exercise is expected at that time, as it would have been 5 years since the 2017 listing was released, but the MTFS assumes a further £1m will be needed in 2023/24.

| Table 9 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | Total |
|--|----------------|----------------|----------------|----------------|----------------|--------------|
| | £m | £m | £m | £m | £m | £m |
| Threats report | 0.75 | 1.00 | 1.16 | 1.26 | 1.37 | 5.53 |
| National (DCN Technical guidance 4.5%) | 1.43 | 1.46 | 1.50 | 1.53 | 1.58 | 7.50 |
| Difference | 0.68 | 0.46 | 0.34 | 0.28 | 0.21 | 1.97 |
| HBBC Provision | 1.43 | 1.08 | 1.00 | 1.01 | 1.01 | 5.53 |

- 9.6 The appeals risk for the 2010 rateable listing has decreased from £3.2m to £2.6m as at January 2019, for which we are expecting to make a total provision of £1.1m once we have the year end position. The level of successful appeals for 2018/19 are still being collated, so the level of increase is not yet finalised. This appeal provision is expected to reduce over time as appeals are lost or settled.
- 9.7 As with all provisions, there remains a risk that the final settlement will be higher than forecast and provided for. In the case of the 2010 listing, we currently have £1.5m of appeals not covered by a provision. However, it is unlikely that all appeals will be successful or that those that are will be for the full amount appealed. Therefore, the current level of provision is considered prudent.

Business rates and Collection Fund Losses

- 9.8 The collection of business rates is included in the collection fund and the Council is left with a share of the surplus or loss on the collection fund based on the tier split percentage. The methodology for NNDR returns to DCLG means the loss or Surplus falls in the year after it is generated. The loss forecast in the prior MTFS was £182,000, but as net business rates income collected in 2018/19 is £31,685,808, compared to the expected £32,640,413, this was not sufficient. Therefore, the actual NNDR element of the collection fund loss now needed for 2019/20 is £0.25m. This impacts on the general fund as it is our share of the total shortfall. For future losses the average collection fund loss over the last 5 years of £ -201,922 has been used. If losses are higher than this, the general fund will be worse off than forecast. This is a key risk as collection fund deficits are volatile.

Enterprise Zone and business rates

- 9.9 In addition to “standard” business rates collected, the creation of the Enterprise Zone (EZ) at MIRA Technology Park will also generate significant increases in business rates. In order to stimulate such growth, these uplifts are not subject to business rate retention rules. This currently means that 100% of the growth from the EZ is retained locally. The Council resolved in September to secure 50% retention in its negotiations with local LEPs. Any agreement will seek to avoid being prejudicial to the Council's position.
- 9.9.1 In order to be prudent, this income has not been included in this version of the MTFS.

9.10 Council Tax

- 9.11 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, and forecast figures will alter depending on those decisions. HBBC are currently the 14th lowest district council out of 201 in terms of the Council Tax charged for our services in 2018/19. This implies that significant cost controls must have been in place to enable this to be done and continue to deliver the level of services currently in place.
- 9.12 For 2016/17 the financial settlement offered the ability to councils that have been prudent in council tax increments and find themselves in the bottom quartile for the level of council tax charged, to level a £5 increase for a four year period. The Current MTFS refresh has assumed the £5 will be maintained and for forecasting purposes that a 3% increase will be charged from 2020/21. The recent financial settlement offered councils the option to raise tax by 3% without consultation. This has been adopted in the forecast used in the MTFS. The table below gives the

forecast used compared to the alternatives of 2% or 0% increases in Council Tax being implemented after the current four years of £5 are completed.

9.12.1 The table below includes special expenses and demonstrates that a 2% Council Tax increase in each year would reduce income by £571,024 and a 0% rate increase would reduce it by £1,679,313. Therefore, relatively small percentage changes have a significant impact on the level of income available to invest in services.

| Table 9 b | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | Total |
|------------------|----------------|----------------|----------------|----------------|----------------|--------------|
| Council tax | £5,096,718 | £5,361,437 | £5,639,905 | £5,932,836 | £6,240,981 | £28,271,877 |
| Increase | £5 | 3% | 3% | 3% | 3% | |
| Average band D | £132.09 | £136.05 | £140.13 | £144.34 | £148.67 | |
| Table 9c | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | Total |
| Council tax | £5,096,718 | £5,309,384 | £5,530,923 | £5,761,707 | £6,002,120 | £27,700,853 |
| Increase | £5 | 2% | 2% | 2% | 2% | |
| Average band D | £132.09 | £134.73 | £137.43 | £140.17 | £142.98 | |
| Table 9d | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | Total |
| Council tax | £5,096,718 | £5,205,279 | £5,316,151 | £5,429,385 | £5,545,031 | £26,592,564 |
| Increase | £5 | 0% | 0% | 0% | 0% | |
| Average band D | £132.09 | £132.09 | £132.09 | £132.09 | £132.09 | |

9.12.2 The level of council tax also depends on the assumption made about the level of the council tax base. The increase in the base for 2018/19 is low by comparisons to the last few years, an increase of 1.23% (467 dwellings) for 2019/20 compared to the average of the four years including 2019/20 of 2.13% (849 dwelling). The average has been used to predict future increases as 2019/20 is an unusually low year. This is a key assumption and if 2019/20 is now more typical of future movements then the forecast increases may be overstated. Table 9e below, compares the forecast to an alternative forecast using the growth seen in 2019/20. If that is typical of future growth, the loss of income is £446,392 over the MTFS period.

| Table 9e | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|------------------------------|----------------|----------------|----------------|----------------|----------------|
| Taxbase used | | | | | |
| Council Tax charge | £113.12 | £116.51 | £120.01 | £123.61 | £127.32 |
| Tax base | 38,585 | 39,407 | 40,246 | 41,104 | 41,979 |
| Increase in Band D | 467 | 822 | 839 | 857 | 876 |
| Council tax generated | £4,364,758 | £4,591,459 | £4,829,935 | £5,080,797 | £5,344,688 |

| Taxbase with lower growth | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---------------------------------|------------|----------------|----------------|-----------------|-----------------|
| Council Tax charge | £113.12 | £116.51 | £120.01 | £123.61 | £127.32 |
| Tax base | 38,585 | 39,058 | 39,537 | 40,021 | 40,512 |
| Increase in Band D | 467 | 473 | 479 | 485 | 491 |
| Council tax generated | £4,364,758 | £4,550,803 | £4,744,778 | £4,947,021 | £5,157,885 |
| Difference (lost income) | £0 | £40,656 | £85,157 | £133,775 | £186,803 |

10. New Homes Bonus (NHB)

| Table 10 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | Total | 2023-24 |
|------------------------|-----------------|-----------------|----------------|-----------|-----------------|-----------|
| New Homes Bonus | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast |
| | £ | £ | £ | £ | £ | £ |
| MTFS Update | 2,271,759 | 1,940,983 | 1,947,891 | 2,023,106 | 8,183,739 | 2,259,904 |
| Previous MTFS | 2,696,201 | 2,219,799 | 2,019,511 | 1,864,601 | 8,800,112 | n/a |
| Difference | -424,442 | -278,816 | -71,620 | 158,505 | -616,373 | |

10.1 The Financial settlement for 2019/20 is based on a four-year basis of funding. Table 10 above indicates that there has been a fall in NHB income. This is due to a reduction in the number of eligible properties being brought into use from either new build or from empty properties as at the 1 October 2018, which has reduced the NHB for 2019/20 by almost £350,000. The 1 October is the date when all councils submit data returns. For HBBC there were 541 properties eligible in October 2017, but in October 2018 (The return that informs the NHB for 2019/20), the comparable figure was 382. After the 0.4% of stock levels held being disregarded for NHB, this left 177 properties attracting NHB. Therefore the net payment for 2019/20, which is set for a four year period, was only £281,563 (total £351,954, but 20% goes to County). This compares to the average in the past of between £500,000 to £600,000).

10.2 For the remainder of the MTFS I have used the expected trajectory provided by Planning adjusted for the normal level of empty properties coming back into use. This is because the return for 2019/20 was not typical of past years. In addition, I have been made aware a further 300 properties are expected to be into the tax base by the year-end, which would leave a further six months before next years data return is sent. This should be enough to return to normal levels of properties eligible for NHB. However, this is a key assumption, and if the lower level is typical of future years, then a worse case situation could be that we will lose £2.9m of income form NHB. This is unlikely, but with uncertainty in the property market, it is possible that new house build slows and we lose some income.

| Table 11 a | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Actual | 580,637 | | | | | |
| Actual | 935,636 | 935,636 | | | | |
| Actual | 594,652 | 594,652 | 594,652 | | | |
| Actual | 459,908 | 459,908 | 459,908 | 459,908 | | |
| Actual | | 281,563 | 281,563 | 281,563 | 281,563 | 0 |
| Forecast | | | 604,860 | 604,860 | 604,860 | 604,860 |
| Forecast | | | | 601,560 | 601,560 | 601,560 |
| Forecast | | | | | 535,123 | 535,123 |
| Forecast | | | | | | 518,361 |
| Total | 2,570,833 | 2,271,759 | 1,940,983 | 1,947,891 | 2,023,106 | 2,259,904 |

- 10.3 There is also some risk that the NHB may be removed as part of the fair funding review as central government are not fully supportive of this initiatives as a means to stimulate new homes to be built., This may mean that post 2019/20 that only the legacy payments will be honoured; which are those figures highlighted above. It is assumed that there will be some compensation in the fair funding review as part of the reallocation of business rates. However, this is still to be agreed and any dampening or alternative methods of meeting our needs under the fair funding review to be finalised. If there was no adjustment for this impact in the fair funding review the loss would be unmanageable without major service redesign as the forecast elements total £5.7m.
- 10.4 The current MTFS does uses the national baseline for growth in the housing stock increases that will be disregarded for NHB of 0.4% of . This is the level of growth expected from all councils and is not rewarded with NHB. This means that 189 properties were disregarded in HBBC case for NHB, which is equivalent to £236,000 of lost income. If the expectation move to 0.5%, then we would lose in the region of £350,000 to £450,000 of income over the MTFS period depending on how many properties were delivered.

11. Other Factors

11.1 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 five financial years. These include, but are not limited to:

- **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 forecast spend of over £12.1million, and is concentrated around:
 - Rural Community assistance through the Developing Community Funds
 - New facility (Land off A47) - A report has already been presented to members outlining the proposed new facility. The Development will result in an increase in the Council's Bowering requirement of £4.76 million. The borrowing costs and associated income have been allowed for within the Business Case presented to members.
- 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.
- **Local external pressures**- The County Council are withdrawing funding all contributions to Leicestershire billing authorities (i.e. the seven district councils) to support the administration of the Localisation of Council Tax Support schemes (LCTS) and to the Discretionary Discount Funds administered by the billing authorities. The district council will try to continue this funding, but the amount may vary in future years. Currently HBBC have a £20,000 budget to cover this area, which should cover current conditions in 2019/20 but may be insufficient in future years if demand increases due to hardship.
- **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. 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 two to three 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 continued development of the town centre and new capital developments, therefore is variable based on those factors. This MTFS includes an increase of 10p in 2018/19.
- Refuse and Recycling Income - The council continues to charge for a number of refuse and recycling services such as trade waste and bulky waste.
- Garden waste charges continue to be a significant contribution, this MTFS assumes no increase in this charge over the period of the MTFS, but all fees and charges are reviewed annually.
- Rental Income - In addition to the council's current portfolio of industrial units, the MTFS considers the income currently known as due from Block C within the new town centre development.

11.2 In addition to this, the following general assumptions will be used for all forecasts:

- The Collection Fund will be have an average deficit of £117,000 after 2019/20.
- There is no change to the Local Council Tax Scheme over the life of the MTFS.
- Pay increase compliant with the national agreement for 2018/19 and 2019/20 and 2% thereafter.
- 5% vacancy factor each year delivering and efficiency saving of £0.6m for 2018/19.
- 0.5% base rate for 2019/20
- Retail Price Index of 3.5% for 2019/20 and 2.4% for the life of the MTFS.

Appendix 1- Detailed MTFs movements

| FINANCIAL FORECAST 2019/20-2023/24 | 2018/2019 | 2018/2019 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---|-----------|--------------|------------|------------|------------|------------|------------|
| | Budget | LA Budget | Forecast | Forecast | Forecast | Forecast | Forecast |
| | £ | | £ | £ | £ | £ | £ |
| Net Service Expenditure | 9,596,209 | 9,596,209 | 11,372,598 | 11,082,610 | 11,406,989 | 11,344,541 | 11,664,975 |
| <i>Budget movements</i> | | | | | | | |
| Channel Shift savings | 31,901 | 31,901 | | | | | |
| Fluctuations in subsidy income | 0 | 13,000 | | | | | |
| Increase in legal fees/Infrastructure Cap and Housing needs | 50,000 | 102,000 | -50,000 | | | | |
| Building Control | 20,000 | 40,000 | -20,000 | | | | |
| Development control income and regulation changes | -173,000 | -3,000 | -170,000 | | | | |
| Investment of increased planning fees in service improvements and capacity | 60,000 | 60,000 | | | | | |
| Efficiency savings from refuse collection and street cleansing | -201,820 | -201,820 | | | | | |
| Rent allowances | -20,000 | -20,000 | | | | | |
| Atkins Service Charge | -18,760 | -18,760 | | | | | |
| Car parks | -89,000 | -29,000 | -28,400 | | | | |
| Local Plan | -54,500 | -128,500 | 94,000 | 139,000 | -263,708 | | |

| | | | | | | | |
|---|---------|---------|---------|---------|---------|--|--|
| Rev and Bens - contributions | 59,610 | 51,610 | -15,000 | 15,000 | | | |
| Admin support grant changes | 10,000 | 10,000 | | | | | |
| Waste and Dry Recycling | -72,000 | -72,000 | -27,400 | | | | |
| Dry Recycling - move in house (Payroll pressure) | 350,385 | 350,385 | | | | | |
| Dry Recycling - move in house (Vehicle pressure insurance, repair and fuel) | 112,985 | 112,985 | | | | | |
| Extra Waste Round & changes | 171,900 | 171,900 | | | | | |
| Hackney carriage drivers licence period to 3 years from one year. | -13,810 | -13,810 | | | | | |
| NNDR Increase due to change in RV HBBC properties (Co-op) | 0 | -18,000 | | | | | |
| Housing Repairs DSO | 45,000 | 45,000 | 20,000 | | | | |
| Debtor management savings | 0 | 0 | -16,970 | | | | |
| Elections and related costs/ grant income | -15,000 | -15,000 | 85,000 | -85,000 | | | |
| Reduction in Market Income | 0 | 17,000 | -2,000 | | | | |
| Town Centre Events (Removal of one off costs form budget) | 0 | 0 | -36,000 | | | | |
| Members allowances | 37,700 | 25,700 | 24,620 | | | | |
| LCTS support and universal credit | 0 | -66,000 | | | | | |
| Trade waste, Kerbside recycling and bulky items | 98,300 | -3,700 | -11,000 | | | | |
| Trade Waste additional net income | 6,000 | 6,000 | | | | | |
| Rentals on industrial units | 0 | 0 | -28,767 | -22,693 | -23,136 | | |

| | | | | | | | |
|---|----------|----------|----------|---------|---------|---------|---------|
| Block C Rentals/Service charges | 39,630 | 39,630 | 28,570 | 100,810 | | | |
| Leisure Centre income | -108,200 | -108,200 | 3,100 | 76,838 | 10,611 | -68,213 | -30,278 |
| Insurance costs | -24,000 | -44,000 | -15,000 | | | | |
| Expected additional contribution to reserves - section 31 | -650,378 | -378 | 0 | | | | |
| Other small movements (less than or =£10k) | 32,726 | 2,726 | -86,810 | -32,620 | | 1,800 | -1,800 |
| Pay cost increases (all elements, NI, Pensions and increments) | 320,269 | 320,269 | 376,092 | 323,210 | 325,057 | 269,829 | 275,226 |
| Other pay pressures (new posts and restructure costs) | | | 35,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Community Planning Officer | 25,000 | 25,000 | | | | | |
| Salary Savings | 0 | -25,000 | | | | | |
| Apprenticeships/interns | | | 38,140 | | | | |
| B&B pressure -chance in legislation | 30,000 | 30,000 | 40,000 | -25,000 | -15,000 | | |
| Inflationary increases | 122,198 | 122,198 | 125,131 | 128,134 | 131,209 | 125,130 | 128,130 |
| Inflationary increases Fees and Charges | -76,753 | -76,753 | -78,596 | -80,482 | -82,413 | -78,600 | -80,480 |
| Increase in Bulky items collection | 31,200 | 31,200 | -14,800 | | | | |
| Strategic Growth plan | 28,289 | 28,289 | -8,289 | 14,650 | -11,070 | | |
| LCC Pension Lump Sum | 64,070 | 64,070 | 63,300 | 65,700 | 66,531 | 67,361 | 68,709 |
| IAS 19 pension adjustments | 64,810 | 64,810 | -206,670 | | | | |
| Capital Financing | -93,670 | -93,670 | -29,780 | | | | |
| Additional interest payable/(receivable) | -25,233 | -115,233 | | | | | |
| Investment income and provision change on Sundry Drs | | | -155,193 | 40,000 | 30,000 | 20,000 | 10,000 |
| Microsoft licences | 84,000 | 84,000 | | | | | |
| ICT costs | -51,320 | -51,320 | -9,500 | 17,428 | -3,000 | | |

| | | | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| VCS / Town Centre support | -35,000 | -35,000 | | | | | |
| Middle Manager Training & other training | 45,000 | 45,000 | -25,000 | -20,000 | | | |
| Waste Fleet and wider Fleet replacement | 315,123 | 315,123 | | | | | |
| Crematorium | 0 | 0 | | -220,075 | -174,304 | -17,874 | -18,676 |
| Flexible Homeless Grant -Expenditure | 108,060 | -49,940 | 58,875 | -111,522 | -54,223 | | |
| Flexible Homeless Grant - income | -108,060 | -108,060 | | | | | |
| Supplementaries /net reversals in 2019/20 | | 863,737 | -246,641 | | | | |
| NET Borough Budget Requirement | 10,129,861 | 11,372,598 | 11,082,610 | 11,406,989 | 11,344,541 | 11,664,975 | 12,016,806 |
| Pension adjustments | -534,260 | -534,260 | -327,590 | -327,590 | -327,590 | -327,590 | -327,590 |
| Contribution to Reserves | 2,282,000 | 2,272,300 | 1,577,880 | 378,000 | 176,000 | 211,740 | 281,995 |
| Transfer to DCF | 499,000 | 499,000 | | | | | |
| Contribution from Reserves | -1,067,811 | -1,524,419 | -1,503,399 | -1,127,578 | -758,120 | -332,000 | -411,000 |
| Transfer from unapplied grants | 0 | -239,139 | -158,000 | -54,223 | 0 | 0 | 0 |
| Contribution to/(from) Balances | -688,276 | -826,566 | 155,527 | -122,882 | 46,069 | -325,599 | -81,633 |
| NET BUDGET/FORECAST EXPENDITURE | 10,620,514 | 11,031,514 | 10,827,029 | 10,152,715 | 10,480,901 | 10,891,526 | 11,478,578 |
| <i>Performance against target</i> | 15.39% | 13.56% | 15.26% | 15.05% | 15.03% | 11.47% | 10.17% |
| <i>15% minimum balances</i> | 1,593,077 | 1,654,727 | 1,569,903 | 1,512,180 | 1,581,484 | 1,644,726 | 1,734,334 |
| <i>General Fund (Balances)</i> | 1,634,649 | 1,496,359 | 1,596,881 | 1,518,484 | 1,584,880 | 1,257,595 | 1,164,166 |
| <i>Amount above or below minimum balance</i> | 41,572 | -158,368 | 26,977 | 6,304 | 3,396 | -387,131 | -570,168 |

| | | | Pilot | REBASE | | | |
|---|------------|------------|------------|------------|------------|------------|------------|
| | 2018/2019 | 2018/2019 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
| | Budget | LA Budget | Forecast | Forecast | Forecast | Forecast | Forecast |
| | £ | £ | £ | £ | £ | £ | £ |
| | 10,620,514 | 11,031,514 | 10,827,029 | 10,152,715 | 10,480,901 | 10,891,526 | 11,478,578 |
| | | | | | | | |
| Revenue Support Grant | 437,461 | 437,461 | 0 | 0 | 0 | 0 | 0 |
| Business rate growth (Baseline)P | | | | | | | |
| National Non Domestic Rates BLF | 2,499,827 | 2,499,827 | 2,641,090 | 2,704,476 | 2,769,383 | 2,835,849 | 2,903,909 |
| National Non Domestic Rates retained above baseline | 1,192,997 | 1,603,997 | 1,292,168 | 1,095,114 | 1,113,007 | 1,131,091 | 1,149,393 |
| Surplus from pilot | | 0 | 500,000 | | | | |
| Collection fund Deficit NNDR | -300,536 | -300,536 | -256,931 | -201,922 | -201,922 | -201,922 | -201,922 |
| New Homes Bonus | 2,570,833 | 2,570,833 | 2,271,759 | 1,940,983 | 1,947,891 | 2,023,106 | 2,259,904 |
| Collection Fund Surplus - Ctax | 71,551 | 71,551 | 14,185 | 22,606 | 22,606 | 22,606 | 22,606 |
| Council Tax Income | 4,148,382 | 4,148,382 | 4,364,758 | 4,591,459 | 4,829,935 | 5,080,797 | 5,344,688 |
| Estimated Tax base | 38,118.0 | 38,118 | 38,585 | 39,407 | 40,246 | 41,104 | 41,979 |
| Estimated Band D Council Tax | £108.83 | £108.83 | £113.12 | £116.51 | £120.01 | £123.61 | £127.32 |
| Year on Year Increase in Council Tax | | | | | | | |
| (i) Amount | £4.29 | £4.29 | £4.29 | £3.39 | £3.50 | £3.60 | £3.71 |
| (ii) Percentage | 4.10% | 4.10% | 3.94% | 3.00% | 3.00% | 3.00% | 3.00% |

Appendix 1 (continued)

| | 2018/2019 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---|-------------|---------------|---------------|---------------|---------------|---------------|
| SPECIAL EXPENSES | Budget £ | Forecast £ | Forecast £ | Forecast £ | Forecast £ | Forecast £ |
| NET BUDGET/FORECAST EXPENDITURE-Special Expenses | 696,034 | 731,961 | 769,978 | 809,970 | 852,039 | 896,293 |
| Estimated Taxbase | 38,118.0 | 38,585.2 | 39,407.1 | 40,246.4 | 41,103.7 | 41,979.2 |
| Special Expenses Council Tax | £18.26 | £18.97 | £19.54 | £20.13 | £20.73 | £21.35 |
| Year on year increase in Special Expenses Council Tax | 2018/2019 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
| (i) Amount | £0.71 | £0.71 | £0.57 | £0.59 | £0.60 | £0.62 |
| (ii) Percentage | 4.05% | 3.89% | 3.00% | 3.00% | 3.00% | 3.00% |

| Council Wide Council | 2018/2019 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|------------------------------|------------|------------|------------|------------|------------|------------|
| | Budget | Forecast | Forecast | Forecast | Forecast | Forecast |
| | £ | £ | £ | £ | £ | £ |
| Total Net Budget Requirement | 11,316,548 | 11,558,989 | 10,922,693 | 11,290,871 | 11,743,565 | 12,374,871 |
| Taxbase | 38,118.0 | 38,585.2 | 39,407.1 | 40,246.4 | 41,103.7 | 41,979.2 |
| Council Wide Council Tax | £127.09 | £132.09 | £136.05 | £140.13 | £144.34 | £148.67 |
| Percentage Increase | 4.10% | 3.93% | 3.79% | 3.68% | 3.57% | 3.46% |

Appendix 2- Reserves

| | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Benefits Reserve | (58,549) | 0 | 0 | 0 | 0 | 0 |
| Hub Future Rental Management | (400,000) | (400,000) | (400,000) | (400,000) | (400,000) | (400,000) |
| Special Expenses Reserve | (136,360) | (126,360) | (116,360) | (106,360) | (106,360) | (106,360) |
| Local Plan Procedure | (573,532) | (406,762) | (302,112) | (277,112) | (252,112) | (231,112) |
| Business Rates Equalisation Reserve | (2,204,685) | (3,263,685) | (2,798,685) | (2,291,685) | (2,118,685) | (1,866,685) |
| Year End Carry Forwards | (38,000) | (38,000) | 0 | 0 | 0 | 0 |
| Maint Fund - Green Towers | (30,000) | (35,000) | (40,000) | (45,000) | (50,000) | (55,000) |
| Pensions Contribution | (53,800) | 0 | 0 | 0 | 0 | 0 |
| ICT Reserve | (239,765) | (262,265) | (160,337) | (168,000) | (84,000) | (0) |
| Waste Management Reserve | (375,260) | (320,260) | (240,260) | (160,260) | (297,000) | (400,000) |
| Asset Management Reserve | (797,400) | (400,000) | (400,000) | (400,000) | (400,000) | (400,000) |
| Planning Delivery Grant Reserve | (17,783) | (17,783) | (17,783) | 0 | 0 | 0 |
| Workforce Strategy Reserve | (50,000) | 0 | 0 | 0 | 0 | 0 |
| Election Reserve | (80,005) | (5) | (20,005) | (40,005) | (60,005) | (80,000) |
| Grounds Maintenance | (0) | (30,000) | (30,000) | (30,000) | (30,000) | (130,000) |
| Transformation | (20,500) | (0) | (0) | (0) | (0) | (0) |
| Enforcement and Planning Appeals | (230,000) | (230,000) | (230,000) | (230,000) | (230,000) | (230,000) |
| Earl Shilton Toilets | (100,000) | (50,000) | (50,000) | (50,000) | (50,000) | (50,000) |
| Building Maintenance costs | (588,120) | (588,120) | (588,120) | (588,120) | (588,120) | (588,120) |
| Minor Capital Projects | (175,000) | 0 | 0 | 0 | 0 | 0 |
| Hinckley Community Development Fund | (350,000) | (200,000) | 0 | 0 | 0 | 0 |
| PCIF reserve (Future Top up pressure) | (375,000) | 0 | 0 | 0 | 0 | 0 |
| Developing Communities Fund | (750,008) | (600,008) | (350,008) | (350,008) | (350,008) | (350,008) |
| Total | (7,643,767) | (6,968,248) | (5,743,670) | (5,136,550) | (5,016,290) | (4,887,285) |

Appendix 3 - Strategic Financial Objectives

- 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

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Hinckley & Bosworth Borough Council

FORWARD TIMETABLE OF CONSULTATION AND DECISION MAKING

FINANCE & PERFORMANCE/
SCRUTINY COMMISSION
COUNCIL

7 FEBRUARY 2019

21 FEBRUARY 2019

WARDS AFFECTED:

ALL WARDS

2019/20 GENERAL FUND BUDGET

Report of Head of Finance

1. PURPOSE OF REPORT

- 1.1 To seek approval of the 2019/20 General Fund Revenue Budget.
- 1.2 The General Fund revenue budget has been prepared taking into account the capital and HRA budgets. The capital and HRA budgets are presented separately but should be read in conjunction with this report.

2. RECOMMENDATION

- 2.1 That the following are recommended for the Council to approve:
- The General Fund budget for 2018/19 and 2019/20 shown in section 3.2
 - The Special Expenses area budget for 2018/19 and 2019/20 shown in section 3.3
 - The proposed movement in General Fund Reserves and balances for 2018/19 and 2019/20 shown in sections 3.14-3.19

3. BACKGROUND TO THE REPORT

- 3.1 The General Fund Revenue budget for 2019/20 has been drawn up in accordance with the principles set out in the approved Budget Strategy and in accordance with the Medium Term Financial Strategy (MTFS) (presented earlier on this agenda). The key objectives of the budget can be summarised as follows:
- To align expenditure on services to the Council's Corporate Plan.
 - To provide for reductions in government grant funding for 2019/20 and future years.

- To encourage identification of savings and income generation opportunities across the Council.
- To take decisions which will maintain acceptable and viable levels of General Fund balances and reserves to make provisions for known future funding and expenditure pressures.
- To maintain an acceptable and viable level of balances in the Special Expenses Area.
- To keep the overall increase in average Band D Council Tax (including Special Expense Area) to £5 as allowed by the December 2015 proposed financial settlement.
- To ensure that the Council has acceptable level of reserves for future pressures and development opportunities.
- To keep the charge for garden waste at £24 as agreed in the 2016/17 budget.

Budget Summary

3.2 The original budget for 2018/19, revised budget for 2018/19 (based on October 2018 outturn) and the proposed budget for 2019/20, are set out below. The increase in the net service expenditure in 2018/19 is explained in section 3.7 below. Overall an additional £138,290 is budgeted to be taken from balances in 2018/19. In 2019/20 total service expenditure is budgeted to decrease by £208,915 compared against the revised budget (1.49%).

| | Original Estimate 2018/19 | Revised Estimate 2018/19 | Original Estimate 2019/20 |
|--|---------------------------------|--------------------------------|---------------------------------|
| | £ | £ | £ |
| Support Services | 189,460 | 346,976 | 131,295 |
| Corporate Services | 2,694,291 | 3,330,828 | 3,198,110 |
| Community Services | 2,168,588 | 2,434,423 | 2,446,390 |
| Environment & Planning | 7,276,979 | 7,598,828 | 7,683,345 |
| Further Savings in Year | | (43,000) | |
| Total service expenditure (Net) | 12,329,318 | 13,668,055 | 13,459,140 |
| Less: | | | |
| Special Expenses | (599,040) | (593,040) | (627,770) |
| Capital Accounting Adjustment | (1,940,970) | (1,940,970) | (1,934,120) |
| Net external interest (received)/paid | 340,553 | 250,553 | 185,360 |
| IAS19 Adjustment | (538,140) | (538,140) | (331,470) |
| Carry forwards from prior year | 0 | | |
| Transfer to reserves | 2,781,000 | 2,771,300 | 1,577,880 |
| Transfer from reserves | (1,067,811) | (1,524,419) | (1,503,399) |
| Transfer from unapplied grants | 0 | (239,139) | (158,000) |
| Transfer to/(from) pensions reserves | 3,880 | 3,880 | 3,880 |
| Transfer to/(from) balances | (688,276) | (826,566) | 155,528 |
| HBBC Budget Requirement * | 10,620,514 | 11,031,514 | 10,827,029 |

* In 2018/19 net additional business rates growth based on October forecasts is included as Business Rates Income.

Special Expense Area

- 3.3 This represents the cost of parks and cemeteries in the non-parished area of Hinckley. Whilst the cost will only fall on the residents of this area, the net expenditure is built into the service totals above and must be included in the Council's overall budget requirement for Council Tax purposes.
- 3.4 The proposed budgets for the Special Expenses area have been compiled in accordance with the approved Budget Strategy and the taking advantage of the £5 Council Tax rise under the 2016/17 settlement available to councils that have historically been kept in a low taxing position. A budget report was presented to the Hinckley Area Committee on the 21st January 2019.

| | Original Estimate 2017/18 £ | Revised Estimate 2017/18 £ | Original Estimate 2018/19 £ |
|--|--------------------------------------|-------------------------------------|--------------------------------------|
| Expenditure | 599,040 | 593,040 | 629,320 |
| Transfer to/(from) balances | 99,695 | 105,695 | 102,717 |
| Transfer to/(from) reserves | 20,000 | 20,000 | 20,000 |
| S106 Contributions | (22,700) | (22,700) | (20,076) |
| Budget Requirement | 696,035 | 696,035 | 731,961 |

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

| | £ |
|---|---------|
| Balance at 1st April 2018 | 161,787 |
| Transfer to/(from) Balances 2018/19 | 105,695 |
| Transfer to/(from) Balances 2019/20 | 102,717 |
| Estimated Balance at 31st March 2020 | 370,199 |

Total Council Budget for 2019/20

- 3.6 The total overall budget for 2019/20 in the direct control of the Council is therefore:

| | Original Estimate 2018/19 £ | Revised Estimate 2018/19 £ | Original Estimate 2019/20 £ |
|--|--------------------------------------|-------------------------------------|--------------------------------------|
| HBBC Budget Requirement | 10,620,514 | 11,031,514 | 10,827,029 |
| Special Expenses Budget Requirement | 696,035 | 696,035 | 731,961 |
| Total Council Controlled Budget Requirement | 11,316,549 | 11,727,549 | 11,558,990 |

Revised Budget 2018/19

- 3.7 The original budget for 2018/19 has, in accordance with the Council's Financial Procedures, been revised during the year to take account of approved supplementary budgets and virements. These budget changes are summarised below :-

| £ | |
|---|----------------|
| Additional Service Budgets Approved | 863,737 |
| Of Which Agreed at Council July 17: | |
| Amounts funding prior commitments | 340,308 |
| Amounts funding prior year commitments form prior year grants | 397,139 |
| | |
| In year Supplementary Budgets | 126,290 |

After allowing for the budget movements in the above table there is an additional net cost £475,000 identified to October 2018. The key movements leading to this variance have been detailed below:

| | Saving/(Over Spend) * £ |
|---|----------------------------|
| "Section 31 grant" income to be accounted for as part of Business Rates below the line | (343,000) |
| Homelessness prevention & Flexible Homeless Grant to be rephrased to 2019/20 | 158,000 |
| Legal Fees overspend | (52,000) |
| Additional Trade Waste income | 60,000 |
| Shortfall Car Park income & Fixed Penalty Notices | (63,000) |
| Additional income from Street Cleansing and Penalty Notices | 30,000 |
| Shortfall Development Control Income | (170,000) |
| Local Plan Consultancy Expenditure rephrased to 2019/20 | 74,000 |
| Estimated Year end salary (over)/under spend | 25,000 |

Original Budget 2019/20 – assumptions and process

- 3.8 The 2019/20 General Fund revenue budget has been prepared following a robust budget process outlined in the 2019/20 Budget Strategy. The table below gives the overall savings and pressures included in the 2019/20 budget.

| | Pressures | Income/ Savings | Net |
|---|-----------|--------------------|---------|
| | £ | £ | £ |
| Pay cost increases | 411,092 | | 411,092 |
| Local Plan | 94,000 | | 94,000 |
| Elections and related costs/ grant income | 85,000 | | 85,000 |
| Flexible Homeless Grant -Expenditure | 58,875 | (58,875) | 0 |

| | | | |
|---|------------------|--------------------|---------------|
| Allowance for inflation pressures on costs and fees | 125,131 | (78,596) | 46,535 |
| B&B pressure -change in legislation | 40,000 | | 40,000 |
| Apprenticeships/interns | 38,140 | | 38,140 |
| Car parks | | (28,400) | (28,400) |
| Block C Rentals/Service charges | 28,570 | | 28,570 |
| Refuse and recycling agency costs | 0 | | 0 |
| Housing Repairs DSO | 20,000 | | 20,000 |
| Reduction in Market Income | | (2,000) | (2,000) |
| Strategic Growth plan | 20,000 | (28,289) | (8,289) |
| ICT costs | 40,500 | (50,000) | (9,500) |
| Increase in tipping away fees | | (11,000) | (11,000) |
| Increase in Bulky items collection | | (14,800) | (14,800) |
| Rev and Bens - contributions | | (15,000) | (15,000) |
| Insurance costs savings | | (15,000) | (15,000) |
| Debtor management savings | | (16,970) | (16,970) |
| Middle Manager Training & other training | | (25,000) | (25,000) |
| Waste and Dry Recycling - Increase in customer base | 30,600 | (58,000) | (27,400) |
| Rentals on industrial units | | (28,767) | (28,767) |
| Town Centre Events (Removal of one off costs form budget) | | (36,000) | (36,000) |
| Other small movements | 65,760 | (152,570) | (86,810) |
| Investment income and provision change | | (155,193) | (155,193) |
| Reversal of one off prior year supplementaries | | (246,641) | (246,641) |
| Total | 1,057,668 | (1,021,101) | 36,567 |

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

3.10 In order to drive efficiency savings within the cost of supplies and services, a rate of 0% has been applied to non-contract related expenditure. As the Retail Price Index (RPI) has stood between 2-4% in year, the application of 0% represents an effective saving on running costs. For contracts, an inflation rate of 2.7% has been used, unless otherwise specified within the terms of the specific contract.

3.11 The salaries and wages budget is the most significant element of the revenue budget. For pay costs, the 2019/20 estimates have been based on the latest pension valuation and a provisionally agreed pay structure. The Council operates a disciplined process of challenging recruitment and filling of posts and therefore a salary saving rate of 5% (General Fund and HRA) has been applied to posts to reflect the savings which will result from this challenge. This rate is unchanged from that used in 2018/19.

- 3.12 The Leicestershire Pension Fund was re-valued as at 31 March 2016 and a triennial valuation completed in accordance with statutory requirements. There is currently an actuarial deficit (i.e. the assets of the fund were less than those required to meet the long term liabilities in terms of benefits due to members). Whilst action is needed to remedy this position, the timescales involved mean that there is sufficient time to recover the position in a phased manner over a number of years and valuations. An Employers Contribution rate of 20.4% will be used with an additional 0.9% being included for Ill Health retirement insurance. In addition, a lump sum value of £307,960 (£356,310 including HRA) is payable to the Local Government Pension Scheme which is contained in a corporate budget.

Original Budget 2019/20 – key issues and considerations

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

Balances

- 3.14 The Council has previously maintained a general fund balance of 10% of the general fund budget requirement. Historically, the Council's income from Central Government has been relatively fixed (i.e. the financial settlement set the amount of RSG, Business Rates Income and New Homes Bonus). The method of funding local government services has changed and continues to change. RSG is reducing, the Councils element of New Homes Bonus income is also reducing and the amount of Business Rates funding is becoming more variable. To manage this risk it is recommended that the Council works towards a 15% of the Council's Budget is set aside as a balance. The change will not impact on service delivery and the MTFS will demonstrate that the Council ensures service delivery and financial stability over next 5 years.
- 3.15 The Council therefore has the following policies relating to levels of balances and reserves for 2019/20:
- To maintain an average general balances (non-earmarked) at a minimum of 15% of Hinckley & Bosworth Borough Council's budget requirement in 2019/20. Based on the forecast position for 2019/20 this would determine a need for £1,570,000 of General Fund balances. The same discipline is also applied to the Special Expense Area.
 - Where possible, all actual service under-spends and excess balances should be transferred to earmarked reserves to plan for specific future costs or financial risks.
 - There should be no direct contribution from revenue to capital except for specific identified projects.
 - Any notional surplus/deficit earned/incurred by the Direct Service Organisations will be transferred to/from General Fund balances. Any such balance on the Housing Repairs DSO account is transferred to/from the Housing Repairs Account held within the Housing Revenue Account.
- 3.16 The projected movement of the General Fund Balances is detailed below and indicates that sufficient balances are forecast as at 31st March 2019 and 31st March 2020. Other movement in balances for 2018/19 will be confirmed at year end and considered as part of future review of reserves.

| | Total | General Fund | Special Expenses |
|---|--------------|--------------|------------------|
| | £'000 | £'000 | £'000 |
| Balances at 1 April 2018 | 2,485 | 2,323 | 162 |
| Amount Taken to /(from) Balances 2018/19 | (720) | (826) | 106 |
| Balances at 31 March 2019 | 1,765 | 1,497 | 268 |
| Amount Taken to/(from)Balances 2019/20 | 258 | 155 | 103 |
| Balances at 31 March 2020 | 2,023 | 1,652 | 371 |
| Net Budget Requirement | 11,523 | 10,827 | 696 |
| Minimum Balance requirement | 1,728 | 1,624 | 104 |
| Surplus Balance | 295 | 28 | 267 |

Earmarked Reserves

3.17 Appendix 1 provides a summary of earmarked General Fund reserves together with estimated movements during 2018/19 and 2019/20. The tables below summarise the changes required to the current approved budget for 2018/19 and lists the approvals required in 2019/20.

| Reserve | Transfer from 2018/19 £ | Transfer from 2019/20 £ | Use |
|--------------------------|-------------------------|-------------------------|---|
| Local Plan Reserve | 74,000 | (238,650) | Costs associated with production of Local Plan documents & inspection. 2018/19 Is a reduction in requirement. |
| Pension Reserve | 0 | (53,800) | Use to offset additional costs arising from the pension liability. |
| ICT Reserve | (11,750) | (124,500) | To fund cost of Microsoft Licences and ICT pressures |
| Enforcement | (40,000) | 0 | Large appeals and enforcement cases |
| Election Reserve | 0 | (80,000) | To fund changes costs of Electoral registration. |
| HCIF | | (25,000) | Contribution to cover Capital cost |
| Waste Management Reserve | 0 | (55,000) | Cover additional cost of new fleet |
| Asset Management Reserve | 0 | (397,400) | Reserve set aside to meet town centre regeneration Costs. |
| PCIF | 0 | (250,000) | Set aside to fund additional anticipated demand for PCIF projects. |
| Transformation | 0 | (20,500) | Set aside to fund the Councils transformation agenda |
| Benefits Reserve | 0 | (58,549) | Set aside to smooth fluctuations between benefits paid and subsidy received from MHCLG |

| | | | |
|-------------------------------------|------------------|--------------------|---|
| Business Rates Equalisation Reserve | (190,300) | | To be set aside to dampen fluctuations in Business Rates. Additional in year contribution to reflect in changes in business rates growth. |
| Workforce Strategy Reserve | 0 | (50,000) | Smooth future payroll pressures arising from December 2017 pay settlement offer |
| Minor Capital Projects | 0 | (150,000) | Set aside for future Council led Community based capital projects |
| Total | (168,050) | (1,503,399) | |

3.18 The following additional transfers to reserves require approval by Council:

| Reserve | Transfer to 2018/19 £ | Transfer to 2019/20 £ | Use |
|-------------------------------------|-----------------------|-----------------------|---|
| Building Maintenance Reserve | 0 | 71,880 | To set aside funds for future maintenance costs as significant pressures have been identified in the stock condition survey. |
| Developing Communities Fund | 0 | 250,000 | To help support capital projects in community areas |
| Business Rates Equalisation Reserve | (15,600) | 1,059,000 | To be set aside to dampen fluctuations in Business Rates |
| Local Plan Procedure | | 0 | As outlined in the Medium Term Financial Strategy, contributions will be made to the Local Plan Reserve annually in order to fund the costs of producing the documents within the Plan. |
| Minor Capital Projects | 175,000 | 0 | Set aside for future Council led Community based capital projects |
| HCIF | (175,000) | 0 | Reduction in requirement for funding in 2018/19 |
| Grounds Maintenance | 5,900 | 30,000 | Additional amount set aside to fund Machinery purchase. |
| Maintenance Fund - Green Towers | 0 | 5,000 | Reserve set aside to fund future costs at Green Towers. |
| ICT Reserve | 0 | 162,000 | Set aside to fund ICT requirements |
| Total | (9,700) | 1,577,880 | |

Additionally, ensure that the reserve titles are more closely aligned to expenditure use it is recommend that the Project Management Masterplan reserve is renamed as The Asset Management Reserve.

3.19 Based on these calculations, it is estimated that the Council will hold £7.64 million in earmarked reserves as at 31st March 2019 and £6.66 million at 31st March 2020. This amount excludes any “unapplied grants and contributions” which are treated as earmarked reserves in accordance with accounting regulations but relate to specific grants where conditions have not yet been met.

Local Government Finance Settlement

- 3.20 The Council's budgets are highly sensitive to changes in the finance settlement and Government policy. The funding for this Council announced in the 2019/20 Local Government Finance Settlement, along with additional elements of financing are detailed below:

| | 2018/19 Orig Budget | 2019/20 Orig Budget | Mvt |
|--|---------------------------|---------------------------|------------------|
| | £ | £ | £ |
| | | | Inc/(Dec) |
| Revenue Support Grant | 437,461 | 0 | (437,461) |
| National Non Domestic Rates | 2,499,827 | 2,641,090 | 141,263 |
| Core Funding | 2,937,288 | 2,641,090 | (296,198) |
| Business Rates Growth | 1,192,997 | 1,292,168 | 99,171 |
| Surplus from Pilot | 0 | 500,000 | 500,000 |
| New Homes Bonus | 2,570,833 | 2,271,759 | (299,074) |
| Net Collection Fund Surplus / (Deficit) | (228,986) | (242,746) | (13,760) |
| Council Tax payer | 4,148,382 | 4,364,758 | 216,376 |
| Total Financing | 10,620,514 | 10,827,029 | 206,515 |

- 3.21 The following points should be noted:
- The reduction in RSG and Business Rates funding for the Council is £296,198 (10.08%).
 - The Settlement for the RSG element is included within the NNDR figures above due to the success in the pilot bid for 2019/20. After 2019/20 the RSG support has ceased.
 - Other funding has not covered the reduction noted above, partly to a reduction in New Homes Bonus leading to an overall decrease of (£154,491).

Business Rates Retention and Pooling

- 3.21.1 Leicestershire was one of the successful areas in its submission for a business rate pilot for 2019/20. The expected benefit to HBBC is a share of the agreed allocation of any gain to districts as per the bid. For the purpose of this MTFS it is assumed our share of this gain will be £0.5m, but the exact amount will depend on performance in year and may be more or less than this. The bid noted that the gain would be used by districts for the following broad areas:

- Financial Sustainability (~46%) and
- Housing & Commercial Infrastructure (~54%)

The Governance arrangements for this are currently being agreed, and how it will be monitored. The amount budgeted has been transferred to the Business Equalisation Reserve. Without the £0.5m gain from the pilot, the 2019/20 year would be £121k down on the prior forecast.

| <i>Business Rates</i> | 2018/19 | 2019-20 Pilot year |
|---------------------------------|--------------------|-----------------------|
| | <u>£000</u> | <u>£000</u> |
| NNDR | 4,104 | 3,803 |
| NNDR pilot bid share | n/a | 500 |
| Collection fund loss/Surplus | (300) | (473) |
| Total | £3,804 | 3,830 |

- 3.22 The Council's NNDR1 form forecasts the level of Business Rates expected to be collected by the Council in year, after taking into account discounts, collection rates and appeals estimates. For the Pilot year of the total income forecast, 25% is paid to central government. The remaining 75% (locally retained share) is shared between the Borough and preceptors.

The retained business rates of this Council are subject to a tariff set out in the 2019/20 Local Government Finance Settlement (£8,653,917.67 pilot bid, effective under agreement as £9,490,894). Any growth over a set baseline (£2,641,090) is subject to a "levy" payment of £565,006, with a further pool payment of £565,006 to the pool on top of this as part of the local bid. The settlement announced that a safety net threshold for all Councils of 7.5%. On this basis, this Council would need to lose £2.4m of Business Rates before a safety net payment will be made.

- 3.23 The NNDR1 form for this Council needs to be approved by the Head of Finance (S151 officer) on 31 January 2019. And the final return is yet to be finalised, which may lead to some changes to the figures forecast.
- 3.24 The accuracy of these forecasts will be monitored on a regular basis and will be validated only at year end as part of the completion of the NNDR3 form. Due to the volatility of the economy and continual changes in guidance in this area, retained business rates has been included based on returns submitted to DCLG.
- 3.25 The Local Government Finance Bill allows local authorities to form pools for the purposes of business rate retention. Practically, pooling means that levy payments on growth are made into a local pool rather than paid to Central Government. Correspondingly, losses will be funded from the pool. Under pooling, these net thresholds are set at a pool level (i.e. the total of all individual thresholds). For the pilot year we have agreed to make the same level of contribution to the local pool as if he pilot was not in place, which means we will make full payment and not the lower 25% levy
- 3.26 Budgeting for business rates is extremely difficult, given the level of volatility in the market and delays in processing of appeals and applications for relief. Ongoing monitoring will be performed of the position in year and reported to the Finance and Performance Committee quarterly. Significant levels of appeals have been lodged with the Valuation Office Agency (VOA), which if successful would have a significant impact on the Council.

Implementation of a Local Council Tax Support Scheme (LCTS)

- 3.27 Last year we reported that, the introduction of the LCTS had the result of reducing the council tax base for the Council, as income is only received for a proportion of those

properties previously in receipt of Council Tax Benefit. LCC have requested that the scheme is reviewed. A report was presented as Executive Brief where members have indicated that this will remain unchanged so persons of working age are required to pay a minimum of 12% of their council tax liability. The caseload at the beginning of 2017 in receipt of LCTS is 5,837 households of which 3,102 are pensioners (who are protected and will continue to receive 100% support), with the remainder of 2,735 working age households will all lose some level of support under either of the reduced schemes.

- 3.28 The County Council are withdrawing funding all contributions to Leicestershire billing authorities (i.e. the seven district councils) to support the administration of the Localisation of Council Tax Support schemes (LCTS) and to the Discretionary Discount Funds administered by the billing authorities. The district council will try to continue this funding, but the amount may vary in future years. Currently HBBC have a £20,000 budget to cover this area, which should cover current conditions in 2019/20 but may be insufficient in future years if demand increases due to hardship.

New Homes Bonus

- 3.29 New Homes Bonus was introduced in February 2011 and was designed to encourage housing growth by providing financial incentive for Councils and local people to accept new housing. The first awards were made in April 2011. For each additional new home built local authority currently receive six years of grant based on the council tax. This will increase in amount each year as more new housing comes on stream. The scheme applies to new housing and empty properties brought back into use.
- 3.30 The Financial settlement for 2019/20 is based on a four-year basis of funding. For 2019/20 there has been a fall in NHB income. This is due to a reduction in the number of eligible properties being brought into use from either new build or from empty properties as at the 1 October 2018, which is the annual date used by central government for funding purposes. This has reduced NHB for 2019/20 by almost £350,000 on past expectations. Therefore the net payment for 2019/20, which is set for a four year period, was only £281,563 (total £351,954, but 20% goes to County). This compares to the average in the past of between £500,000 to £600,000).

Future Income Increases

- 3.31 Members will recall that from 2016/17, the Council will also be in receipt of Management Fees from the provider of the new leisure centre. The table below summarises the management fee. This income has already been allowed for within the MTFS:

| | 2018/19 | 2019/20 | 2020/21 |
|----------------------|-----------|-----------|---------|
| Net Management Fee £ | 1,015,750 | 1,012,650 | 935,810 |

- 3.32 The 2019/20 budget should be read in conjunction with the Council's Fees and Charges book for 2019/20, which is also agreed by Council. This document reflects the annual review of all Council income streams and any variations in charging regimes. Major Fee changes are summarised below:-
- Increase in pre-planning application advice
 - Increase in legal fees

Leicestershire Revenues and Benefits Partnership

- 3.33 The budget for the Leicestershire Revenues and Benefits Partnership (the Partnership) was approved by the Partnership Joint Committee on 29th January 2019. The total cost of the Partnership is split between Hinckley and Bosworth Borough Council, Harborough District Council and North West Leicestershire District Council based on a percentage rate which reflects the case load dealt with by the Partnership. The resulting estimated contributions for 2019/20 are detailed below. The contribution for this Council has been included within the General Fund budget and reflects an increase of £7,590 compared to 2018/19:

| | HBBC £ |
|---|------------------|
| 2019/20 Contribution (draft) | 1,348,170 |
| 2018/19 Contribution | 1,340,580 |
| Difference – Increase/(Decrease) | 7,590 |

Investment (Income/Costs)

- 3.34 In recent years the country has faced unprecedented levels of public sector borrowing which had reached a peak of 11.0% of Gross Domestic Product (GDP) in 2009/10. The Government continues to emphasise a need to reduce borrowing which consequently impacts the level of resources available to the sector.
- 3.35 The Base Rate is currently 0.75%; this level has been assumed in the 2019/20 budget to ensure that a prudent level of investment income is assumed. Conversely, the Council is able to borrow from the Public Works Loan Board (PWLB) to fund the Capital Programme. Loans are acquired at preferential rates from this source which reduces the level of interest payable from the General Fund.
- 3.36 Net interest cost for this Council have been estimated at £185,360 and is based on a cash flow and borrowing forecast.

Major Projects

- 3.37 Appropriate provision has been made in the budget for the revenue consequences of the Council's major projects including:

- The Hinckley Bus Station Redevelopment - "The Crescent"
- Hinckley Leisure Centre
- Former Co-op site (Castle Street)

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

Council Tax

- 3.38 For 2016/17 the financial settlement offered the ability to councils that have been prudent in council tax increments and find themselves in the bottom quartile for the level of council tax charged, to level a £5 increase for a four year period. This comes to an end in 2019/20. HBBC are currently the 14th lowest district council out of 201 in terms of the Council Tax charged for our services in 2018/19.

Medium Term Financial Strategy

- 3.39 The budget proposed for 2019/20 is achieving the target of 15% agreed by members and has earmarked reserves of £6.7m, which is just under the forecast position last year of £6.8m. The general fund balance is forecast to be £1.6m. Therefore, the Council can achieve its financial targets for the 2019/20 year. However, given the significant changes in Local Government Financing, the 2019/20 budget should be considered in light of the MTFS, which indicates that the years after 2019/20 there are significant pressures due to the forthcoming fair funding review. Members should note, failure to set a balanced MTFS that maintains the financial position of the Council could lead to our auditors qualifying the VFM conclusion, which is unlikely based on our current forecast.

4. EXEMPTIONS IN ACCORDANCE WITH THE ACCESS TO INFORMATION PROCEDURE RULES

- 4.1 Report to be taken in open session.

5. FINANCIAL IMPLICATIONS [IB]

- 5.1 Contained within the body of the report.

6. LEGAL IMPLICATIONS [AR]

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

7. CORPORATE PLAN IMPLICATIONS

- 7.1 A robust General Fund Budget is required to ensure that resources are effectively allocated in order to ensure delivery of all of the aims, outcomes and targets included in the Council's Corporate Plan.

8. CONSULTATION

- 8.1 None.

9. RISK IMPLICATIONS

- 9.1 It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.
- 9.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision/project have been identified, assessed and that controls are in place to manage them effectively.
- 9.3 The following significant risks associated with this report / decisions were identified from this assessment:

| Management of significant (Net Red) Risks | | |
|---|----------------------------------|-----------|
| Risk Description | Mitigating actions | Owner |
| That the Council has insufficient | A budget strategy is produced to | Strategic |

| | | |
|--|---|---------------------------|
| resources to meet its aspirations and cannot set a balanced budget | ensure that the objectives of the budget exercise are known throughout the organisation. | Leadership Team |
| | The budget is scrutinised on an ongoing basis to ensure that assumptions are robust and reflective of financial performance. | Strategic Leadership Team |
| That decisions made for 2017/18 are made in isolation from the Medium Term Financial Strategy and the pressures set out in that strategy. | Decisions are made which provide costed reassurance that sufficient levels of reserves and balances are maintained to ensure financial resilience over the period of the MTFS | Council |
| That the MTFS has no robust and costed plan to ensure sustainability, resulting in public criticism on value for money from the internal and external auditors | Decisions are made which provide costed reassurance that sufficient levels of reserves and balances are maintained to ensure financial resilience over the period of the MTFS | Council |

10. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

10.1 This budget ensures that value for money services can be delivered to all residents and communities within the Borough.

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
- Procurement implications
- Human Resources implications
- Planning implications
- Data Protection implications
- Voluntary Sector

Background papers: None

Contact Officer: Ilyas Bham, Accountancy Manager ext. 5924
Executive Member: Cllr C Ladkin

Appendix 1 - General Fund Earmarked Reserves

| | Estimated current position 31/3/18 | capital exp Orig Budget | To Revenue Orig Budget | From revenue Orig Budget | Capital Carry Fwds | In Year Movements Capital | Revenue Carry Fwds From Reserves | In yr movements revenue | Closing Balance 31st March 2019 | capital exp Orig Budget | To Revenue Orig Budget | From revenue Orig Budget | Closing Balance 31st March 2020 |
|--------------------------------------|---|----------------------------|---------------------------|--------------------------------|-----------------------|---------------------------------|---|-------------------------------|--|----------------------------|---------------------------|--------------------------------|--|
| | £ | £ | £ | £ | £ | £ | £ | | £ | £ | £ | £ | £ |
| Benefits Reserve | (58,549) | | | | | | | | (58,549) | | 58,549 | 0 | 0 |
| Hub Future Rental Management Reserve | (350,000) | | | (50,000) | | | | | (400,000) | | 0 | 0 | (400,000) |
| Special Expenses Reserve | (148,589) | 10,000 | | | 520 | 1,709 | | | (136,360) | 10,000 | 0 | 0 | (126,360) |
| Local Plan Procedure | (606,532) | | 106,000 | (100,000) | | | 101,000 | (74,000) | (573,532) | | 238,650 | (71,880) | (406,762) |
| Business Rates Equalisation Reserve | (2,375,290) | | 350,000 | (385,295) | | | | 205,900 | (2,204,685) | | 0 | (1,059,000) | (3,263,685) |
| Relocation Reserve | (50,000) | | 50,000 | | | | | | 0 | | 0 | 0 | 0 |
| Year End Carry Forwards | (225,558) | | | | | | 187,558 | | (38,000) | | 0 | 0 | (38,000) |
| Maint Fund - Green Towers | (25,000) | | | (5,000) | | | | | (30,000) | | 0 | (5,000) | (35,000) |
| Pensions Contribution | (107,611) | | 53,811 | | | | | | (53,800) | | 53,800 | 0 | 0 |
| ICT Reserve | (250,515) | | 84,000 | (100,000) | | 15,000 | | 11,750 | (239,765) | 15,000 | 124,500 | (162,000) | (262,265) |
| Waste Management Reserve | (300,260) | | 175,000 | (250,000) | | | | | (375,260) | | 55,000 | 0 | (320,260) |
| Asset Management Reserve | (797,400) | 615,526 | | | 181,874 | (797,400) | | | (797,400) | | 397,400 | 0 | (400,000) |
| Planning Delivery Grant Reserve | (17,783) | | | | | | | | (17,783) | | 0 | 0 | (17,783) |
| Workforce Strategy Reserve | 0 | | 175,000 | (225,000) | | | | | (50,000) | | 50,000 | 0 | 0 |
| Election Reserve | (122,005) | | 42,000 | | | | | | (80,005) | | 80,000 | 0 | (5) |
| Grounds Maintenance | (127,395) | 200,000 | | (66,705) | | | | (5,900) | (0) | | 0 | (30,000) | (30,000) |
| Transformation | (52,500) | | 32,000 | | | | | | (20,500) | | 20,500 | 0 | (0) |
| Enforcement & Planning Appeals | (270,000) | | | | | | | 40,000 | (230,000) | | 0 | 0 | (230,000) |
| Earl Shilton Toilets | (100,000) | | | | | | | | (100,000) | 50,000 | 0 | 0 | (50,000) |
| Building Maintenance costs | (388,120) | | | (200,000) | | | | | (588,120) | | 0 | 0 | (588,120) |
| Hinckley Community Development Fund | 0 | | | (350,000) | | | | 175,000 | (175,000) | 150,000 | 25,000 | 0 | 0 |
| Minor Capital Projects | 0 | | | (175,000) | | | | (175,000) | (350,000) | | 150,000 | 0 | (200,000) |
| PCIF Reserve | 0 | | | (375,000) | | | | | (375,000) | 125,000 | 250,000 | 0 | 0 |
| Developing Communities Fund | (1,058,893) | 711,980 | | (499,000) | 95,905 | | | | (750,008) | 400,000 | 0 | (250,000) | (600,008) |
| Total | (7,619,558) | 1,537,506 | 1,067,811 | (2,781,000) | 278,299 | (780,691) | 288,558 | 177,750 | (7,643,767) | 750,000 | 1,503,399 | (1,577,880) | (6,968,248) |

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Hinckley & Bosworth Borough Council

FORWARD TIMETABLE OF CONSULTATION AND DECISION MAKING

SCRUTINY COMMISSION
COUNCIL

7 FEBRUARY 2019
21 FEBRUARY 2019

WARDS AFFECTED:

ALL WARDS

HOUSING REVENUE ACCOUNT BUDGET 2019/20

Report of Head of Finance

1. PURPOSE OF REPORT

- 1.1 To seek approval of the 2019/20 Housing Revenue Account (HRA) budget, including the Housing Repairs Account.

2. RECOMMENDATION

- 2.1 That Council approve the Rent Policy for 2019/20 as set out in paragraph 3.3 to 3.6.
- 2.2 That Council approve:
- The revised Housing Revenue and Housing Repairs Account budgets for 2018/19 shown in Appendix 1 and Appendix 2.
 - The Housing Revenue and Housing Repairs Account budgets for 2019/20 shown in Appendix 1 and Appendix 2.
 - The proposed movement in reserves shown in Appendix 3.

3. BACKGROUND TO THE REPORT

- 3.1 The budgets covered by this report relate to the Council's responsibilities as the landlord of around 3,305 dwellings. The Housing Revenue Account is the ring fenced account which presents financial performance for the following activities:
- Income from dwelling rents and associated charges, e.g. utilities.
 - Supervision & Management (General), e.g. allocations, housing register, rent collection, tenant consultation,
 - Supervision & Management (Special) e.g. sheltered schemes, hostel, roads, paths, fences and grounds, which are not part of an individual property.
 - Housing Repairs & Maintenance, which has a separate account and deals with the maintenance of individual properties.

- 3.2 The Council, as landlord to properties within the Housing Revenue Account is required to review rent levels and advise tenants of their rent for the forthcoming year ahead as part of the budget setting process.

Rent setting

- 3.3 On the 8 July 2015, as part of the summer budget, the government announced a revised rent policy which would apply for 4 years from 2016/17. The objective of this policy was to assist the public with their rental expenditure.
- 3.4 The policy is therefore to reduce social housing rent by 1% for 2019/20 (the last of the 4 years).
- 3.5 Based on the policy the rents for 2019/20 have been calculated on the following basis:
- Social housing and supported housing rent will reduce by 1%.
 - Void loss assumption of 1.75%
 - Inclusion of New Properties at Martinshaw Lane
- 3.6 After factoring in the above the forecast rental income for 2019/20 is £12,482,740.

Budget summary

- 3.7 The original Housing Revenue Account budget for 2018/19, revised budget for 2018/19 (based on October 2018 outturn) and the proposed budget for 2019/20 is set out in Appendix 1.
- 3.8 The original Housing Repairs Account budget for 2018/19, revised budgets for 2018/19 (based on October 2018 outturn) and the proposed budget for 2019/20 is set out in Appendix 2.

Revised 2018/19 Budget

- 3.9 The original budgets for 2018/19 have, in accordance with the Council's Financial Procedures, been revised during the year to take account of approved supplementary budgets and virements.
- 3.10 Appendix 1 identifies a reduction in spend for the year of £4,240. This is made up of:

| | £ |
|--|--------------|
| Reduction dwelling rental income | 12,000 |
| Employee costs overspend | 12,000 |
| Premises insurance savings | (23,000) |
| Discretionary Housing Payment underspend | (25,000) |
| Additional Caretaking/Cleaning costs | 24,610 |
| Council Tax overspend | 10,000 |
| Electricity/Gas underspends | (16,000) |
| Other minor variances | 9,630 |
| TOTAL | 4,240 |

This will result in an estimated HRA balance as at 31st March 2019 of £845,000 against the original estimate of £840,795. In 2019/20 the estimated contributions to

the regeneration reserve will be reduced to ensure that HRA balance equates to around £250 per property.

- 3.11 In addition, Appendix 2 summarises the Housing Repairs Account to year end. The movement between the original budget and the revised budget is due to contractual commitments that were carried forward from the prior year. Currently the Account is expected to be underspent by £35,000. This is due to delays in the completion of Asbestos surveys. This is a contractual commitment which will be completed in 2019/20. A carry forward request will be completed at year end for the actual value based on surveys completed as at the 31st March 2019.

2019/20 Budget

Service Priorities and links to other documents

- 3.12 The 2019/20 budget has been created with clear links to the Council's strategic and service objectives.
- 3.13 In addition to the Corporate Plan, the overarching strategic document for the HRA is the HRA Investment Plan which was approved by Council in November 2018. The key objectives for future housing provision outlined in this document were taken into account in producing both the revenue and capital HRA budgets. These are as follows:
- Continue to invest in existing stock to maintain good quality homes
 - Where affordable, invest in new build schemes/acquire affordable housing to increase the amount of affordable housing available.
 - Refurbishment/regeneration of stock which no longer meets needs.
 - Achieve 100 % compliance with decent homes standard by 2020/21.

Budget Assumptions and the Budget Strategy

- 3.14 The 2019/20 Housing Revenue Budget has been prepared following a robust process outlined in the 2019/20 Budget Strategy.
- 3.15 In order to drive efficiency savings within the cost of supplies and services, a rate of 0% has been applied to non-contract related expenditure. For contractual commitments, an inflation rate of 2.7% has been used, unless otherwise specified within the terms of the specific contract.
- 3.16 The salaries and wages budgets form one of the most significant elements of the revenue budget. For pay costs, the 2019/20 estimates include the agreed 2% pay increase as outlined in the Employers Pay Offer in December 2017. The Council operates a disciplined process of challenging recruitment and filling of posts and therefore a salary saving rate of 5% has been applied to posts to reflect the savings. This rate is unchanged from the prior year.

Housing Revenue Account 2019/20

- 3.17 The estimated surplus for 2019/20 for the HRA is £28,510. This will result in a forecast balance at the year end of £873,510. After allowing for rent changes included in section 3.5, other major changes are summarised below: -

| | |
|---|----------------|
| | £ |
| Employee salary costs (pay award) | 92,000 |
| Change in Bad Debt Provision | 60,000 |
| Depreciation. This has no net impact. The change in depreciation is offset by the change in the repairs reserve which is used to fund capital expenditure | 646,000 |
| TOTAL | 798,000 |

Housing Repairs budgets 2019/20

- 3.18 The housing repairs operational budgets (Planned and Responsive repairs) have been prepared taking into account forecast need and the capacity for this to be delivered in 2019/20.
- 3.19 Programmed and Responsive repairs budgets have been increased in-line with inflation. The reduction in supplies and services costs is due to a reduction in the requirement of the asbestos surveys budget. Allowing for a £460,000 contribution to reserves gives a slight operating deficit of £25,480 in the year which will mean a forecast balance of £158,717 as at 31st March 2020.

Working balances

- 3.20 The Council has the following policies relating to levels of balances and reserves in the HRA:
- Maintain HRA balances (non earmarked) of £250 per property by the 31st March 2020. For 2019/20, this equates to a minimum balance of £826,250 based on 3,305 properties.
 - Maintain a breakeven position within the Housing Repairs Account with all surpluses transferred to earmarked reserves.
 - Where possible, all actual service under-spends and excess balances should be transferred to earmarked reserves to plan for specific future costs or financial risks.
 - There should be no direct contribution from revenue to capital except for specific identified projects.
- 3.21 The projected movement of the Housing Revenue Account balance is detailed below and indicates that sufficient balances are forecast as at 31st March 2020 based on the minimum balance thresholds outlined in 3.20. Required transactions to achieve minimum balances for 2018/19 will be considered as part of the outturn process. ¹

| | 2018/19 | 2018/19 | 2019/20 |
|-------------------------------|-----------------|-----------------|-----------------|
| | ORIGINAL | LATEST | ORIGINAL |
| | ESTIMATE | ESTIMATE | ESTIMATE |
| | £ | £ | £ |
| Opening Balance at 1st April | (758,585) | (729,696) | (845,000) |
| Closing Balance at 31st March | (840,975) | (845,000) | (873,510) |

¹ (x) Relates to credit/positive balances

3.22 The Housing Repairs Account balance is forecast as follows:

| | 2018/19 | 2018/19 | 2019/20 |
|-------------------------------|-----------|-----------|-----------|
| | ORIGINAL | LATEST | ORIGINAL |
| | ESTIMATE | ESTIMATE | ESTIMATE |
| | £ | £ | £ |
| Opening Balance at 1st April | (148,852) | (328,136) | (184,197) |
| Closing Balance at 31st March | (161,097) | (184,197) | (158,717) |

Reserves

3.23 Appendix 3 provides a summary of earmarked HRA reserves, together with estimated movements during 2018/19 and 2019/20. Based on these calculations, it is estimated that the Council will hold £10,215,856 in earmarked HRA reserves as at 31st March 2019 and £6,466,231 at 31st March 2020. This amount excludes any “unapplied grants and contributions” which are treated as earmarked reserves in accordance with accounting regulations but relate to specific grants where conditions have not yet been met.

The following transfers to reserves require approval by Council:

| Reserve | Transfer £ | Use |
|-----------------------|---------------|---|
| 2018/19 | | |
| Piper Alarm Reserve | 10,400 | Reserve set aside for additional costs that may be incurred on provision of the Control Centre service. |
| Regeneration Reserve | 2,018,546 | This reserve has been set up to fund the implementation of the Housing Investment Plan. The transfer to reserves has been funded by both the HRA and the Housing Repairs Account. |
| Pension Reserve | 3,520 | This reserve has been set aside to fund any future pension liability for the HRA. |
| Major Repairs Reserve | 898,349 | This amount together with the depreciation budget will be set aside to fund capital expenditure. (This entry is now required due to a change in accounting regulations). |
| 2019/20 | | |
| Piper Alarm Reserve | 10,400 | Reserve set aside for additional costs that may be incurred on provision of the Piper Alarm service. This service is currently under review by the Council |
| Regeneration Reserve | 1,792,167 | This reserve has been set up to fund the implementation of the Housing Investment Plan. The transfer to reserves has been funded by both the HRA and the Housing Repairs Account. |
| Pension Reserve | 3,520 | This reserve has been set aside to fund any future pension liability for the HRA. |
| Major Repairs Reserve | 256,108 | This amount together with the depreciation budget will be set aside to fund capital |

| | | |
|--|--|--|
| | | expenditure. (This entry is now required due to a change in accounting regulations). |
|--|--|--|

- 3.24 It is proposed that HRA reserves will only be used for capital purposes in 2019/20. Full details are included in the Capital Programme.

HRA Business Plan

- 3.25 The HRA Business and Investment Plan outlines how the HRA business will deliver services and capital projects over a 30 year period. The plan has been updated to reflect the budget for 2019/20 and the current affordable housing programme which is included within the capital programme report.

4. EXEMPTIONS IN ACCORDANCE WITH THE ACCESS TO INFORMATION PROCEDURE RULES

- 4.1 Report will be taken in open session

5. FINANCIAL IMPLICATIONS [IB]

- 5.1 Contained in the body of the report

6. LEGAL IMPLICATIONS [AR]

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

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

7. CORPORATE PLAN IMPLICATIONS

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

8. CONSULTATION

- 8.1 Relevant council officers have been consulted in the preparation of the budgets.
- 8.2 A full consultation exercise on priorities for Housing Investment was conducted in 2013/2014, the results of which were considered in the preparation of the Housing Investment Plan,

9. RISK IMPLICATIONS

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

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

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

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

10. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

- 10.1 The budget will allow management and maintenance of Council Properties throughout the Borough.

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
 - Procurement implications
 - Human Resources implications
 - Planning implications
 - Data Protection implications
- Voluntary Sector

Background papers: Civica Reports

Contact Officer: Ilyas Bham, Accountancy Manager Ext. 5924

Executive Member: Cllr C Ladkin

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Appendix 1

| | 2018/19 ORIGINAL ESTIMATE | 2018/19 LATEST ESTIMATE | 2019/20 ORIGINAL ESTIMATE |
|--|---------------------------------|-------------------------------|---------------------------------|
| | £ | £ | £ |
| SUMMARY HOUSING REVENUE ACCOUNT | | | |
| INCOME | | | |
| Dwelling Rents | (12,691,926) | (12,679,926) | (12,482,740) |
| Non Dwelling Rents | (86,400) | (86,400) | (86,570) |
| Contributions to Expenditure | (17,020) | (17,020) | (17,020) |
| Further net savings identified in year | | | |
| | (12,795,346) | (12,783,346) | (12,586,330) |
| EXPENDITURE | | | |
| Supervision & Management (General) | 2,131,652 | 2,055,492 | 2,166,310 |
| Supervision & Management (Special) | 576,774 | 645,174 | 591,770 |
| Lump Sum LCC pension contribution | 36,360 | 36,360 | 48,350 |
| Contributions to Housing Repairs A/C | 3,192,165 | 3,192,165 | 3,192,165 |
| Depreciation | 2,111,099 | 2,111,099 | 2,753,340 |
| Capital Charges: Debt Management | 2,700 | 2,700 | 1,920 |
| Increase in Provision for Bad Debts | 160,000 | 160,000 | 220,000 |
| Interest on Borrowing | 2,087,800 | 2,087,800 | 2,087,400 |
| | 10,298,550 | 10,290,790 | 11,061,255 |
| Net Cost of Services | (2,496,796) | (2,492,556) | (1,525,075) |
| Interest Receivable | (19,543) | (19,543) | -60,000 |
| IAS19 Adjustment | (74,020) | (74,020) | (45,630) |
| Net Operating Expenditure | (2,590,359) | (2,586,119) | (1,630,705) |
| CONTRIBUTIONS | | | |
| Contribution to Piper Alarm Reserve | 10,400 | 10,400 | 10,400 |
| Contribution to Pensions Reserve | 3,520 | 3,520 | 3,520 |
| Transfer to Major Repairs Reserve | 898,349 | 898,349 | 256,108 |
| Transfer to Regeneration Reserve | 1,595,700 | 1,558,546 | 1,332,167 |
| (Surplus) / Deficit | (82,390) | (115,304) | (28,510) |
| Relevant Year Opening Balance at 1st April | (758,585) | (729,696) | (845,000) |
| Relevant Year Closing Balance at 31st March | (840,975) | (845,000) | (873,510) |

Housing Revenue ACCOUNT

| | 2018/19 ORIGINAL ESTIMATE | 2018/19 LATEST ESTIMATE | 2019/20 ORIGINAL ESTIMATE |
|---|---------------------------------|-------------------------------|---------------------------------|
| | £ | £ | £ |
| SUPERVISION & MANAGEMENT (GENERAL) | | | |
| Employees | 976,412 | 929,642 | 1,016,490 |
| Premises Related Expenditure | 127,900 | 88,900 | 103,880 |
| Transport Related Expenditure | 16,830 | 16,830 | 15,000 |
| Supplies & Services | 240,030 | 236,960 | 230,780 |
| Central & Administrative Exp | 825,010 | 826,620 | 843,620 |
| Gross Expenditure | <u>2,186,182</u> | <u>2,098,952</u> | <u>2,209,770</u> |
| Revenue Income | (46,530) | (43,460) | (43,460) |
| Recharges | (8,000) | - | |
| Total Income | <u>(54,530)</u> | <u>(43,460)</u> | <u>(43,460)</u> |
| Net Expenditure to HRA | <u>2,131,652</u> | <u>2,055,492</u> | <u>2,166,310</u> |
| SUPERVISION & MANAGEMENT (SPECIAL) | | | |
| Employees | 600,690 | 660,080 | 608,070 |
| Premises Related Expenditure | 376,428 | 392,038 | 390,250 |
| Transport Related Expenditure | 15,340 | 15,340 | 15,390 |
| Supplies & Services | 147,040 | 148,440 | 143,990 |
| Central & Administrative Exp | 106,840 | 106,840 | 107,400 |
| Gross Expenditure | <u>1,246,338</u> | <u>1,322,738</u> | <u>1,265,100</u> |
| Revenue Income | (615,644) | (623,644) | (619,410) |
| Recharges | (53,920) | (53,920) | (53,920) |
| Total Income | <u>(669,564)</u> | <u>(677,564)</u> | <u>(673,330)</u> |
| Net Expenditure to HRA | <u>576,774</u> | <u>645,174</u> | <u>591,770</u> |

| | 2018/19 ORIGINAL ESTIMATE | 2018/19 LATEST ESTIMATE | 2019/20 ORIGINAL ESTIMATE |
|---|---------------------------------|-------------------------------|---------------------------------|
| | £ | £ | £ |
| HOUSING REPAIRS ACCOUNT | | | |
| Administration | | | |
| Employee Costs | 356,200 | 376,360 | 366,200 |
| Transport Related Expenditure | 8,000 | 8,000 | 13,720 |
| Supplies & Services | 204,700 | 303,313 | 175,910 |
| Central Administrative Expenses | 278,250 | 278,250 | 313,100 |
| Total Housing Repairs Administration | 847,150 | 965,923 | 868,930 |
| Programmed Repairs | 654,570 | 682,981 | 663,460 |
| Responsive Repairs | 1,241,040 | 1,250,040 | 1,236,050 |
| GROSS EXPENDITURE | 2,742,760 | 2,898,944 | 2,768,440 |
| Contribution from HRA | (3,192,165) | (3,192,165) | (3,192,170) |
| Other Income | (2,000) | (2,000) | 0 |
| IAS19 Adjustment | (20,840) | (20,840) | (10,790) |
| TOTAL INCOME | (3,215,005) | (3,215,005) | (3,202,960) |
| Contribution to HRA Reserves | 460,000 | 460,000 | 460,000 |
| NET EXPENDITURE | (12,245) | 143,939 | 25,480 |
| Opening Balance at 1st April | (148,852) | (328,136) | (184,197) |
| Closing Balance at 31st March | (161,097) | (184,197) | (158,717) |

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HRA Reserves

Appendix 3

| | Balance 31st March 2018 | Transfer to reserves | Revenue spend | Capital spend | Balance 31st March 2019 | Transfer to reserves | Revenue spend | Capital spend | Balance 31st March 2020 |
|------------------------------|----------------------------|-------------------------|------------------|------------------|----------------------------|-------------------------|------------------|------------------|----------------------------|
| | | 2018/2019 | 2018/2019 | 2018/2019 | | 2019/2020 | 2019/2020 | 2019/2020 | |
| | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| Piper Alarm Reserve | (166,887) | (10,400) | 0 | 100,000 | (77,287) | (10,400) | 0 | 40,000 | (47,687) |
| Communal Furniture Reserve | (4,913) | 0 | 0 | 0 | (4,913) | 0 | 0 | 0 | (4,913) |
| Regeneration Reserve | (9,856,685) | (2,018,546) | 0 | 2,474,190 | (9,401,041) | (1,792,167) | 0 | 5,516,160 | (5,677,048) |
| HRA Carry Forward | (43,300) | 0 | 0 | 0 | (43,300) | 0 | 0 | 0 | (43,300) |
| Service Improvement Reserve | (50,000) | 0 | 0 | 0 | (50,000) | 0 | 0 | 0 | (50,000) |
| Pension Contribution Reserve | (35,860) | (3,520) | 0 | 0 | (39,380) | (3,520) | 0 | 0 | (42,900) |
| Major Repairs Reserve | (599,487) | (3,009,448) | | 3,009,000 | (599,935) | (3,009,448) | | 3,009,000 | (600,383) |
| Total | (10,757,132) | (5,041,914) | 0 | 5,583,190 | (10,215,856) | (4,815,535) | 0 | 8,565,160 | (6,466,231) |

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Hinckley & Bosworth Borough Council

FORWARD TIMETABLE OF CONSULTATION AND DECISION MAKING

Scrutiny Commission
Council

7 February 2019
21 February 2019

WARDS AFFECTED: ALL WARDS

FEES AND CHARGES 2019/2020

Report of Head of Finance (Section 151 Officer)

1. PURPOSE OF REPORT

- 1.1 To obtain approval of the proposed scale of Fees and Charges for 2019/2020.

2. RECOMMENDATION

- 2.1 That Council approve the Fees and Charges book for 2019/2020.

3. BACKGROUND TO THE REPORT

- 3.1 The Council charges for a number of services that are provided to the public.
- 3.2 The Council generates income of circa £5.9million from these sources annually.

Charging Principles

- 3.3 A number of principles are followed when considering fees and charges. In general terms, all applicable services should be charged for unless there is a valid reason for an exception to be made. These exemptions include, but are not limited to:

- Instances where the administrative cost of levying and recovering the charge would outweigh any potential income
- Where policy has been passed to fund the service from Council Tax or other dedicated funding streams (e.g. grants)
- Circumstances where charging would significantly deter demand
- Where statute dictates that charges cannot be made

- 3.4 When setting scales of charges, the following factors are taken into consideration:

- Statutory obligations
- Inflation and relevant indices
- Local market research and competition (where relevant)
- The impact of price changes on activity level or demand
- Changes in taxation
- Budget position and links to the MTFS and the Corporate Plan
- The cost of providing the service

3.5 A rate comparable with Retail Price Index (RPI), which is a measure of inflation, has been used as an index where appropriate for up-rating charges from prior year. A rate of 2.70% has been used in line with the Budget Strategy for 2019/2020 which was endorsed by Executive.

2019/2020 Fees and Charges

3.6 The Fees & Charges shows the 2018/19 and 2019/20 charges, along with the percentage increases applied. Some fees and charges, for example Fixed Penalty Notices and those under the Gambling and Licensing Acts have been set in line with relevant guidance.

3.7 All leisure centre charges have been set by Places For People Leisure Management Ltd who will operate the leisure centre. All charges are consistent with the contract with Places For People Leisure Management Ltd.

3.8 In the majority of cases where discretionary charges can be made, increases have been made in line with index in 3.5 (or to the nearest round number associated with this increase).

3.9 The major changes that have an impact on the budgets are listed below:-

| | 2018/19 | 2019/20 | % increase |
|--|---------|---------|------------|
| Pre planning application advice: | | | |
| Major Development (large residential/retail/leisure) | £3,195 | £5,100 | 59.62% |
| Major Development (50-99 dwellings or 5,000-9,999 m2) | £1,273 | £3,400 | 167.09% |
| Major Development (10-49 dwellings or 1,000-4,999 m2) | £852 | £1,800 | 111.27% |
| Minor Development (1-4 dwellings, agricultural) | £317 | £360 | 13.56% |
| Legal Services: | | | |
| Preparation of lease for industrial unit/shop (includes lease renewal) | £270 | £290 | 7.41% |
| Preparation of lease for Greenfields/Atkins (includes lease renewal) | £270 | £290 | 7.41% |
| Preparation of non standard lease | £450 | £480 | 6.67% |
| Preparation of deed of licence/variation of a term of lease | £210 | £250 | 19.05% |
| Deed of rectification (nil charge if council in error) | £260 | £280 | 7.69% |
| Retrospective Consent (RTB properties) | £109 | £120 | 10.09% |
| Grazing Licences | £109 | £120 | 10.09% |
| Deed of variation of leases | £325 | £350 | 7.69% |
| Licences – Animal establishments: | | | |
| Pet shops ordinary | £120 | £208 | 73.33% |
| Pet shops where dangerous wild animals sold | £240 | £320 | 33.33% |

4. EXEMPTIONS IN ACCORDANCE WITH THE ACCESS TO INFORMATION PROCEDURE RULES
 - 4.1 Report to be taken in open session.
5. FINANCIAL IMPLICATIONS [CS]
 - 5.1 These are contained within the report.
6. LEGAL IMPLICATIONS (MR)
 - 6.1 The council's powers to charge can arise from mandatory powers, express discretionary powers or implied or incidental powers
 - 6.2 Mandatory powers are set out in the functional legislation such as the power to charge for planning applications set out in the Town and Country Planning Act 1990.
 - 6.3 Section 93 Local Government Act 2003 gives the Council power to charge for discretionary services, but not in cases where there is already power to charge under other legislation eg power to charge for the use of a swimming pool pursuant to the Local Government Miscellaneous Provisions Act 1976
 - 6.4 The power to charge under Section 93 can only be used for services which the Council is empowered to provide
 - 6.5 The Section 93 power is not intended to provide a new income stream; its aim is to allow the Council to recover the costs of providing services, and there is a general duty on the Council to secure that, from one year to the next, the income from charges for services does not exceed the costs of provision
7. CORPORATE PLAN IMPLICATIONS
 - 7.1 The budget will have an indirect impact on all other Corporate Plan targets
8. CONSULTATION
 - 8.1 All budget holders, Corporate Operations Board and the Strategic Leadership Board have been consulted throughout the budget setting process
9. RISK IMPLICATIONS
 - 9.1 It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.
 - 9.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.
 - 9.3 The following significant risks associated with this report / decisions were identified from this assessment:

| 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> | J Kenny |

10. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

- 10.1 The budget process will impact on all areas of the Borough and all groups within the population
- 10.2 Where concessions are made for certain groups for charging purposes these are detailed in the attached booklet

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
 - Procurement implications
 - Human Resources implications
 - Planning implications
 - Data Protection implications
 - Voluntary Sector

Background papers: Fees and Charges submissions
Contact Officer: Ilyas Bham (Accountant) Ext 5924
Executive Member: Councillor C Ladkin



Hinckley & Bosworth
Borough Council

Scale of fees and charges



Hinckley Hansom Cab

2019 / 2020

Operative from 1 April 2019

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Scale of fees and charges 2019/20

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Scale of Fees and Charges 2019/20

*The figures quoted in the Fees and Charges book are shown GROSS,
i.e. including VAT where VAT is chargeable.*

VAT LIABILITY

The Council's Fees and Charges booklet incorporates a guide to identify the VAT liability for individual charges and most day to day queries can be resolved by reference to the relevant sections.

If any unusual or complex queries arise they should be referred to the Accountancy Section, Extension 5609 who will help.

As VAT regulations are continually changing the book will be updated and revised accordingly.

There are three rates of VAT depending on the goods or services provided:

- Standard rate 20.0%
- Reduced rate (e.g. domestic fuel and power) 5%
- Zero rate 0%

(The standard rate of VAT rose from 17½% to 20% on 4th January 2011)

There are also some goods and services that are:

- exempt from VAT, or
- outside the UK VAT system altogether (e.g. fees that are fixed by law, known as 'statutory fees')

Where the supply of goods or services is not subject to VAT, the VAT liability will either be exempt or non-business. Supplies which are zero rated are still taxable supplies but no VAT is due. Non-business activities are those for which Public Authorities have a statutory duty or are enshrined in legislation. Exempt supplies are those which are specifically exempt from VAT by statute. Though no VAT charge arises from either categorisation, it is still important to identify correctly the type of liability involved in order to meet statutory requirements.

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| Category | VAT | 2018/19 £ | 2019/20 £ | % increase |
|---|----------------|-----------------------|-----------------------|------------|
| Cemeteries | | | | |
| Interments - Including Natural Burials | | | | |
| of the body of a child up to the age of 18 yrs. inclusive. | Non-Business | No Charge | No Charge | - |
| Interment of the body of a child up to 18 years of age is free into a single depth grave. Where interments are required at double depth or below then single depth interment charges for over 18's will apply. | | | | |
| of the body of a person whose age exceeded 18 yrs. (Inc. caskets and brick graves) | | | | |
| Single depth grave | Non-Business | 453.00 | 465.00 | 2.65% |
| Double depth | Non-Business | 524.00 | 535.00 | 2.10% |
| Triple depth grave | Non-Business | 599.50 | 615.00 | 2.59% |
| of a cremated remains in a grave | | | | |
| Casket depth / ashes scattered under turf | Non-Business | 137.00 | 140.00 | 2.19% |
| Scattering of cremated remains in the Garden of Rest | Non-Business | 106.00 | 106.00 | - |
| Sexton led interment - no funeral director (in addition to above charges) | Non-Business | 35.60 | 37.00 | 3.93% |
| Note: - If resident outside special expense area = double fees - Except for residents who had lived within the area for at least 25 years, but who lived outside the area for health care or welfare reasons for no longer than ten years immediately prior to their death. - where available, work in the cemeteries on Saturdays or Sundays will attract double fees | | | | |
| Exclusive rights of burial for 70 Years | | | | |
| Casket plot 150 x 90cm (5'x3') (up to 2 caskets/ashes interment) | Non-Business | 318.50 | 325.00 | 2.04% |
| Grave plot of a child up to the age of 18yrs (appropriate plot size) special expense area | Non-Business | No Charge | No Charge | - |
| Grave plot of a child up to the age of 18yrs (appropriate plot size) outside special expense area, but within | Non-Business | 212.00 | 215.00 | 1.42% |
| Grave plot of a child up to the age of 18yrs (appropriate plot size) outside of the borough (double fees) | Non-Business | 424.00 | 430.00 | 1.42% |
| Note: -should parents opt for a grave size greater than the size of the coffin then normal grave purchase fees will apply (single fee for special expanse area, double fees for outside the borough) | | | | |
| Grave plot 240 x 120cm (8'x4') | Non-Business | 615.00 | 630.00 | 2.44% |
| Reservation fee | Non-Business | 106.00 | 110.00 | 3.77% |
| Reassignment / Transfer of Deed (If to spouse 50% reduction) | Non-Business | 53.00 | 55.00 | 3.77% |
| Extension to ERoB 30yrs (1/2, 70yrs fee) | Non-Business | see above | see above | - |
| Note: - If grave is being purchased for the interment of someone who was not resident in Hinckley then double fees apply. | | | | |
| Rights to erect memorial on a grave plot | | | | |
| A memorial not exceeding 105cm wide (3' 6") and 120cm high (4') | Non-Business | 147.00 | 150.00 | 2.04% |
| A memorial not exceeding 50cm (1'8") high | Non-Business | 81.50 | 84.00 | 3.07% |
| Memorial kerb (In garden of rest - to include plaque & 2 inscriptions) | Non-Business | 117.50 | 120.00 | 2.13% |
| Install plaque on remembrance wall | Non-Business | 95.00 | 100.00 | 5.26% |
| Additional Inscriptions to memorials | Non-Business | 65.50 | 66.00 | 0.76% |
| Note: - Right to erect replacement memorials no charge. | | | | |
| Other Charges (incl. VAT) | | | | |
| Entries in book of remembrance per line | Standard Rated | 37.50 | 38.00 | 1.33% |
| Service in cemetery chapel | Non-Business | 117.00 | 120.00 | 2.56% |
| Exhumations | | Triple interment fees | Triple interment fees | - |
| Memorial bench - subject to location availability (including single plaque & 15 years maintenance) | Standard Rated | 1,143.00 | 1,145.00 | 0.17% |
| Memorial bench plaque to HBBC bench, subject to availability | Standard Rated | 275.00 | 275.00 | - |
| Memorial tree - subject to location availability (including free standing memorial plaque) | Standard Rated | 314.00 | 315.00 | 0.32% |
| Search and copy per burial record (where death occurred more than 5 years before search) | Standard Rated | 10.70 | 11.00 | 2.80% |
| Soil removal from grave side for burial | Exempt | 117.40 | 120.00 | 2.21% |

| Category | | VAT | 2018/19 £ | 2019/20 £ | % increase |
|---|--|----------------|---------------|---------------|------------|
| Green spaces and events | | | | | |
| Professional fees | | | | | |
| Professional Fees | Parks and cemetery matters/ staff led activities/ hour | Standard Rated | 45.70 | 46.00 | 0.66% |
| Lost keys | | Standard Rated | 34.30 | 35.00 | 2.04% |
| Bowls – Hollycroft Park | | | | | |
| Season ticket - | Over 60 or Students | Exempt | 58.00 | 58.00 | - |
| | Ordinary | Exempt | 82.50 | 82.50 | - |
| Per rink / per hour | Over 60 or Students | Standard Rated | 3.70 | 3.70 | - |
| | Ordinary | Standard Rated | 6.50 | 6.50 | - |
| Note: - New members first season green fees = 25% discount Part season ticket - from July onwards 50% reduction | | | | | |
| Tennis – Hollycroft Park | | | | | |
| Per court per hour | Adult | Standard Rated | 7.50 | 7.50 | - |
| Off peak rate 11.00am - 3.00pm (Monday to Friday) | | Standard Rated | 5.60 | 5.60 | - |
| | Over 60 or Students | Standard Rated | 5.00 | 5.00 | - |
| Off peak rate 11.00am - 3.00pm (Monday to Friday) | | Standard Rated | 3.70 | 3.70 | - |
| | Mixed (adult and concession) | Standard Rated | 6.10 | 6.10 | - |
| Off peak rate 11.00am - 3.00pm (Monday to Friday) | | Standard Rated | 4.60 | 4.60 | - |
| Pitch and put – Hollycroft Park | | | | | |
| Adult | | Standard Rated | 3.40 | 3.40 | - |
| Junior | | Standard Rated | 1.80 | 1.80 | - |
| Equipment Hire - Hollycroft Park (for all sports equipment) | | Standard Rated | - | 10.00 | New Charge |
| Hollycroft Park, Argents Mead, parks and open spaces | | | | | |
| Hire of bandstand, parks and open spaces (commercial events) per day | | Exempt | 364.00 | 365.00 | 0.27% |
| Hire of bandstand (community events, registered charities, schools) per day | | Exempt | No Charge | No Charge | - |
| Parks and open spaces (fair and circuses) | | Exempt | 387.00 | 387.00 | - |
| Bond (fairs and circuses) | | Exempt | 640.00 | 640.00 | - |
| Commercial use of parks and open spaces for fitness training or dog training (annual licence fee) | | Exempt | 111.00 | 120.00 | 8.11% |
| Events | | | | | |
| Catering stalls (pitch 3m x 6m) | | Standard Rated | 69.00 | 70.00 | 1.45% |
| Other stalls (pitch 3m x 6m) | | Standard Rated | 36.50 | 37.00 | 1.37% |
| Additional pitch to above (pitch 3m x 6m) | | Standard Rated | 1/2 above Fee | 1/2 above Fee | - |
| Stall community / non profit making organisations / registered charities | | | No Charge | No Charge | - |
| Leisure activities including rides | | Standard Rated | 48.50 | 50.00 | 3.09% |
| Football and cricket pitches | | | | | |
| Pitch per 11 matches (per season) | | | | | |
| Team in the Borough pitch only | | Exempt | 275.00 | 275.00 | - |
| Team in the Borough pitch with changing room | | Exempt | 549.00 | 549.00 | - |
| Team outside Borough pitch only | | Exempt | 371.00 | 371.00 | - |
| Team outside Borough pitch with changing room | | Exempt | 686.00 | 686.00 | - |
| Casual lettings - per match facilities: | Teams in the Borough | Standard Rated | 74.00 | 74.00 | - |
| | Teams outside Borough | Standard Rated | 84.70 | 85.00 | 0.35% |
| Casual lettings - per match without facilities: | Teams in the Borough | Standard Rated | 40.00 | 40.00 | - |
| | Teams outside Borough | Standard Rated | 50.40 | 52.00 | 3.17% |
| Junior - 1/2 adult fees | | | | | |
| Allotments | | | | | |
| Existing tenants - rent per 83.61m ² (100yds ²) per annum or pro rata with water * | | Non-Business | 18.20 | 18.20 | - |
| - rent per 83.61m ² (100yds ²) per annum or pro rata without water * | | Non-Business | 12.90 | 12.90 | - |
| New tenants - rent per 83.61m ² (100yds ²) per annum or pro rata with water | | Non-Business | 18.20 | 18.20 | - |
| - rent per 83.61m ² (100yds ²) per annum or pro rata without water | | Non-Business | 12.90 | 12.90 | - |
| Note:- All tenants over 60 to receive a 25% discount | | | | | |
| * 50% Reduction for existing tenants over 60 if occupied prior to April 2008 | | | | | |
| Countryside activities | | | | | |
| HBBC organised environmental activities - Spring / Summer (for ages 5 - 12 years) | | Exempt | - | POA | New Charge |
| Floral displays / Hanging baskets | | Standard Rated | - | POA | New Charge |
| Timber per trailer full (subject to availability) | | Standard Rated | 58.20 | 60.00 | 3.09% |
| Bark chippings per trailer full (subject to availability) | | Standard Rated | 58.20 | 60.00 | 3.09% |
| Delivery of timber / chippings | | Standard Rated | POA | POA | - |

| Category | VAT | 2018/19 £ | 2019/20 £ | % increase |
|--|--------------|--------------|--------------|------------|
| Licences | | | | |
| Taxis | | | | |
| Hackney carriage vehicle licence | Non-Business | 140.00 | 140.00 | - |
| Private hire vehicle licence | Non-Business | 140.00 | 140.00 | - |
| Private hire operators licence (5 year validity period from 1 October 2015) | Non-Business | 222.00 | 222.00 | - |
| Private or Hackney carriage drivers licence (3 Year validity period from 1 October 2015) | Non-Business | 142.00 | 142.00 | - |
| Transfer Hackney carriage / private hire vehicle licence | Non-Business | 80.00 | 80.00 | - |
| Hackney carriage/ private hire | | | | |
| Replacement driver's badge or vehicle licence | Non-Business | 20.00 | 20.00 | - |
| Replacement vehicle plate | Non-Business | 28.00 | 28.00 | - |
| Failure to attend public carriage test or second re-test | Non-Business | 73.50 | 73.50 | - |
| Supply of list of Hackney carriage/ private hire vehicle operators | Non-Business | 40.00 | 40.00 | - |
| HCV - PHV environmental conversion (LPG,CNG,hybrid,elec) | Non-Business | 140.00 | 140.00 | - |
| Sex establishments | | | | |
| Sex shop / sexual entertainment venue | Non-Business | 1,000.00 | 1,000.00 | - |
| Renewal | Non-Business | 750.00 | 750.00 | - |
| Variation of licence | Non-Business | 250.00 | 250.00 | - |
| Transfer of licence | Non-Business | 250.00 | 250.00 | - |
| Gambling Act 2005 | | | | |
| Premises | | | | |
| Premises licence | Non-Business | 800.00 | 800.00 | - |
| Annual fee | Non-Business | 250.00 | 250.00 | - |
| Variation fee | Non-Business | 800.00 | 800.00 | - |
| Change of circumstance | Non-Business | 25.00 | 25.00 | - |
| Transfer of licence | Non-Business | 285.00 | 285.00 | - |
| Re-instatement fee | Non-Business | 285.00 | 285.00 | - |
| Provisional statement | Non-Business | 800.00 | 800.00 | - |
| Copy of licence | Non-Business | 25.00 | 25.00 | - |
| Alcohol licenced premises gaming machine permit | | | | |
| New grant | Non-Business | 150.00 | 150.00 | - |
| Existing operator grant | Non-Business | 100.00 | 100.00 | - |
| Variation | Non-Business | 100.00 | 100.00 | - |
| Transfer of licence | Non-Business | 25.00 | 25.00 | - |
| Annual fee | Non-Business | 50.00 | 50.00 | - |
| Change of name | Non-Business | 25.00 | 25.00 | - |
| Notification of 2 machines | Non-Business | 50.00 | 50.00 | - |
| Prize gaming permit | | | | |
| New grant | Non-Business | 300.00 | 300.00 | - |
| Renewal | Non-Business | 300.00 | 300.00 | - |
| Existing operator grant | Non-Business | 100.00 | 100.00 | - |
| Change of name | Non-Business | 25.00 | 25.00 | - |
| Copy of permit | Non-Business | 15.00 | 15.00 | - |
| Unlicenced FEC gaming machine | | | | |
| New grant | Non-Business | 300.00 | 300.00 | - |
| Renewal | Non-Business | 300.00 | 300.00 | - |
| Existing operator grant | Non-Business | 100.00 | 100.00 | - |
| Change of name | Non-Business | 25.00 | 25.00 | - |
| Copy of permit | Non-Business | 15.00 | 15.00 | - |

| Category | | VAT | 2018/19 £ | 2019/20 £ | % increase |
|---|--------|--------------|--------------|--------------|------------|
| Club gaming permits | | | | | |
| Grant | | Non-Business | 200.00 | 200.00 | - |
| Grant (club premises certificate holder) | | Non-Business | 100.00 | 100.00 | - |
| Existing operator grant | | Non-Business | 100.00 | 100.00 | - |
| Variation | | Non-Business | 100.00 | 100.00 | - |
| Renewal | | Non-Business | 200.00 | 200.00 | - |
| Renewal (club premises certificate holder) | | Non-Business | 100.00 | 100.00 | - |
| Annual fee | | Non-Business | 50.00 | 50.00 | - |
| Copy of permit | | Non-Business | 15.00 | 15.00 | - |
| Club machine permits | | | | | |
| Grant | | Non-Business | 200.00 | 200.00 | - |
| Grant (club premises certificate holder) | | Non-Business | 100.00 | 100.00 | - |
| Existing operator grant | | Non-Business | 100.00 | 100.00 | - |
| Variation | | Non-Business | 100.00 | 100.00 | - |
| Renewal | | Non-Business | 200.00 | 200.00 | - |
| Renewal (club premises certificate holder) | | Non-Business | 100.00 | 100.00 | - |
| Annual fee | | Non-Business | 50.00 | 50.00 | - |
| Copy of permit | | Non-Business | 15.00 | 15.00 | - |
| Small society lottery registration | | | | | |
| Small society lottery registration | | Non-Business | 40.00 | 40.00 | - |
| Small society lottery annual fee | | Non-Business | 20.00 | 20.00 | - |
| Licensing Act 2003 | | | | | |
| New premises (subject to NNDR band) | Band A | Non-Business | 100.00 | 100.00 | - |
| | Band B | Non-Business | 190.00 | 190.00 | - |
| | Band C | Non-Business | 315.00 | 315.00 | - |
| | Band D | Non-Business | 450.00 | 450.00 | - |
| | Band E | Non-Business | 635.00 | 635.00 | - |
| Annual fees (subject to NNDR band) | Band A | Non-Business | 70.00 | 70.00 | - |
| | Band B | Non-Business | 180.00 | 180.00 | - |
| | Band C | Non-Business | 295.00 | 295.00 | - |
| | Band D | Non-Business | 320.00 | 320.00 | - |
| | Band E | Non-Business | 350.00 | 350.00 | - |
| Personal license | | Non-Business | 37.00 | 37.00 | - |
| Temporary event notices | | Non-Business | 21.00 | 21.00 | - |
| Minor variation | | Non-Business | 89.00 | 89.00 | - |
| Theft / loss of premises license summary | | Non-Business | 10.50 | 10.50 | - |
| Application for provisional statement | | Non-Business | 195.00 | 195.00 | - |
| Change of name and address | | Non-Business | 10.50 | 10.50 | - |
| Application for license variation - specify individual as premises supervisor | | Non-Business | 23.00 | 23.00 | - |
| Application to display mandatory alcohol condition for community premises | | Non-Business | 23.00 | 23.00 | - |
| Application for transfer of premises license | | Non-Business | 23.00 | 23.00 | - |
| Interim authority notice | | Non-Business | 23.00 | 23.00 | - |
| Theft / loss of certificate of summary | | Non-Business | 10.50 | 10.50 | - |
| Notification of change of rules / name of club | | Non-Business | 10.50 | 10.50 | - |
| Notification of change of address of club | | Non-Business | 10.50 | 10.50 | - |
| Theft / loss of certificate of temporary license | | Non-Business | 10.50 | 10.50 | - |
| Theft / loss of certificate of personal license | | Non-Business | 10.50 | 10.50 | - |
| Right of freeholder to be notified of licensing matters | | Non-Business | 21.00 | 21.00 | - |

| Category | VAT | 2018/19 £ | 2019/20 £ | % increase |
|---|--------------|--------------|--------------|------------|
| Markets | | | | |
| Rival Markets | | | | |
| one day event | Non-Business | 165.00 | 170.00 | 3.03% |
| two day event | Non-Business | 280.50 | 290.00 | 3.39% |
| three day event | Non-Business | 330.00 | 340.00 | 3.03% |
| Street trading consents | | | | |
| Annual consent | Non-Business | 970.00 | 970.00 | - |
| Daily consent | Non-Business | 100.00 | 100.00 | - |
| Animal establishments | | | | |
| Pet shops * | | | | |
| Ordinary | Non-Business | 120.00 | 208.00 | 73.33% |
| Where dangerous wild animals sold * | Non-Business | 240.00 | 320.00 | 33.33% |
| Riding establishments * | Non-Business | | 257.00 | New Charge |
| Dog breeding * | Non-Business | - | 170.00 | New Charge |
| Keeping or training animals for exhibition | Non-Business | - | 145.00 | New Charge |
| Boarding for cats and dogs < 7 animals | Non-Business | - | 125.00 | New Charge |
| Boarding for cats and dogs > 7 animals | Non-Business | - | 167.00 | New Charge |
| Reassessment of star rating | Non-Business | - | 95.00 | New Charge |
| Variation of licence | Non-Business | - | 95.00 | New Charge |
| Multiple Activities | | | | |
| For those applicants who carry on more than one of the above licence activities, the full licence application fee will be payable for the highest application, plus £41.72 per additional licensable activity | Non-Business | - | 41.72 | New Charge |
| Dangerous wild animals * 2 yr. licence | Non-Business | 140.00 | 155.00 | 10.71% |
| Zoos * | Non-Business | 650.00 | 660.00 | 1.54% |
| Note:- * Plus vet's fees where applicable | | | | |
| Registration | | | | |
| Skin pierces (1 off reg. fee) | | | | |
| Person | Non-Business | 83.00 | 88.00 | 6.02% |
| Premises | Non-Business | 135.00 | 135.00 | - |
| Cosmetic skin piercing and skin colouring | | | | |
| Person | Non-Business | 83.00 | 88.00 | 6.02% |
| Premises | Non-Business | 135.00 | 135.00 | - |
| Hairdressers (1 off registration fee) | | | | |
| Person | Non-Business | 83.00 | 88.00 | 6.02% |
| Premises | Non-Business | 135.00 | 135.00 | - |
| Reprinting of licence/ registrations | Non-Business | 20.00 | 20.00 | - |

| Category | VAT | 2018/19 £ | 2019/20 £ | % increase |
|--|----------------|--------------|--------------|------------|
| Car parks | | | | |
| Car park fees | | | | |
| Short stay | | | | |
| Up to 1 hour | Standard Rated | 0.60 | 0.60 | - |
| Over 1 hour and up to 2 hours | Standard Rated | 1.20 | 1.20 | - |
| Over 2 hours and up to 3 hours | Standard Rated | 2.00 | 2.00 | - |
| Over 3 hours and up to 4 hours | Standard Rated | 3.00 | 3.00 | - |
| Over 4 hours | Standard Rated | 6.00 | 6.00 | - |
| Long stay | | | | |
| Up to 1 hour | Standard Rated | 0.60 | 0.60 | - |
| Up to 2 hours | Standard Rated | 1.20 | 1.20 | - |
| Up to 5 hours | Standard Rated | 1.60 | 1.60 | - |
| Over 5 hours | Standard Rated | 2.50 | 2.50 | - |
| Castle car park | | | | |
| Up to 1 hour | Standard Rated | 0.60 | 0.60 | - |
| Up to 2 hours | Standard Rated | 1.20 | 1.20 | - |
| Up to 5 hours | Standard Rated | 2.00 | 2.00 | - |
| Over 5 hours | Standard Rated | 4.00 | 4.00 | - |
| Market Bosworth Rectory Lane car park | | | | |
| Up to 1 hour | Standard Rated | 0.30 | 0.30 | - |
| Up to 2 hours | Standard Rated | 0.50 | 0.50 | - |
| Up to 4 hours | Standard Rated | 1.00 | 1.00 | - |
| Over 4 hours | Standard Rated | 2.00 | 2.00 | - |
| Season tickets (limited use) | | | | |
| Per year from month of issue | Standard Rated | 375.00 | 375.00 | - |
| Per half year from month of issue | Standard Rated | 200.00 | 200.00 | - |
| Per quarter from month of issue | Standard Rated | 110.00 | 110.00 | - |
| Replacement / amendment season tickets | Standard Rated | 10.00 | 10.00 | - |
| Cancellation of PCN were permit incorrectly displayed | Standard Rated | 10.00 | 10.00 | - |
| Per month (valid 1st day of month) | Standard Rated | 40.00 | 40.00 | - |
| Staff season ticket | | | | |
| Per month direct debit (for full year permit only) | Standard Rated | 31.25 | 31.25 | - |
| Season tickets (long stay plus Castle car park) | | | | |
| Per year | Standard Rated | 500.00 | 500.00 | - |
| Per month for direct debit | Standard Rated | 41.67 | 41.67 | - |
| Staff parking (based on salary sacrifice) | | | | |
| Full day | Standard Rated | 310.00 | 310.00 | - |
| Half day | Standard Rated | 155.00 | 155.00 | - |
| Fixed day per day | Standard Rated | 62.00 | 62.00 | - |
| Residents parking season ticket (restricted availability) | | | | |
| Short stay per year | Standard Rated | 75.00 | 75.00 | - |
| Long stay per year | Standard Rated | 50.00 | 50.00 | - |
| New street per month direct debit only | Standard Rated | 10.00 | 10.00 | - |
| Car park fines | | | | |
| Higher charge fines* | Non-Business | 70.00 | 70.00 | - |
| Lower charge fines* | Non-Business | 50.00 | 50.00 | - |
| Advertising on car park tickets – please contact 01455 255626 | Standard Rated | POA | POA | - |
| * Fines reduced by 50% for prompt payment (14 days) | | | | |
| Commercial display on car parks | | | | |
| Per day | Exempt | POA | POA | - |

| Category | | VAT | 2018/19 £ | 2019/20 £ | % increase |
|---|---|----------------|-------------------|-------------------|------------|
| Environment health | | | | | |
| Pest control | | | | | |
| Domestic | | | | | |
| Rats | | Standard Rated | 20.00 | 20.00 | - |
| Mice | | Standard Rated | 53.00 | 53.00 | - |
| Insects per treatment | | Standard Rated | 53.00 | 53.00 | - |
| Insects per call-out where treatment not necessary | | Standard Rated | 26.50 | 26.50 | - |
| Treatment of mice and insects for persons in receipt of eligible benefit | | Standard Rated | 26.50 | 26.50 | - |
| Wasp treatment for 1 nest | | Standard Rated | - | 53.00 | New Charge |
| Wasp treatment per each additional nest | | Standard Rated | - | 26.50 | New Charge |
| Wasp treatment for 1 nest for persons in receipt of eligible benefit | | Standard Rated | - | 26.50 | New Charge |
| Wasp treatment per each additional nest for persons in receipt of eligible benefit | | Standard Rated | - | 13.25 | New Charge |
| Business | | | | | |
| Insects and rodents – labour per hour or part thereof | | Standard Rated | 58.00 | 59.60 | 2.75% |
| Materials | | Standard Rated | Cost + 40% | Cost + 40% | - |
| Minimum charge | | Standard Rated | 76.30 | 78.40 | 2.75% |
| Insects per call - out where treatment not necessary | | Standard Rated | 38.15 | 39.20 | 2.75% |
| Stray dogs | | | | | |
| Kennelling | Per day | Non-Business | 17.00 | 17.45 | 2.65% |
| | Per occurrence (statutory fee) | Non-Business | 25.00 | 25.00 | - |
| Microchipping | Event charges | Standard Rated | 10.00 | 10.00 | - |
| | Home visit | Standard Rated | 15.00 | 15.00 | - |
| Refuse collection | | | | | |
| White goods/bulky item collection - 3 items or less | 50% reduction available for those on benefits | Non-Business | 15.00 | 15.00 | - |
| White goods/bulky item collection - 5 items | 50% reduction available for those on benefits | Non-Business | 25.00 | 25.00 | - |
| Each additional white goods/bulky item above 5 items | | Non-Business | £6.00 per item | £6.00 per item | - |
| Garden waste collection (annual subscription for period 1 April to 31 March) | | Non-Business | £24 per bin | £24 per bin | - |
| Replacement bin (lost/stolen/damaged or removed due a sec 46 EPA contravention) | | Non-Business | 37.10 | 37.10 | - |
| 1 new bin (New occupancy) | | Non-Business | 24.00 | 24.00 | - |
| 2 new bins (new occupancy) | | Non-Business | 48.00 | 48.00 | - |
| 3 bins and internal caddy (new occupancy) | | Non-Business | 72.00 | 72.00 | - |
| Trade waste refuse 1100 litre wheeled bin | | Non-Business | POA | POA | - |
| Trade waste refuse 660 litre wheeled bin | | Non-Business | POA | POA | - |
| Trade waste refuse 240 litre wheeled bin | | Non-Business | POA | POA | - |
| Trade waste recycling 1100 litre wheeled bin | | Non-Business | POA | POA | - |
| Trade waste recycling 660 litre wheeled bin | | Non-Business | POA | POA | - |
| Trade waste recycling 240 litre wheeled bin | | Non-Business | POA | POA | - |
| Trade bag (town centre only) | | Non-Business | POA | POA | - |
| Bin installation (additional to contract) | | | | | |
| Bin installation | | Standard Rated | POA | POA | - |
| Empty additional bin (per bin per occasion) | | Standard Rated | POA | POA | - |
| Sweeper hire | | Standard Rated | POA | POA | - |
| Asbestos removal and disposal | | Standard Rated | POA | POA | - |
| Noise nuisance | | | | | |
| Return of audio equipment seized | | Non-Business | 160.50 | 164.80 | 2.68% |
| Silencing of alarms requiring warrant (any contractors costs to be charged in addition) | | Non-Business | 134.80 | 138.40 | 2.67% |
| Silencing of alarms without warrant (any contractors costs to be charged in addition) | | Non-Business | 68.50 | 70.40 | 2.77% |
| Works in default - recovery of costs | | Non-Business | Cost + 30% | Cost + 30% | - |
| Other miscellaneous charges | | | | | |
| Food hygiene courses | | Non-Business | 50.00 | 50.00 | - |
| Food surrender | | | | | |
| Certification fee | | Non-Business | 100.00 | 100.00 | - |
| Plus transport for disposal | | Non-Business | At Cost | At Cost | - |
| Food register per sheet | | Non-Business | 30.00 | 30.00 | - |
| Food Export Certificate | | Non-Business | - | 100.00 | New Charge |
| Safer food better business pack | | Non-Business | 15.00 | 15.00 | - |
| Safer food better business diary refill | | Non-Business | 10.00 | 10.00 | - |
| Whole register | | Non-Business | 400.00 | 400.00 | - |
| Confirmation certificate for immigration of food business details | | Non-Business | 60.00 | 60.00 | - |
| Contaminated land enquiries | | Non-Business | 73.25 | 75.20 | 2.66% |
| Register of permits / authorisations | | Non-Business | 67.90 | 69.70 | 2.65% |
| Public register - copies of summaries | | Non-Business | 28.70 | 29.50 | 2.79% |
| Radar keys (disabled access to toilets) - purchase price | | Non-Business | - | - | - |
| Analysis fees - swimming pool water samples | | Standard Rated | 45.00 | 45.00 | - |
| Health and safety statement of facts | | Non-Business | £45 / hour | £45 / hour | - |
| Recharge of officer time | | Non-Business | Direct cost + 40% | Direct cost + 40% | - |
| Replacement certificates | | | 20.00 | 20.00 | - |

| Category | VAT | 2018/19 £ | 2019/20 £ | % increase |
|-------------------------------------|--------------|-------------------------------|----------------------------|------------|
| Private water supply charges | | | | |
| Commercial premises risk assessment | Non-Business | £30 / Hour up to maximum £500 | £42/hour | 40.00% |
| Simple domestic sample analysis | Non-Business | 25.00 | At Cost Plus £20 Admin Fee | (20.00%) |

| Category | VAT | 2018/19 | | 2019/20 | | % increase |
|--|--------------|---------------------------|---|---------------------------|---|------------|
| | | £ | £ | £ | £ | |
| Clean neighbourhoods - fixed penalty notices - statutory charges | | | | | | |
| | | Payments after 10 days | Reduction for Early Payment (10 days) | Payments after 10 days | Reduction for Early Payment (10 days) | |
| Nuisance parking | Non-Business | 100.00 | 80.00 | 100.00 | 80.00 | 0.00% |
| Abandoning a vehicle | Non-Business | 200.00 | 180.00 | 200.00 | 180.00 | 0.00% |
| Litter | Non-Business | 150.00 | 100.00 | 150.00 | 100.00 | 0.00% |
| Unauthorised distribution of literature on designated land | Non-Business | 150.00 | 100.00 | 150.00 | 100.00 | 0.00% |
| Graffiti and fly posting | Non-Business | 150.00 | 100.00 | 150.00 | 100.00 | 0.00% |
| Failure to produce authority (waste transfer notes) | Non-Business | 300.00 | 230.00 | 300.00 | 230.00 | 0.00% |
| Failure to furnish documentation (waste carriers licence) | Non-Business | 300.00 | 230.00 | 300.00 | 230.00 | 0.00% |
| Offences in relation to waste receptacles | Non-Business | 60.00 | 40.00 | 60.00 | 40.00 | 0.00% |
| Allowing a dog to foul in a public place | Non-Business | 50.00 | 50.00 | 50.00 | 50.00 | 0.00% |
| Failure to comply with a community protection notice, under the Anti-Social Behaviour, Crime and Policing Act 2014 | Non-Business | 100.00 | 80.00 | 100.00 | 80.00 | 0.00% |
| | | | | | | |
| Breach of public spaces protection order, under the Anti-social Behaviour, Crime and Policing Act 2014 | Non-Business | 100.00 | 80.00 | 100.00 | 80.00 | 0.00% |
| Fly tipping S33(1)(a) Environmental Protection Act 1990 | Non-Business | 400.00 | 200.00 | 400.00 | 200.00 | 0.00% |

| CATEGORY | 2018/19 | 2019/20 | % increase |
|--|-----------|-----------|------------|
| | £ | £ | |
| Leisure centre - (fees set by the external partner, Places For People Leisure Management Ltd) | | | |
| Swimming | | | |
| Adult | 4.45 | 4.60 | 3.37% |
| Senior (60 Plus) | 2.05 | 2.10 | 2.44% |
| Concession (inc. Junior Under 16, unemployed, student) | 2.45 | 2.50 | 2.04% |
| Disabled | No Charge | No Charge | - |
| Spectator | No Charge | No Charge | - |
| Pool hire | | | |
| Private hire – main pool (per 1 hour whole pool) | 75.65 | 78.40 | 3.64% |
| Private hire – main pool (per 1 hour per lane) | 9.45 | 9.80 | 3.70% |
| Private hire – community pool (per 1 hour) | 44.00 | 45.55 | 3.52% |
| Fitness and health casual | | | |
| Gym induction | 15.70 | 16.20 | 3.18% |
| Gym session concession (9.00am – 5.00pm only) | 4.40 | 4.55 | 3.41% |
| GP referral / heartsmart session | 2.40 | 2.55 | 6.25% |
| Sports halls and courts | | | |
| Adult badminton court | 8.25 | 8.55 | 3.64% |
| Concession (off peak only) badminton | 4.40 | 4.55 | 3.41% |
| Half main hall hire | 40.00 | 41.45 | 3.63% |
| Concession (off peak only) half main hall | 19.20 | 19.90 | 3.65% |

A full list of prices can be seen on Hinckley Leisures Centre's webpage:

<https://www.placesforpeopleleisure.org/centres/hinckley-leisure-centre/news/prices-2018-2019/>

| Category | VAT | 2018/19 £ | 2019/2020 £ | % increase |
|--|----------------|--------------|----------------|------------|
| Markets | | | | |
| Market stall licenced trader | | | | |
| New traders to be charged half price on first stall for a period of four weeks | | | | |
| Saturday zone A | Exempt | 29.80 | 29.80 | - |
| Second stall | Exempt | 22.35 | 22.35 | - |
| Third and all subsequent stalls | Exempt | 14.90 | 14.90 | - |
| Monday zone A | Exempt | 24.60 | 24.60 | - |
| Second stall | Exempt | 18.45 | 18.45 | - |
| Third and all subsequent stalls | Exempt | 12.30 | 12.30 | - |
| Friday zone A | Exempt | 24.60 | 24.60 | - |
| Second stall | Exempt | 18.45 | 18.45 | - |
| Third and all subsequent stalls | Exempt | 12.30 | 12.30 | - |
| Saturday zone B | Exempt | 14.90 | 14.90 | - |
| Second stall | Exempt | 11.18 | 11.18 | - |
| Third and all subsequent stalls | Exempt | 7.45 | 7.45 | - |
| Monday zone B | Exempt | 12.30 | 12.30 | - |
| Second stall | Exempt | 9.23 | 9.23 | - |
| Third and all subsequent stalls | Exempt | 6.15 | 6.15 | - |
| Friday zone B | Exempt | 12.30 | 12.30 | - |
| Second stall | Exempt | 9.23 | 9.23 | - |
| Third and all subsequent stalls | Exempt | 6.15 | 6.15 | - |
| Market stall casual trader | | | | |
| Saturday zone A | Exempt | 34.80 | 34.80 | - |
| Monday zone A | Exempt | 29.40 | 29.40 | - |
| Friday zone A | Exempt | 29.40 | 29.40 | - |
| Saturday zone B | Exempt | 17.40 | 17.40 | - |
| Monday zone B | Exempt | 14.70 | 14.70 | - |
| Friday zone B | Exempt | 14.70 | 14.70 | - |
| Saturday zone C | Exempt | 8.70 | 8.70 | - |
| Monday zone C | Exempt | 7.35 | 7.35 | - |
| Friday zone C | Exempt | 7.35 | 7.35 | - |
| Charity stall | Non-Business | POA | POA | - |
| Friday street trading consents per pitch | Non-Business | 29.40 | 29.40 | - |
| Saturday bric a brac (in zone B) | Exempt | 11.00 | 11.00 | - |
| Monday Bric a Brac (in zone B) | Exempt | 11.00 | 11.00 | - |
| Friday bric a brac (in zone B) | Exempt | 11.00 | 11.00 | - |
| Town centre commercial displays | Standard Rated | POA | POA | - |
| Town centre large commercial displays (over 6m length over 3m width) | Standard Rated | £250 per day | £190 per day | - |
| Commercial rents | | | | |
| Rent of industrial unit | Exempt | POA | POA | - |
| Rent unit at Greenfields site | Standard Rated | POA | POA | - |
| Rent of space in Atkins Building | Standard Rated | POA | POA | - |
| Rent of retail shops | Exempt | POA | POA | - |
| Miscellaneous | | | | |
| Copies of building regulations and planning approvals | | | | |
| Extensive researching of planning history of site or premises | Non-Business | 61.05 | 62.70 | 2.70% |
| Photocopying of other documentation | | | | |
| Per A4 sheet | Zero Rated | 10p +p&p | 10p +p&p | - |
| Per A3 sheet | Zero Rated | 10p +p&p | 10p +p&p | - |

| Category | VAT | 2018/19 £ | 2019/2020 £ | % increase |
|--|----------------|--------------|----------------|------------|
| Other | | | | |
| Aerial photography | Standard Rated | POA | POA | - |
| Pre planning application advice | | | | |
| Householder pre-application advice | Standard Rated | 80.00 | 82.00 | 2.50% |
| Major strategic development (planning performance agreement) | Standard Rated | POA | POA | - |
| Major development (large residential, retail, leisure, employment) pre-application advice | Standard Rated | 3,195.00 | 5,100.00 | 59.62% |
| Additional Meeting and advice note | Standard Rated | - | 900.00 | New Charge |
| Major development (50-99 dwellings or 5,000-9,999 m2) pre-application advice | Standard Rated | 1,273.00 | 3,400.00 | 167.09% |
| Additional Meeting and / or advice note | Standard Rated | - | 500.00 | New Charge |
| Major development (10-49 dwellings or 1,000-4,999 m2) pre-application advice | Standard Rated | 852.00 | 1,800.00 | 111.27% |
| Additional Meeting and / or advice note | Standard Rated | - | 500.00 | New Charge |
| Minor development (5-9 dwellings or 500-999 m2) pre-application advice | Standard Rated | 530.00 | 720.00 | 35.85% |
| Additional Meeting and / or advice note | Standard Rated | - | 120.00 | New Charge |
| Minor development (1-4 dwellings, agricultural, change of use or other minor development) pre-application advice | Standard Rated | 317.00 | 360.00 | 13.56% |
| Additional Meeting and advice note | Standard Rated | - | 120.00 | New Charge |
| Commercial pre-application advice | Standard Rated | POA | POA | - |

Local land charges

The Land Charges Service is operated by Blaby District Council on behalf of Hinckley and Bosworth Borough Council.

Please contact Blaby District Council Land Charges department for further information or to order your land charges search

Building control

| | | | | |
|---|----------------|-------------------------|-------------------------|--------|
| Building regulation application charges - please ring 01455 255677 | | Individually determined | Individually determined | - |
| Building control hourly rate | Standard Rated | 55.80 | 56.50 | 1.25% |
| Written confirmation of works exempt from building regulations | Non-Business | 27.90 | 28.25 | 1.25% |
| Written confirmation of non-existence of building regulations record | Standard Rated | 27.90 | 28.25 | 1.25% |
| Written confirmation of completion of work to which building regulations applied | Standard Rated | 27.90 | 28.25 | 1.25% |
| Extensive search of building control history for site or premises (per hour) | Standard Rated | 55.80 | 56.50 | 1.25% |
| Completion application for a closed application (reactivation of application and 1 inspection) | Standard Rated | 78.12 | 79.10 | 1.25% |
| Additional inspections on a reactivated application (per inspection) | Standard Rated | 55.80 | 56.50 | 1.25% |
| Building control surveyor attendance at emergency incident/enforcement (per hour) | Non-Business | 55.80 | 56.50 | 1.25% |
| Building control surveyor attendance at emergency incident out of hours (per hour) | Non-Business | 77.95 | 98.90 | 26.88% |
| Preparation and posting of documentation in relation to an emergency/enforcement incident or dangerous structure (per document) | Non-Business | 55.80 | 56.50 | 1.25% |

| Category | VAT | 2018/19 £ | 2019/20 £ | % increase |
|---|-----------------|--------------|--------------|------------|
| Grobby Community Centre | | | | |
| Whole building | | | | |
| 3 hour session | Exempt | 42.60 | 43.75 | 2.70% |
| Small room | | | | |
| 3 hour session | Exempt | 21.30 | 21.90 | 2.82% |
| Discounts | | | | |
| Registered charities (must quote registration number) | | 70% | 70% | - |
| Approved elderly persons' organisations | | 70% | 70% | - |
| Regular users – minimum usage 1 booking per week | | | | |
| booked quarterly in advance with no cancellation permitted | | 10% | 10% | - |
| Letting of garages and garage plots (HRA) | | | | |
| Where VAT applies, the figures quoted include VAT | | | | |
| Garage plots per annum | | | | |
| Private owners | Standard Rated | 47.40 | 48.70 | 2.74% |
| Council house residents if let within proximity of residence | Non-Business | 39.60 | 40.65 | 2.65% |
| Garages (council tenants) | Non-Business | 224.40 | 230.45 | 2.70% |
| Garages (non council tenants) | Standard Rated | 269.30 | 276.60 | 2.71% |
| Garages (council tenants) not let within proximity of residence | Standard Rated | 269.30 | 276.60 | 2.71% |
| Other housing charges (HRA) | | | | |
| Warden assisted accommodation | | | | |
| Guest room charge per night | Standard Rated | 10.30 | 10.60 | 2.91% |
| Warden assistance alarm connection | | | | |
| Lifeline (weekly charge) | Standard Rated* | 5.05 | 5.05 | - |
| Lifeline for registered Disabled (weekly charge) | Exempt | 4.21 | 4.21 | - |
| Central control connection (weekly charge) | Standard Rated* | 2.00 | 2.05 | 2.50% |
| Other housing charges (private sector) | | | | |
| Accommodation certificate | Standard Rated | 145.00 | 150.00 | 3.45% |
| Service of housing act notices - recovery of cost | Non-Business | POA | POA | - |
| Housing - mandatory HMO licensing - recovery of cost | Non-Business | POA | POA | - |
| Sheltered housing - service charges | | | | |
| Ambion Court | Non-Business | 15.00 | 15.00 | - |
| Hereford Way | Non-Business | 10.60 | 10.90 | 2.83% |
| Clarendon House | Non-Business | 15.00 | 15.00 | - |
| Queensway | Non-Business | 11.50 | 11.80 | 2.61% |
| Castle Court | Non-Business | 15.00 | 15.00 | - |
| Mayflower Court | Non-Business | 15.00 | 15.00 | - |
| Royal Court | Non-Business | 9.10 | 9.35 | 2.75% |
| Centurion Court | Non-Business | 15.00 | 15.00 | - |
| St Giles Close | Non-Business | 8.30 | 8.50 | 2.41% |
| Armada Court | Non-Business | 11.30 | 11.60 | 2.65% |
| Tom Eatough Court | Non-Business | 15.00 | 15.00 | - |
| Bed and breakfast charges (homeless) | | | | |
| Households on JSA/IS (weekly charge) | Standard Rated | 13.60 | 13.60 | - |
| Employed households (daily charge) | Standard Rated | 13.60 | 13.60 | - |
| Each additional member of household (weekly charge) | Standard Rated | 3.40 | 3.40 | - |

| Category | VAT | 2018/19 £ | 2019/20 £ | % increase |
|--|------------|--------------|--------------|------------|
| Publication list | | | | |
| Hinckley & Bosworth Local Plan * | Zero Rated | 69.00 | 70.90 | 2.75% |
| Local Plan documents | | | | |
| Local Development Scheme | Zero Rated | 12.00 | 12.30 | 2.50% |
| Statement of Community Involvement | Zero Rated | 12.00 | 12.30 | 2.50% |
| Authority Monitoring Report | Zero Rated | 12.00 | 12.30 | 2.50% |
| Residential Land Availability Statement | Zero Rated | 12.00 | 12.30 | 2.50% |
| Employment Land Availability Monitoring Statement | Zero Rated | 12.00 | 12.30 | 2.50% |
| Core Strategy (December 2009) plus Sustainability Appraisal | Zero Rated | 27.00 | 27.75 | 2.78% |
| Core Strategy Inspectors Report | Zero Rated | 12.00 | 12.30 | 2.50% |
| Site Allocations and Generic Development Control Policies DPD Preferred Options | Zero Rated | 69.00 | 70.85 | 2.68% |
| Site Allocations and Development Management Policies DPD Pre-Submission Version | Zero Rated | 69.00 | 70.85 | 2.68% |
| Hinckley Town Centre Area Action Plan (March 2011) plus Sustainability Appraisal | Zero Rated | 26.00 | 26.70 | 2.69% |
| Earl Shilton and Barwell Area Action Plan Preferred Option (January 2011) plus sustainability appraisal | Zero Rated | 32.00 | 32.90 | 2.81% |
| Earl Shilton and Barwell Area Action Plan Pre-submission version (July 2013) plus sustainability appraisal | Zero Rated | 32.00 | 32.90 | 2.81% |
| Earl Shilton and Barwell Area Action Plan (September 2014) plus Sustainability Appraisal | Zero Rated | 32.00 | 32.90 | 2.81% |
| Earl Shilton and Barwell Area Action Plan Inspectors Report | Zero Rated | 12.00 | 12.30 | 2.50% |
| Burbage Village Design Statement | Zero Rated | 12.00 | 12.30 | 2.50% |
| Ratby Village design Statement | Zero Rated | 12.00 | 12.30 | 2.50% |
| Market Bosworth Neighbourhood Plan | Zero Rated | 32.00 | 32.90 | 2.81% |
| Other documents | | | | |
| Employment Land and Premises Study (BE Group) 2013 | Zero Rated | 32.00 | 32.90 | 2.81% |
| Leicester & Leicestershire Employment Land Study | Zero Rated | 32.00 | 32.90 | 2.81% |
| Green Infrastructure Study | Zero Rated | 32.00 | 32.90 | 2.81% |
| Strategic Flood Risk Assessment | Zero Rated | 32.00 | 32.90 | 2.81% |
| Biodiversity Assessment | Zero Rated | 27.00 | 27.75 | 2.78% |
| Areas of Separation Review (March 2012) | Zero Rated | 21.00 | 21.60 | 2.86% |
| District, Local and Neighbourhood Centre Review (February 2012) | Zero Rated | 12.00 | 12.30 | 2.50% |
| Green Wedge Review (December 2011) | Zero Rated | 21.00 | 21.60 | 2.86% |
| Green Wedge Allocations Topic Paper (July 2012) Assessment of New Areas | Zero Rated | 21.00 | 21.60 | 2.86% |
| Open Space, Sport and Recreational Facilities Study (July 2011) | Zero Rated | 43.00 | 44.15 | 2.67% |
| Community, Cultural & Tourism Facilities Review (2013) | Zero Rated | 21.00 | 21.60 | 2.86% |
| Gypsy & Traveller Accommodation Needs Assessment (2013) | Zero Rated | 21.00 | 21.60 | 2.86% |
| Extended Phase 1 Habitat Survey | Zero Rated | 43.00 | 44.15 | 2.67% |
| Strategic Housing Land Availability Assessment | Zero Rated | 161.00 | 165.30 | 2.67% |
| Renewable Energy Capacity Study | Zero Rated | 32.00 | 32.90 | 2.81% |
| Housing and Economic Development Needs Assessment (HENDA) (2017) | Zero Rated | 40.00 | 41.10 | 2.75% |
| Landscape Character Assessment and Landscape Sensitivity Analysis (2017) | Zero Rated | 40.00 | 41.10 | 2.75% |
| Town and District Centre Study (2017) | Zero Rated | 30.00 | 65.50 | 118.33% |
| Strategic Housing and Employment Land Availability Assessment (SHELAA) | Zero Rated | 11.00 | 11.30 | 2.73% |
| Car Parking Assessment of Hinckley Town Centre (2017) | Zero Rated | 30.00 | 30.80 | 2.67% |
| Economic Regeneration | | | | |
| Hinckley & Bosworth Economic Regeneration Strategy (2016 - 2020) | Zero Rated | 12.00 | 12.30 | 2.50% |
| Conservation | | | | |
| Conservation Area Appraisals (Various) | Zero Rated | 12.00 | 12.30 | 2.50% |

Note: - All publications are subject to an additional charge for postage and packing

Note: - * 50% discount for local residents and voluntary organisations

Street naming and numbering

| | | | | |
|---|--------------|---------------------|---------------------|---|
| Renaming/renumbering of exisiting property | Non-business | £45.00 each | £45.00 each | - |
| Naming/numbering of one to five properties | Non-business | £45.00 each | £45.00 each | - |
| Naming/numbering of more than five properties | Non-business | £25 each additional | £25 each additional | - |
| Naming of a street | Non-business | £160 each | £160 each | - |
| Change to a development after notification (administartion fee) | Non-business | 55.00 | 55.00 | - |
| Change to a development after notification | Non-business | £20.00 per plot | £20.00 per plot | - |
| Street re-naming at residents request | Non-business | 260.00 | 260.00 | - |
| Written confirmation of postal address details | Non-business | 30.00 | 30.00 | - |
| Numbering of new flat complex | Non-business | £30.00 per flat | £30.00 per flat | - |

| Category | VAT | 2018/19 £ | 2019/20 £ | % increase |
|---|----------------|--------------|--------------|------------|
| Register of electors – statutory fees | | | | |
| Purchase of register in data format (per request) | Standard Rated | 20.75 | 20.00 | (3.61%) |
| (per 1000 or part there of) | Standard Rated | 1.55 | 1.50 | (3.23%) |
| Purchase of register in printed format (per request) | Zero Rated | 10.30 | 10.00 | (2.91%) |
| (per 1000 or part there of) | Zero Rated | 5.20 | 5.00 | (3.85%) |
| Purchase of the (printed) marked register per request | Zero Rated | 10.30 | 10.00 | (2.91%) |
| (per 1000 or part there of - data format) | Zero Rated | 1.00 | 1.00 | - |
| (per 1000 or part there of - paper format) | Zero Rated | 2.00 | 2.00 | - |
| Reprographic charges | | | | |
| Photocopies for members of staff and parish councils | | | | |
| A4 per sheet – black and white | Standard Rated | 4p / copy | 4p / copy | - |
| A4 per sheet – colour | Standard Rated | 7p / copy | 7p / copy | - |
| A3 per sheet – black and white | Standard Rated | 8p / copy | 8p / copy | - |
| A3 per sheet – colour | Standard Rated | 14p / copy | 14p / copy | - |
| Miscellaneous | | | | |
| Agendas per copy | | | | |
| Council | Zero Rated | 5.30 | 5.30 | - |
| Planning | Zero Rated | 10.70 | 10.70 | - |
| Other committees | Zero Rated | 5.30 | 5.30 | - |
| Photocopies of parts of reports and other documents | | | | |
| 1 copy A4 | Standard Rated | 0.10 | 0.10 | - |
| 1 copy A3 | Standard Rated | 0.20 | 0.20 | - |
| Mortgage questionnaire | Zero Rated | 90.50 | 90.50 | - |
| Sealing fee for mortgages (redemption) | Zero Rated | 80.00 | 80.00 | - |
| Published statement of accounts | | | | |
| | Zero Rated | £11.00 + p&p | £11.00 + p&p | - |

| Category | VAT | 2018/19 £ | 2018/19 £ | 2019/20 £ | 2019/20 £ | % increase |
|---|----------------|------------------------------------|--------------|------------------------------------|--------------|------------|
| Legal services | | | | | | |
| Miscellaneous agreements | | | | | | |
| Retrospective consent (ex council properties) | Zero Rated | 109.00 | | 120.00 | | 10.09% |
| Recharge of legal costs for Section 106 Agreements | Non-Business | At cost minimum fee 1,267.00 | | At cost minimum fee 1,267.00 | | - |
| S106 Agreement shortform unilateral undertaking | Non-Business | 217.00 | | 217.00 | | - |
| Variation of S106 agreement | Non-Business | At cost minimum fee 534.00 | | At cost minimum fee 534.00 | | - |
| Preparation of lease for industrial unit / shop (includes lease renewal) | Exempt | 270.00 | | 290.00 | | 7.41% |
| Preparation of lease for Greenfields / Atkins (incl lease renewal) | Exempt | 270.00 | | 290.00 | | 7.41% |
| Preparation of non standard lease | Exempt | 450.00 | | 480.00 | | 6.67% |
| Preparation of deed of licence / variation of a term of lease | Exempt | 210.00 | | 250.00 | | 19.05% |
| Surrender of lease | Exempt | 390.00 | | 390.00 | | - |
| Licence to assign | Exempt | 390.00 | | 390.00 | | - |
| Recharge of costs for sale / purchase of land | Exempt | At cost minimum fee 401.00 | | At cost minimum fee 401.00 | | - |
| Preparation of a deed of release of a restrictive covenant | Standard Rated | 237.50 | | 250.00 | | 5.26% |
| Open space land adoption | Exempt | At cost minimum fee 775.00 | | At cost minimum fee 775.00 | | - |
| Data protection subject to access request (statutory maximum) | Non-Business | 10.00 | | 10.00 | | - |
| Deed of dedication | Non-Business | 300.00 | | 300.00 | | - |
| Deed of rectification (nil charge if council in error) | Standard Rated | 260.00 | | 280.00 | | 7.69% |
| Right of way (standard easement) | Non-Business | 217.00 | | 220.00 | | 1.38% |
| Retrospective consent (RTB properties) | Non-Business | 109.00 | | 120.00 | | 10.09% |
| Postponement of charge (RTB properties) | Non-Business | 109.00 | | 120.00 | | 10.09% |
| Licence authorising change of use | Non-Business | 243.00 | | 243.00 | | - |
| Grazing licences | Zero Rated | 109.00 | | 120.00 | | 10.09% |
| Deed of variation of leases | Standard Rated | 325.00 | | 350.00 | | 7.69% |
| JCT minor works contract | Non-Business | 109.00 | | 109.00 | | - |
| Sealing fee | Non-Business | 20.75 | | 20.75 | | - |
| Leasehold of Landlord | Standard Rated | - | | 80.00 | | New Charge |
| Notice fee (Notice of Assignment/Mortgage) | Standard Rated | - | | 50.00 | | New Charge |
| Charge for diversion/extinguishment of public rights of way | | | | | | |
| | | FIRST PATH | EACH ADD. | FIRST PATH | EACH ADD. | |
| Stage 1 (preliminary consultation) | Non-Business | 880.00 | 260.00 | 880.00 | 260.00 | - |
| Stage 2 (making order) | Non-Business | 352.00 | 103.50 | 352.00 | 103.50 | - |
| Stage 3 (submission to secretary of state where order opposed) | Non-Business | 413.00 | 103.50 | 413.00 | 103.50 | - |
| Stage 4 (confirmation of order) | Non-Business | 207.00 | 61.50 | 207.00 | 61.50 | - |
| Note: - No payment to be made until completion of Stage 2 (or such earlier stage if the matter proceeds no further) and, thereafter, at every appropriate subsequent stage | | | | | | |
| Town police closures | Non-Business | 152.00 | | 152.00 | | - |

Hinckley & Bosworth Borough Council

Town and Country Planning Fees Applications - scale of fees

| | | |
|--|--|--|
| Outline Applications | | |
| £462 per 0.1 hectare for sites up to and including 2.5 hectares | Not more than 2.5 hectares | £462 per 0.1 hectare |
| £11,432 + £138 for each 0.1 in excess of 2.5 hectares to a maximum of £150,000 | More than 2.5 hectares | £11,432 + £138 per 0.1 hectare |
| Householders Application | | |
| Alterations/extensions to a single dwellinghouse , including works within boundary | Single dwellinghouse | £206 |
| Full Applications (and First Submissions of Reserved Matters; or Technical Details Consent) | | |
| Alterations/extensions to two or more dwellinghouses , including works within boundary | Two or more dwellinghouses (or two or more flats) | £407 |
| New dwellinghouses (up to and including 50) | New dwellinghouses (not more than 50) | £462 per dwellinghouse |
| New dwellinghouses (for <i>more</i> than 50) £22,859 + £138 per additional dwellinghouse in excess of 50 up to a maximum fee of £300,000 | New dwellinghouses (more than 50) | £22,859 + £138 per additional dwellinghouse |
| Erection of buildings (not dwellinghouses, agricultural, glasshouses, plant nor machinery): | | |
| Gross floor space to be created by the development | No increase in gross floor space or no more than 40 sq m | £234 |
| Gross floor space to be created by the development | More than 40 sq m but no more than 75 sq m | £462 |
| Gross floor space to be created by the development | More than 75 sq m but no more than 3,750 sq m | £22,859 + £138 for each additional 75 sq m in excess of 3,750 sq m to a maximum of £300,000 |
| Erection of buildings (on land used for agriculture for agricultural purposes) | | |
| Gross floor space to be created by the development | Not more than 465 sq m | £96 |
| Gross floor space to be created by the development | More than 465 sq m but not more than 540 sq m | £462 |
| Gross floor space to be created by the development | More than 540 sq m but not more than 4,215 sq m | £462 for first 540 sq m + £462 for each 75 sq m (or part thereof) in excess of 540 sq m |
| Gross floor space to be created by the development | More than 4,215 sq m | £22,859 + £138 for each additional 75 sq m in excess of 4,215 sq m to a maximum of £300,000 |
| Erection of glasshouses (on land used for the purpose of agriculture) | | |
| Gross floor space to be created by the development | Not more than 465 sq m | £96 |
| Gross floor space to be created by the development | More than 465 sq m | £2,580 |
| Erection/alterations/replacement of plant and machinery | | |
| Site area | Not more than 5 hectares | £462 for each 0.1 hectare (or part thereof) |
| Site area | More than 5 hectares | £22,859 + additional £138 for each 0.1 hectare (or part thereof) in excess of 5 hectares to a maximum of £300,00 |

| | | |
|---|----------------------------|---|
| Applications other than Building Works | | |
| Car parks, service roads or other accesses | For existing uses | £234 |
| Waste (Use of land for disposal of refuse or waste materials or deposit of material remaining after extraction or storage of minerals) | | |
| Site area | Not more than 15 hectares | £234 for each 0.1 hectare (or part thereof) |
| Site area | More than 15 hectares | £34,934 + £138 for each 0.1 hectare (or part thereof) in excess of 15 hectares up to a maximum of £78,000 |
| Operations connected with exploratory drilling for oil or natural gas | | |
| Site area | Not more than 7.5 hectares | £508 for each 0.1 hectare (or part thereof) |
| Site area | More than 7.5 hectares | £38,070 + £151 for each 0.1 hectare (or part thereof) in excess of 7.5 hectares up to a maximum of £300,000 |
| Operations (other than exploratory drilling) for the winning and working of oil or natural gas | | |
| Site area | Not more than 15 hectares | £257 for each 0.1 hectare (or part thereof) |
| Site area | More than 15 hectares | £38,520 + £151 for each 0.1 hectare (or part thereof) in excess of 15 hectares up to a maximum of £78,000 |
| Other operations (winning and working of minerals) excluding oil and natural gas | | |
| Site area | Not more than 15 hectares | £234 for each 0.1 hectare (or part thereof) |
| Site area | More than 15 hectares | £34,934 + £138 for each 0.1 hectare (or part thereof) in excess of 15 hectares up to a maximum of £78,000 |
| Other operations (not coming within any of the above categories) | | |
| Site area | Any site area | £234 for each 0.1 hectare (or part thereof) up to a maximum of £2,028 |

| | |
|---|------------------------------|
| Lawful Development Certificate | |
| Existing use or operation | Same as Full |
| Existing use or operation - lawful not to comply with any condition or limitation | £234 |
| Proposed use or operation | Half the normal planning fee |

| | |
|--|------|
| Prior Approval | |
| Agricultural and Forestry buildings & operations or demolition of buildings | £96 |
| Communications (previously referred to as 'Telecommunications Code Systems Operators') | £462 |
| Proposed Change of Use to State Funded School or Registered Nursery | £96 |
| Proposed Change of Use to Agricultural Building to a State Funded School or Registered Nursery | £96 |
| Proposed Change of Use to Agricultural Building to a flexible use within Shops, Financial and Professional service, Restaurants and Cafes, Business, Storage or Distribution, Hotel, or Assembly or Leisure | £96 |
| Proposed Change of Use of a building from Office (Use Class B1) Use to a use falling within Use Class C3 (Dwellinghouse) | £96 |
| Proposed Change of Use to Agricultural Building to a Dwellinghouse (Use Class C3), where there are no Associated Building Operations | £96 |
| Proposed Change of Use to Agricultural Building to a Dwellinghouse (Use Class C3), and Associated Building Operations | £206 |
| Proposed Change of Use of a building from a Retail (Use Class A1 or A2) Use or a mixed Retail and Residential Use to a use falling within Use Class C3 (Dwellinghouse), where there are <u>no</u> Associated Building Operations | £96 |
| Proposed Change of Use of a building from a Retail (Use Class A1 or A2) Use or a mixed Retail and Residential Use to a use falling within Use Class C3 (Dwellinghouse), and Associated Building Operations | £206 |

| | | |
|--|------|--|
| Prior Approval continued.... | | |
| Notification for Prior Approval for a Change of use from Storage or Distribution Buildings (Class B8) and any land within its curtilage to Dwellinghouses (Class C3) | £96 | |
| Notification for Prior Approval for a Change of use from Amusement Arcades/Centres and Casinos, (Sui Generis Uses) and any land within its curtilage to Dwellinghouses (Class C3) | £96 | |
| Notification for Prior Approval for a Change of use from Amusement Arcades/Centres and Casinos, (Sui Generis Uses) and any land within its curtilage to Dwellinghouses (Class C3), and Associated Building Operations | £206 | |
| Notification for Prior Approval for a Change of use from Shops (Class A1), Financial and Professional Services (Class A2), Betting Offices, Pay Day Loan Shops and Casinos (Sui Generis Uses) to Restaurant and Cafes (Class A3) | £96 | |
| Notification for Prior Approval for a Change of use from Shops (Class A1), Financial and Professional Services (Class A2), Betting Offices, Pay Day Loan Shops and Casinos (Sui Generis Uses) to Restaurant and Cafes (Class A3), and Associated Building Operations | £206 | |
| Notification for Prior Approval for a Change of use from Shops (Class A1), Financial and Professional Services (Class A2), Betting Offices, Pay Day Loan Shops (Sui Generis Uses) to Assembly and Leisure Uses (Class D2) | £96 | |
| Notification for Prior Approval for a Development Consisting of the Erection or Construction of a Collection Facility within the curtilage of a Shop | £96 | |
| Notification for Prior Approval for the Temporary Use of Building or Land for the Purpose of Commercial Film-Making and the Associated Temporary Structures, Works, Plant or Machinery required in Connection with that Use | £96 | |
| Notification for Prior Approval for the Installation, Alteration or Replacement of other Solar Photovoltaics (PV) equipment on the Roofs of Non-domestic Buildings, up to a Capacity of 1 Megawatt | £96 | |

| | | |
|---|--|--|
| Reserved Matters | | |
| Application for approval of reserved matters following outline approval | Full fee due or if full fee already paid then £462 due | |

| | | |
|--|---|--|
| Approval/Variation/discharge of condition | | |
| Application for removal or variation of a condition following grant of planning permission | £234 | |
| Request for confirmation that one or more planning conditions have been complied with | £34 per request for Householders otherwise £116 per request | |

| | | |
|--|-----------------------------|---|
| Change of Use of a building to use as one or more separate dwellinghouses, or other cases | | |
| Number of dwellinghouses | Not more than 50 | £462 for each |
| Number of dwellinghouses | More than 50 dwellinghouses | £22,859 + £138 for each in excess of 50 up to a maximum of £300,000 |
| Other Changes of Use of a building or land | | £462 |

| | | |
|--|------|--|
| Advertising | | |
| Relating to the business on the premises | £132 | |
| Advance signs which are not situated on or visible from the site, directing the public to a business | £132 | |
| Other Advertisements | £462 | |

| | | |
|--|------|--|
| Application for a Non-material Amendment Following a Grant of Planning Permission | | |
| Applications in respect of householder developments | £34 | |
| Applications in respect of other developments | £234 | |

| | | |
|---|---|--|
| Application for Permission in Principle (valid from 1 June 2018) | | |
| Site area | £402 for each 0.1 hectare (or part thereof) | |

Concessions

Please note: Not all concessions are valid for all applications types. Upon receipt of your application, the local authority will check the fee is correct and if the concession is applicable.

Exemptions from payment

An application solely for the alteration or extension of an existing dwellinghouse; or works in the curtilage of an existing dwellinghouse (other than the erection of a dwellinghouse) for the purpose of providing:

- Means of access to or within it for a disabled person who resident in it, or is proposing to take up residence in it; or
- Facilities designed to secure that person's greater safety, health or comfort.

An application solely for the carrying out of the operations for the purpose of providing a means of access for disabled persons to or within a building or premises to which members of the public are admitted.

Listed Building Consent

Planning permission for relevant demolition in a Conservation Area

Works to trees covered by a Tree Preservation Order or in a Conservation Area Hedgerow Removal

If the application is the first revision of an application for development of the same character or description on the same site by the same applicant:

- For a withdrawn application: Within 12 months of the date the application was received
- For a determined application: Within 12 months of the date the application was granted, refused or an appeal dismissed
- For an application where an appeal was made on the grounds of non-determination: Within 12 months of the period when the giving notice of a decision on the earlier valid application expired

If the application is for a lawful development certificate, for existing use, where an application for planning permission for the same development would be exempt from the need to pay a planning fee under any other planning fee regulation

If the application is for consent to display an advertisement following either a withdrawal of an earlier application (before notice of decision was issued) or where the application is made following refusal of consent for display of an advertisement, and where the application is made by or on behalf of the same person

If the application for consent to display an advertisement which results from a direction under Regulation 7 of the 2007 Regulations, dis-applying deemed consent under Regulation 6 to the advertisement in question

If the application is for alternative proposals for the same site by the same applicant, in order to benefit from the permitted development right in Schedule 2 Part 3 Class V of the Town and Country Planning (General Permitted Development) Order 2015 (as amended)

Please note: Not all concessions are valid for all applications types. Upon receipt of your application, the local authority will check the fee is correct and if the concession is applicable.

Exemptions from payment continued...

If the application relates to a condition or conditions on an application for Listed Building Consent or planning permission for relevant demolition in a Conservation Area

If the application is for a Certificate of Lawfulness of Proposed Works to a listed building

Prior Approval for a Proposed Larger Home Extension

Reduction to payments

If the application is being made on behalf of a non-profit making sports club for works for playing fields not involving buildings then the fee is £462

If the application is being made on behalf of a parish or community council then the fee is 50%

If the application is an alternative proposal being submitted on the same site by the same applicant on the same day, where this application is of lesser cost then the fee is 50%

In respect of reserved matters you must pay a sum equal to or greater than what would be payable at current rates for approval of all the reserved matters. If this amount has already been paid then the fee is £462

If the application is for a Lawful Development Certificate for a Proposed use or development, then the fee is 50%

If two or more applications are submitted for different proposals on the same day and relating to the same site then you must pay the fee for the highest fee plus half the sum of the others

Where an application crosses one or more local or district planning authorities, the Planning Portal fee calculator will only calculate a cross boundary application fee as 150% of the fee that would have been payable if there had only been one application to a single authority covering the entire site.

If the fee for the divided site is smaller when the sum of the fees payable for each part of the site are calculated separately, you will need to contact the lead local authority to discuss the fee for this divided site.

The fee should go to the authority that contains the larger part of the application site.

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Hinckley & Bosworth Borough Council

FORWARD TIMETABLE OF CONSULTATION AND DECISION MAKING

| | |
|---------------------|------------------|
| STRUTINY COMMISSION | 7 FEBRUARY 2019 |
| COUNCIL | 21 FEBRUARY 2019 |

WARDS AFFECTED: ALL WARDS

CAPITAL PROGRAMME 2018/19 TO 2021/2022

Report of Head of Finance

1. PURPOSE OF REPORT

- 1.1 To seek approval of the Capital Programme for the years 2018/2019 – 2021/2022.

2. RECOMMENDATION

- 2.1 That Council approve the proposed Capital Programme for the years 2018/2019 – 2021/2022.
- 2.2 That Council approve the growth bids and savings detailed in sections 3.7 and 3.11 of this report.

3. BACKGROUND TO THE REPORT

- 3.1 Capital expenditure is essentially expenditure that results in the creation of an asset that has a life expectancy of more than one year and where use of the asset will result in benefits in future years. Capital expenditure may be used to generate assets for the Council's own use or to provide support for third party capital enhancements. This year there has been a change in reporting requirements so there is an additional report, the Capital Strategy reports which looks at the longer terms risks associated with capital expenditure and governance arrangements.
- 3.2 Any plans for capital expenditure must be financed through an approved method of funding. The main streams of such financing are:
- Supported borrowing - where the costs of the borrowing are part recognised in the formula grant settlement and are therefore 'supported'
 - Unsupported borrowing – the Council is permitted to set within its "Prudential Indicators" a level of borrowing that can be obtained to fund capital expenditure.

The Council must be satisfied that this borrowing is used to fund projects that are prudent, sustainable and affordable

- Government Grants – where specific monies have been awarded by Government to fund a particular project. In these cases the monies are often time limited and ring fenced for specific purposes.
- Third Party Contributions – these include contributions made from bodies such as the National Lottery, as well as planning obligations funded from section 106 agreements received from developers. As with Government Grants, these contributions tend to contain conditions on how they can be spent
- Capital receipts – these are derived from asset sales and can only be used to fund future capital expenditure.
- Revenue contributions – the Council is permitted to contribute revenue balances to capital, however this should be a minimal amount and only used to fund minor shortfalls in funding
- Earmarked reserves – funds that have been put aside from previous years under spends for specific capital schemes that will occur in the future. For this Council, the Leisure Centre reserve is an example of where funds have been put aside to finance a specific capital priority in the future

3.3 The Capital Programme (the Programme) is produced on an annual basis to cover the current year and forecasts for the next three financial years. The Programme supports the Council's Corporate Plan and Medium Term Financial Strategy and ensures that resources are allocated and are used effectively to achieve corporate targets. At the same time, the Programme is an integral element of the financial planning procedures of the Council and forecasts how the Council will deliver key projects affordably and within relevant Prudential Limits. The Programme should therefore be read in conjunction with these documents, alongside the Council's Corporate Asset Management Strategy and Housing Revenue Account Investment Plan.

3.4 The Capital Programme is prepared in conjunction with budget holders and Directors. Project officers are invited as part of the budget setting process to submit requests for capital growths which are considered by Directors and the Strategic Leadership Team. Growths are assessed in terms of their contribution to corporate objectives and funding availability.

3.5 The overall Capital Programme for 2018/2019 – 2021/2022 is contained within Appendix 1 along with supporting schedules showing spend by scheme.

Proposed Capital Programme - General Fund

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

- Green Spaces Delivery Plan
- Rural Community assistance through the Developing Community Funds
- Crematorium Scheme funding has been updated to reflect potential income from the sale of the Crescent site.

Growths (New Schemes)

- 3.7 In order to promote growth and investment in the local economy, the Council is continuing to look for further opportunities for capital investment. The following new schemes have been included in the Programme going forward:

| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | |
|--|----------|---------|----------|---------|---|
| | £ | £ | £ | £ | |
| Making Tax Digital | 0 | 12,000 | 0 | 0 | Software requirement for new HMRC compliancy |
| Server/Network Hardware Improvements | 0 | 6,000 | (12,000) | 19,000 | Equipment upgrade to meet service needs |
| Citrix Upgrade | 0 | 45,000 | | 19,000 | Equipment upgrade to meet service needs |
| Telephony Upgrade | (15,000) | 48,200 | 0 | 0 | Equipment upgrade to meet service needs |
| Data Centre Upgrade | 0 | 0 | 0 | 35,000 | Equipment upgrade to meet service needs |
| Mobile Working Devices | 0 | 0 | 20,000 | 19,000 | Equipment upgrade to meet service needs |
| Security Infrastructure | 0 | 15,000 | 0 | 19,000 | Equipment upgrade to meet service needs |
| Earl Shilton Shop Fronts | 0 | 10,000 | 0 | 0 | Grant improvement scheme |
| Hinckley Market Infrastructure Project | 0 | 45,000 | 0 | 0 | Replace market stall equipment. |
| Sports Facility Improvement Fund | 0 | 0 | 20,000 | 20,000 | Grant scheme to improve local sports facilities |
| Bosworth 1485 Sculpture Trail Project | 0 | 270,000 | 0 | 0 | Community led arts development project |
| Tracking System | 0 | 14,000 | 14,000 | 0 | In-Cab solution for processing electronic service |

| | | | | | |
|------------------------|-------------|---------|-----------|---------|---|
| | | | | | requests and vehicle diagnostics. |
| New Crematorium | (1,300,000) | 15,340 | 1,584,660 | 0 | Rephasing of current scheme expenditure |
| Jubilee Building Works | 0 | 30,000 | 30,000 | 30,000 | Essential Health & Safety Works |
| Earl Shilton Toilets | 0 | 50,000 | 0 | 0 | Improvement works required |
| Total | (1,315,000) | 560,540 | 1,656,660 | 161,000 | |

Savings

In addition the following savings have been identified and reflected in the programme:

| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | |
|---|-------------|----------|-----------|-----------|---|
| | £ | £ | £ | £ | |
| Crescent Development & Capital Incentive | (1,002,943) | 0 | 0 | 0 | Removal of incentives budgets for Block C following Council decision to sell the site |
| Rolling Server Review | 0 | (19,000) | (40,000) | (40,000) | Net reduction in Server review due to more cloud based working |
| Minor Capital Projects | 0 | (35,000) | (35,000) | 0 | Removal of budget from programme |
| Renovation Assistance (Major Works) | (278,675) | 0 | 0 | 0 | Scheme underspend identified |
| Home Improvement Assistance (Minor Works) | (42,433) | 0 | 0 | 0 | Scheme underspend identified |
| Waste Management Receptacles | 0 | (29,085) | (11,367) | 0 | Change based on latest replacement forecast |
| Parish & Community Initiatives Grants | 0 | 0 | (125,000) | (125,000) | Reduction in budget |
| Total | (1,324,051) | (83,085) | (211,367) | (165,000) | |

Existing schemes

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

- Hinckley Area Community Initiatives grant (funded from the Special Expenses Reserves).
- Green Space strategy schemes have been re-profiled based on anticipated developer receipts and grant funding. HAC has reviewed and endorsed these schemes. These schemes are funded by SEA reserves or be external contributions. There is no General Fund capital funding earmarked for these schemes.
- The Developing Communities Fund is expecting to fund £1.458million for Community developments between 2018/19 and 2020/21.
- The Crematorium scheme has been reprofiled to reflect the latest expenditure profile

Proposed Capital Programme - Housing Revenue Account

3.9 The proposed Capital Programme for the Housing Revenue Account (the HRA Programme) is included in Section 4 of Appendix 1. The HRA Programme reflects the main investment priorities included in the Housing Revenue Account Investment Plan which was approved by Council in November 2018. These were:

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

Stock Enhancement/Investment

3.10 £20,967,956 of investment has been proposed over the life of the HRA Programme into existing stock. The sequence of these works is based on the outputs of the most recent stock condition survey.

Affordable Housing

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

- Middlefield Lane – Council approved a £1.2m scheme to purchase 11 dwellings on the former depot site. This scheme is included within the programme.
- Ambion Court - situated in Southfield Way near the centre of the village of Market Bosworth. The building contains 25 studio flats and four 1 bedroomed flats for rent to older people and a 3 bedroomed warden's flat. The scheme was built in the 1970s and there are essential works needed to the building that will require significant financial outlay. The studio flats do not have their own bathrooms and the accommodation does not meet the expectations of modern sheltered housing. The scheme will be remodelled and refurbished to provide a fit for purpose scheme will be completed in 2020/21.
- Additionally, a shower replacement scheme has been added to minimise potential risks of dangerous faults occurring.

Financing

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

- Contributions from the Major Repairs Reserve for the cyclical stock programmes
- Use of the HRA “Regeneration Reserve” which has been set up following the introduction of self financing
- Use of earmarked reserves
- Grant Funding & External Contributions.
- Use of Right to Buy “Capital Receipts” obtained from the sale of HRA properties

Funding Implications

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

Capital Receipts Reserve

3.14 The estimated impact of the proposed programme on the Capital Receipts reserve is summarised below. It is estimated that £3.2m will be used in 2018/19 to reduce the Council’s overall borrowing position. Failure to pay of this debt will result in an additional MRP cost chargeable to the general fund from 2018/19 onwards. These costs have been allowed for within the MTFS. At the end of 2020/21 there will be an estimated £2.252m in the reserve.

| | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|----------------------------------|--------------|--------------|--------------|--------------|
| | £000's | £000's | £000's | £000's |
| Opening Balance | 4,037 | 2,290 | 3,829 | 2,690 |
| In Year Receipts | 2,918 | 6,715 | 915 | 915 |
| Repayment of Debt Leisure Centre | (3,236) | 0 | 0 | 0 |
| In Year Application | (1,429) | (5,176) | (2,054) | (1,353) |
| Closing Balance | 2,290 | 3,829 | 2,690 | 2,252 |

3.15 Receipts assumptions are based on the following:

| | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|-----------------------|--------------|--------------|------------|------------|
| | £000's | £000's | £000's | £000's |
| Right to Buys | 1,050 | 840 | 840 | 840 |
| Depot Site | 1,800 | 0 | 0 | 0 |
| Misc. Sales | 68 | 75 | 75 | 75 |
| Block C | 0 | 4,000 | 0 | 0 |
| Leisure Centre | 0 | 1,800 | 0 | 0 |
| Total Receipts | 2,918 | 6,715 | 915 | 915 |

Borrowing

3.16 As outlined in section 3.2, the Council is permitted to borrow within approved limits to finance capital expenditure. This “authorised limit” is recommended as part of the Treasury Management Policy and Prudential Indicators each year and is based on

the level of borrowing that is recommended by the S151 officer as being sustainable, affordable and prudent.

- 3.17 The Council has loans of £67,652,000 within the Housing Revenue Account relating to the self financing settlement. These will start being repaid from March 2020.
- 3.18 In line with relevant accounting standards, the Council is required to budget for the cost of borrowing, to include any interest payable and also a provision for the repayment of debt (the Minimum Revenue Position). Based on the current borrowing need detailed in the Programme, the additional cost of borrowing has been calculated as follows:

| | 2019/20 | 2020/21 | 2021/22 |
|--------------|---------------|---------------|---------------|
| | £ | £ | £ |
| Interest | 18,377 | 33,993 | 10,064 |
| MRP | 9,277 | 11,715 | 37,130 |
| Total | 27,654 | 45,708 | 47,194 |

- 3.19 Further details of the Council's borrowing limits and indicators will be outlined in the 2019/2020 Treasury Management Policy.

Use of Reserves

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

| | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|------------------------------|--------------|------------|------------|-----------|
| | £000's | £000's | £000's | £000's |
| ICT reserve | 15 | 15 | 15 | 15 |
| Developing Communities Fund | 808 | 400 | 250 | 0 |
| Grounds Maintenance | 200 | 0 | 0 | 0 |
| Earl Shilton Toilets Reserve | 0 | 50 | 0 | 0 |
| Hinckley Community Dev. Fund | 0 | 150 | 200 | 0 |
| Parish and Communities Fund | 0 | 125 | 0 | 0 |
| Total General Fund | 1,023 | 740 | 465 | 15 |

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

4. EXEMPTIONS IN ACCORDANCE WITH THE ACCESS TO INFORMATION PROCEDURE RULES

- 4.1 Report will be taken in open session

5. FINANCIAL IMPLICATIONS [IB]

- 5.1 Contained within the body of the report.

6. LEGAL IMPLICATIONS [FA]

- 6.1 The Council is legally required to set a balanced 3 year capital programme.

- 6.2 Whilst there are no implications arising directly from the recommendation of this report there are some legal considerations which should be noted:
- 6.3 In relation to the property transactions identified within the report, relevant officers will need to ensure that authority is obtained from Council for any acquisition or disposal of land. This applies in relation to the Affordable Housing purchases detailed within the body of the report.
- 6.4 Any contracts will need to be dealt with in accordance with the constitution and all relevant authorities for spending secured as necessary.

7. CORPORATE PLAN IMPLICATIONS

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

8. CONSULTATION

- 8.1 Major schemes have been subject to individual consultations as part of the viability and design process.

9. RISK IMPLICATIONS

- 9.1 It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.
- 9.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.
- 9.3 The following significant risks associated with this report / decisions were identified from this assessment:

| Management of significant (Net Red) Risks | | |
|---|--|----------|
| Risk Description | Mitigating actions | Owner |
| [S.11 - Failure to successfully deliver the Medium Term Financial Strategy. | <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 have been maintained to ensure financial resilience</p> | A Wilson |

10. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

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

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
- Procurement implications
- Human Resources implications
- Planning implications
- Data Protection implications
- Voluntary

Background papers: Capital Submissions, Civica Reports

Contact Officer: Ilyas Bham, Accountancy Manager x5924

Executive Member: Councillor C Ladkin

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CAPITAL ESTIMATES 2018/2019 to 2021/2022 GENERAL FUND SUMMARY

| | TOTAL COST | ESTIMATE 2018-2019 | ESTIMATE 2019-2020 | ESTIMATE 2020-2021 | ESTIMATE 2021-2022 |
|-------------------------------|-------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | £ | £ | £ | £ | £ |
| Expenditure | | | | | |
| Corporate & Support Services | 931,067 | 362,867 | 304,200 | 115,000 | 149,000 |
| Community Services | 2,161,854 | 587,854 | 728,000 | 423,000 | 423,000 |
| Environmental and Planning | 9,131,715 | 1,902,069 | 4,319,472 | 2,474,983 | 435,191 |
| Expenditure Total | 12,224,636 | 2,852,790 | 5,351,672 | 3,012,983 | 1,007,191 |
| Financing | | | | | |
| General Financing | | | | | |
| Capital Receipts | 2,722,043 | 800,000 | 738,000 | 551,280 | 632,763 |
| Borrowing GF | 2,204,087 | 776,294 | 656,322 | 412,043 | 359,428 |
| Contribution from reserves GF | 2,242,885 | 1,022,885 | 740,000 | 465,000 | 15,000 |
| Cremetorium | | | | | |
| Capital Receipt | 4,000,000 | 0 | 3,217,350 | 782,650 | 0 |
| Borrowing | 1,055,621 | 253,611 | 0 | 802,010 | 0 |
| Financing Total | 12,224,636 | 2,852,790 | 5,351,672 | 3,012,983 | 1,007,191 |

Corporate & Support

| | TOTAL COST £ | ESTIMATE 2018-2019 £ | ESTIMATE 2019-2020 £ | ESTIMATE 2020-2021 £ | ESTIMATE 2021-2022 £ |
|---|--------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Crescent Development & Capital Incentive | | | | | |
| Total Annual Expenditure (ALL HBBC) | 0 | 0 | 0 | 0 | 0 |
| Unit Upgrade for Hanson Cab | | | | | |
| Total Annual Expenditure (ALL HBBC) | 40,000 | 40,000 | 0 | 0 | 0 |
| Asset Management Enhancements | | | | | |
| Total Annual Expenditure(ALL HBBC) | 219,867 | 69,867 | 50,000 | 50,000 | 50,000 |
| Making Tax Digital | | | | | |
| Total Annual Expenditure(ALL HBBC) | 12,000 | 0 | 12,000 | 0 | 0 |
| General Renewals | | | | | |
| Total Annual Expenditure(ALL HBBC) | 60,000 | 15,000 | 15,000 | 15,000 | 15,000 |
| Rolling Server Review | | | | | |
| Total Cost | 71,000 | 40,000 | 31,000 | 0 | 0 |
| Revs and Bens Partnership Contribution | (10,000) | 0 | (10,000) | 0 | 0 |
| HBBC Element | 61,000 | 40,000 | 21,000 | 0 | 0 |
| Server/Network Hardware Replacements | | | | | |
| Total Cost | 69,500 | 20,000 | 24,000 | 0 | 25,500 |
| Revs and Bens Partnership Contribution | (12,500) | | (6,000) | | (6,500) |
| HBBC Element | 57,000 | 20,000 | 18,000 | 0 | 19,000 |
| New Office Spaces - Atkins | | | | | |
| Total Annual Expenditure(ALL HBBC) | 57,500 | 57,500 | 0 | 0 | 0 |
| Citrix Upgrade | | | | | |
| Total Cost | 115,400 | 50,400 | 65,000 | 0 | 0 |
| Revs and Bens Partnership Contribution | (20,000) | 0 | (20,000) | | 0 |
| HBBC Element | 95,400 | 50,400 | 45,000 | 0 | 0 |
| Telephony Upgrade | | | | | |
| Total Annual Expenditure(ALL HBBC) | 48,200 | 0 | 48,200 | 0 | 0 |
| Data Centre Upgrade | | | | | |
| Total Annual Expenditure(ALL HBBC) | 75,000 | 40,000 | 0 | 0 | 35,000 |
| Mobile Working Devices | | | | | |
| Total Cost | 40,000 | 0 | 0 | 40,000 | 0 |
| Revs and Bens Partnership Contribution | (20,000) | 0 | 0 | (20,000) | 0 |
| HBBC Element | 20,000 | 0 | 0 | 20,000 | 0 |
| Security Infrastructure | | | | | |
| Total Cost | 26,000 | 0 | 26,000 | 0 | 0 |
| Revs and Bens Partnership Contribution | (11,000) | 0 | (11,000) | 0 | 0 |
| HBBC Element | 15,000 | 0 | 15,000 | 0 | 0 |
| Earl Shilton Toilets | | | | | |
| Total Annual Expenditure(ALL HBBC) | 50,000 | 0 | 50,000 | 0 | 0 |
| New Scanners | | | | | |
| Total Annual Expenditure(ALL HBBC) | 24,000 | 24,000 | 0 | 0 | 0 |
| Website Development | | | | | |
| Total Annual Expenditure(ALL HBBC) | 6,100 | 6,100 | 0 | 0 | 0 |
| Jubilee Building Works | | | | | |
| Total Annual Expenditure(ALL HBBC) | 90,000 | 0 | 30,000 | 30,000 | 30,000 |
| TOTAL GROSS EXPENDITURE | 1,004,567 | 362,867 | 351,200 | 135,000 | 155,500 |
| LESS TOTAL CONTRIBUTIONS | (73,500) | 0 | (47,000) | (20,000) | (6,500) |
| TOTAL HBBC ELEMENT | 931,067 | 362,867 | 304,200 | 115,000 | 149,000 |

Community Services

| | TOTAL COST £ | ESTIMATE 2018-2019 £ | ESTIMATE 2019-2020 £ | ESTIMATE 2020-2021 £ | ESTIMATE 2021-2022 £ |
|---|--------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Market Town Wifi | | | | | |
| Total Cost | 38,598 | 38,598 | 0 | 0 | 0 |
| Less Private Contributions | (15,000) | (15,000) | 0 | 0 | 0 |
| HBBC ELEMENT | 23,598 | 23,598 | 0 | 0 | 0 |
| | | | | | |
| Leisure Centre | | | | | |
| Total Annual Expenditure(ALL HBBC) | 52,000 | 52,000 | 0 | 0 | 0 |
| | | | | | |
| Home Connections - IT Systems | | | | | |
| Total Annual Expenditure | 50,250 | 10,250 | 40,000 | 0 | 0 |
| Less Government Grant | (50,250) | (10,250) | (40,000) | 0 | 0 |
| HBBC ELEMENT | 0 | 0 | 0 | 0 | 0 |
| | | | | | |
| CCTV | | | | | |
| Total Annual Expenditure(ALL HBBC) | 15,000 | 15,000 | 0 | 0 | 0 |
| | | | | | |
| Minor Capital Projects | | | | | |
| Total Annual Expenditure(ALL HBBC) | 0 | 0 | 0 | 0 | 0 |
| | | | | | |
| Renovation Assistance (Major Works) | | | | | |
| Total Annual Expenditure(ALL HBBC) | 553,750 | 73,750 | 160,000 | 160,000 | 160,000 |
| | | | | | |
| Home Improvement Assistance (Minor Works) | | | | | |
| Total Annual Expenditure(ALL HBBC) | 124,400 | 4,400 | 40,000 | 40,000 | 40,000 |
| | | | | | |
| Private Sector Housing Enforcement | | | | | |
| Total Annual Expenditure | 200,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| Less Government Grant | (141,364) | (41,364) | (100,000) | (100,000) | (100,000) |
| HBBC ELEMENT | 58,636 | 58,636 | 0 | 0 | 0 |
| | | | | | |
| Disabled Facilities Grants | | | | | |
| Total Annual Expenditure | 2,700,190 | 772,150 | 642,680 | 642,680 | 642,680 |
| Less Government Grant | (1,758,720) | (439,680) | (439,680) | (439,680) | (439,680) |
| HBBC ELEMENT | 941,470 | 332,470 | 203,000 | 203,000 | 203,000 |
| | | | | | |
| Fuel Poverty and Green Deal Programme | | | | | |
| Total Annual Expenditure | 474,235 | 474,235 | 0 | 0 | 0 |
| Less Government Grant | (474,235) | (474,235) | 0 | 0 | 0 |
| HBBC ELEMENT | 0 | 0 | 0 | 0 | 0 |
| | | | | | |
| Earl Shilton Shop Fronts | | | | | |
| Total Cost | 20,000 | 0 | 20,000 | 0 | 0 |
| Less Private Contributions | (10,000) | 0 | (10,000) | 0 | 0 |
| HBBC ELEMENT | 10,000 | 0 | 10,000 | 0 | 0 |
| | | | | | |
| Hinckley Market infra-structure investment project | | | | | |
| Total Annual Expenditure(ALL HBBC) | 45,000 | 0 | 45,000 | 0 | 0 |
| | | | | | |
| Sports Facility Improvement Fund | | | | | |
| Total Cost | 400,000 | 0 | 0 | 200,000 | 200,000 |
| Less: Football Foundation Grant Monies | (250,000) | 0 | 0 | (125,000) | (125,000) |
| Less: Section 106 Contributions | (50,000) | 0 | 0 | (25,000) | (25,000) |
| Less Private Contributions | (60,000) | 0 | 0 | (30,000) | (30,000) |
| HBBC ELEMENT | 40,000 | 0 | 0 | 20,000 | 20,000 |
| | | | | | |
| Bosworth 1485 Sculpture Trail Project | | | | | |
| Total Annual Expenditure(ALL HBBC) | 270,000 | 0 | 270,000 | 0 | 0 |
| | | | | | |
| 1485 Legacy Project | | | | | |
| Total Annual Expenditure(ALL HBBC) | 28,000 | 28,000 | 0 | 0 | 0 |
| | | | | | |
| TOTAL GROSS EXPENDITURE | 5,171,423 | 1,568,385 | 1,568,385 | 1,568,385 | 1,568,385 |
| LESS TOTAL CONTRIBUTIONS | (3,009,569) | (3,009,569) | (589,680) | (719,680) | (719,680) |
| TOTAL HBBC ELEMENT | 2,161,854 | 587,854 | 728,000 | 423,000 | 423,000 |

Environment & Planning

Parks Major works

Total Annual Expenditure(ALL HBBC)

CCTV Cameras - Castle Car Park

Total Annual Expenditure(ALL HBBC)

Tracking System

Total Annual Expenditure(ALL HBBC)

Memorial Safety Programme

Total Annual Expenditure(ALL HBBC)

Waste Management Receptacles

Total Annual Expenditure(ALL HBBC)

Purchase of Refuse Vehicle

Total Annual Expenditure(ALL HBBC)

Green Spaces Delivery Plan

Total Annual Expenditure

Less Section 106 contributions

Less other private contributions

HBBC ELEMENT

Borough Improvements

Total Annual Expenditure

Less Private contribution

HBBC Element

Lancaster Road Pedestrian Crossing

Total Annual Expenditure(ALL HBBC)

Car Park Resurfacing

Total Annual Expenditure

HBBC Element

Barwell Shop Front Improvements

Total Annual Expenditure

Less Private contribution

HBBC Element

New Crematorium

Total Annual Expenditure (ALL HBBC)

Grounds Machinery

Total Annual Expenditure (ALL HBBC)

REACLEAR Vehicle Safety System

Total Annual Expenditure(ALL HBBC)

Parish & Community Initiatives Grants

Total Annual Expenditure(ALL HBBC)

Hinckley Community Initiatives Fund

Total Annual Expenditure

Special Expenses Area Reserves

HBBC Element

Community Development Fund

Total Annual Expenditure(ALL HBBC)

Hinckley Community Development Fund

Total Annual Expenditure(ALL HBBC)

TOTAL GROSS EXPENDITURE

LESS TOTAL CONTRIBUTIONS

TOTAL HBBC ELEMENT

| TOTAL COST £ | ESTIMATE 2018-2019 £ | ESTIMATE 2019-2020 £ | ESTIMATE 2020-2021 £ | ESTIMATE 2021-2022 £ |
|--------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | | | | |
| 129,975 | 39,975 | 30,000 | 30,000 | 30,000 |
| | | | | |
| 9,540 | 9,540 | 0 | 0 | 0 |
| | | | | |
| 87,000 | 45,000 | 14,000 | 14,000 | 14,000 |
| | | | | |
| 22,670 | 5,360 | 5,570 | 5,790 | 5,950 |
| | | | | |
| 496,779 | 123,453 | 117,552 | 130,533 | 125,241 |
| | | | | |
| 15,000 | 15,000 | 0 | 0 | 0 |
| | | | | |
| 491,571 | 63,348 | 428,223 | 0 | 0 |
| (364,273) | (63,348) | (300,925) | 0 | 0 |
| (127,298) | 0 | (127,298) | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 |
| | | | | |
| 207,253 | 57,253 | 50,000 | 50,000 | 50,000 |
| (60,000) | (15,000) | (15,000) | (15,000) | (15,000) |
| 147,253 | 42,253 | 35,000 | 35,000 | 35,000 |
| | | | | |
| 20,000 | 20,000 | 0 | 0 | 0 |
| | | | | |
| 318,836 | 93,836 | 75,000 | 75,000 | 75,000 |
| 318,836 | 93,836 | 75,000 | 75,000 | 75,000 |
| | | | | |
| 6,698 | 6,698 | 0 | 0 | 0 |
| (6,698) | (6,698) | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 |
| | | | | |
| 5,055,621 | 253,611 | 3,217,350 | 1,584,660 | 0 |
| | | | | |
| 250,000 | 250,000 | | 0 | 0 |
| | | | | |
| 30,590 | 30,590 | 0 | 0 | 0 |
| | | | | |
| 740,566 | 165,566 | 275,000 | 150,000 | 150,000 |
| | | | | |
| 42,229 | 12,229 | 10,000 | 10,000 | 10,000 |
| (42,229) | (12,229) | (10,000) | (10,000) | (10,000) |
| 0 | 0 | 0 | 0 | 0 |
| | | | | |
| 1,457,885 | 807,885 | 400,000 | 250,000 | 0 |
| | | | | |
| 350,000 | 0 | 150,000 | 200,000 | 0 |
| | | | | |
| 9,732,213 | 1,999,344 | 4,772,695 | 2,499,983 | 460,191 |
| (600,498) | (97,275) | (453,223) | (25,000) | (25,000) |
| 9,131,715 | 1,902,069 | 4,319,472 | 2,474,983 | 435,191 |

SECTION 4
Housing Revenue Account Capital Programme

| | TOTAL | ESTIMATE | ESTIMATE | ESTIMATE | ESTIMATE |
|--------------------------------------|-------------------|------------------|-------------------|------------------|------------------|
| | | 2018-2019 | 2019-2020 | 2020-2021 | 2021-2022 |
| Expenditure | £ | £ | £ | £ | £ |
| Sheltered Scheme Enhancements | 362,864 | 114,000 | 82,000 | 83,804 | 83,060 |
| Kitchen Improvements | 1,978,748 | 598,897 | 700,260 | 596,458 | 83,133 |
| Boiler and Heating Replacement | 3,395,815 | 918,081 | 1,285,400 | 708,458 | 483,876 |
| uPVC Door Replacement | 205,705 | 76,060 | 43,710 | 43,159 | 42,776 |
| Electrical Testing / Upgrading | 2,582,274 | 604,514 | 753,480 | 614,870 | 609,410 |
| Programmed Enhancements | 857,853 | 309,776 | 308,210 | 120,468 | 119,399 |
| Shower Replacement Programme | 211,500 | 0 | 70,500 | 70,500 | 70,500 |
| uPVC Window Replacement | 414,249 | 150,786 | 167,440 | 63,417 | 32,606 |
| Re-roofing | 2,741,057 | 880,175 | 951,220 | 739,053 | 170,609 |
| Adaptations for Disabled People | 1,776,532 | 500,993 | 429,970 | 424,670 | 420,899 |
| Major Void Enhancements | 2,659,438 | 682,400 | 675,500 | 653,671 | 647,867 |
| Kitchens and Bathrooms Enhancements | 1,630,751 | 272,622 | 500,190 | 423,289 | 434,650 |
| Legionella | 163,824 | 50,000 | 51,250 | 31,427 | 31,147 |
| Insulation & Wraps | 633,821 | 0 | 208,840 | 213,438 | 211,543 |
| Fire Risk Assessments | 941,436 | 0 | 404,060 | 278,229 | 259,147 |
| Capital Salaries | 412,089 | 0 | 0 | 206,963 | 205,126 |
| Service Investment | | | | | |
| Piper Alarm Upgrade | 162,350 | 100,000 | 40,000 | 22,350 | 0 |
| Orchard Upgrade | 7,000 | 7,000 | 0 | 0 | 0 |
| Affordable Housing | | | | | |
| Ambion Court | 3,283,130 | 149,500 | 3,133,630 | 0 | 0 |
| Affordable Housing Scheme | 300,000 | 200,000 | 100,000 | 0 | 0 |
| Martinshaw | 597,696 | 597,696 | 0 | 0 | 0 |
| Middlefield Lane | 1,200,000 | 0 | 1,200,000 | 0 | 0 |
| Expenditure Total | 26,518,132 | 6,212,500 | 11,105,660 | 5,294,224 | 3,905,748 |
| Financing | | | | | |
| Major Repairs Reserve (Depreciation) | 12,036,000 | 3,009,000 | 3,009,000 | 3,009,000 | 3,009,000 |
| Regeneration Reserve | 9,708,972 | 2,474,190 | 5,516,160 | 1,542,374 | 176,248 |
| Earmarked Reserves - Piper Alarm | 162,350 | 100,000 | 40,000 | 22,350 | 0 |
| Grant funding | 1,320,000 | | 1,320,000 | | |
| Capital Receipts | 3,290,810 | 629,310 | 1,220,500 | 720,500 | 720,500 |
| Financing Total | 26,518,132 | 6,212,500 | 11,105,660 | 5,294,224 | 3,905,748 |

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Hinckley & Bosworth Borough Council

FORWARD TIMETABLE OF CONSULTATION AND DECISION MAKING

| | |
|---------------------|------------------|
| SCRUTINY COMMISSION | 7 FEBRUARY 2019 |
| COUNCIL | 21 FEBRUARY 2019 |

WARDS AFFECTED: ALL WARDS

THE PRUDENTIAL CODE FOR CAPITAL FINANCE IN LOCAL AUTHORITIES TREASURY MANAGEMENT STRATEGY 2018/19 – 2021/22 AND PRUDENTIAL INDICATORS 2018/19 – 2021/22

Report of Head of Finance

1. PURPOSE OF REPORT

1.1 This report outlines the Council's prudential indicators for 2018/19 - 2021/22 and sets out the expected treasury operations for this period. It fulfils four key requirements:

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

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

1.2 Revised reporting is required for the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP)

Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The capital strategy is being reported separately. This report should be read in conjunction with the Capital Strategy and the Capital Programme which are both on the Council agenda for the 21st February 2019. The Capital Strategy deals with investments outside of the remit of standard treasury investments.

2. RECOMMENDATIONS

Members approve:

- 2.1 The Prudential Indicators and Limits for 2018/19 to 2021/22 contained within 3.19 & 3.20 of the report, including the Authorised Limit Prudential Indicator.
- 2.2 The Minimum Revenue Provision (MRP) Statement contained in paragraphs 3.10 & 3.11 which set out the Council's policy on MRP.
- 2.3 The Treasury Management Strategy is attached as Appendix 1.

3. BACKGROUND TO THE REPORT

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

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

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

CIPFA defines treasury management as:

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

- 3.2 The Treasury Management Strategy is attached as an Appendix. Key tables are summarised in the report.

The Capital Expenditure & Prudential Indicators (Section 2 of Appendix)

- 3.3 Capital expenditure can be paid for immediately (by applying capital resources such as capital receipts, capital grants etc., or revenue resources), but if these resources are insufficient any residual capital expenditure will add to the Council's borrowing need. Any decisions by the Council to commit capital expenditure needs to have regard to:

- Service objectives (e.g. strategic planning);
- Stewardship of assets (e.g. asset management planning);
- Value for money (e.g. option appraisal)
- Prudence and sustainability (e.g. implications for external borrowing and whole life costing);
- Affordability (e.g. implications for the council tax and rents);
- Practicality (e.g. the achievability of the forward plan).

The revenue consequences of capital expenditure will need to be paid for from the Council's own resources.

The Council's capital expenditure plans are summarised below. **Further details are contained in section two of the Appendix.** The overall borrowing need for the Council is summarised below:-

| £m | 2017/18 Actual | 2018/19 Estimate | 2019/20 Estimate | 2020/21 Estimate | 2021/22 Estimate |
|--------------------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Capital Financing Requirement | | | | | |
| CFR – non housing | 35,851 | 35,832 | 35,141 | 34,990 | 33,941 |
| CFR – housing | 70,320 | 70,320 | 70,320 | 70,320 | 70,320 |
| Total CFR | 106,171 | 106,152 | 105,461 | 105,310 | 104,261 |
| Movement in CFR | | | | | |

| | | | | | |
|--|--|-------------|--------------|--------------|---------------|
| Movement in CFR represented by | | | | | |
| Net financing need for the year (above) | | 1,030 | 656 | 1,214 | 360 |
| Less MRP/VRP and other financing movements | | -1,049 | -1,347 | -1,365 | -1,409 |
| Movement in CFR | | - 19 | - 691 | - 151 | -1,049 |

- 3.4 The key risks to the plans are that the level of Government support has been estimated and is therefore subject to change. Similarly some estimates for other sources of funding, such as capital receipts, may also be subject to change over this timescale. For instance anticipated asset sales may be postponed due to the poor condition of the property market.

- 3.5 The Council is asked to approve the summary capital expenditure projections below.

| Capital Expenditure £'000 | 2017/18 Actual £000 | 2018/19 Estimate £000 | 2019/20 Estimate £000 | 2020/21 Estimate £000 | 2021/22 Estimate £000 |
|------------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Non-HRA | 2,027 | 3,931 | 6,441 | 3,778 | 1,758 |
| HRA | 6,617 | 6,212 | 11,106 | 5,294 | 3,906 |
| Total | 8,644 | 10,143 | 17,547 | 9,072 | 5,664 |

The table below summaries the above capital expenditure plans and how these plans are being financed by capital and revenue resources. Any shortfall of resources results in a funding borrowing need.

| | | | | | |
|--|------------|--------------|------------|--------------|------------|
| Financed by: | | | | | |
| Capital receipts | 830 | 1,429 | 5,176 | 2,054 | 1,353 |
| Capital grants | 1,322 | 1,078 | 2,410 | 765 | 751 |
| Capital reserves | 6,266 | 6,606 | 9,305 | 5,039 | 3,200 |
| Revenue | 0 | 0 | 0 | 0 | 0 |
| Net financing need for the year | 226 | 1,030 | 656 | 1,214 | 360 |

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

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

3.7 The Council is asked to approve the CFR projections below:

| £'000s | 2017/18 Actual £000 | 2018/19 Estimate £000 | 2019/20 Estimate £000 | 2020/21 Estimate £000 | 2021/22 Estimate £000 |
|--------------------------------------|------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Capital Financing Requirement | | | | | |
| CFR - Non Housing | 35,851 | 35,832 | 35,141 | 34,990 | 33,941 |
| CFR – Housing | 70,320 | 70,320 | 70,320 | 70,320 | 70,320 |
| Total CFR | 106,171 | 106,152 | 105,461 | 105,310 | 104,261 |
| Movement in CFR | | | | | |

| Movement in CFR represented by | | | | | |
|---|--|-------------|-------------|--------------|---------------|
| Net financing need for the year (above) | | 1,030 | 656 | 1,214 | 360 |
| Less MRP/ VRP and other financing movements | | -1,049 | -1,347 | -1,365 | -1,409 |
| Movement in CFR | | - 19 | -691 | - 151 | -1,049 |

3.8 The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the Minimum Revenue Provision - MRP), although it is also allowed to undertake additional voluntary payments if required (Voluntary Revenue Provision - VRP). No revenue charge is required for the HRA.

3.9 CLG Regulations have been issued which require Full Council to approve an **MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement.

Minimum Revenue Provision (MRP) Policy Statement.

- 3.10 A detailed Policy statement is included in Section 2.4 of the appendix. For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will follow:

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

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

- 3.11 From 1 April 2008 for all unsupported borrowing (including Finance Leases) the MRP policy will be:-

Asset Life Method – MRP will be based on the estimated life of the assets

This option provide for a reduction in the borrowing need over approximately the asset's life.

BORROWING (Section 3 of Appendix)

- 3.12 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow have been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is an issue that need to be considered.
- 3.13 The Head of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to borrowing. Section 3 of the Appendix details the Councils Borrowing Strategy.

Core funds and expected investment balances

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

Table 3

| £'000 | 2017/18 Actual £000 | 2018/19 Estimate £000 | 2019/20 Estimate £000 | 2020/21 Estimate £000 | 2021/22 Estimate £000 |
|-----------------------------|------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Fund balances | 21,633 | 20,225 | 15,365 | 12,413 | 10,392 |
| Capital receipts | 4,734 | 2,289 | 3,917 | 2,851 | 2,520 |
| Provisions | 1,208 | 900 | 900 | 900 | 900 |
| Grants/Contributions | 2,939 | 2,940 | 2,941 | 2,942 | 2,943 |
| Total Core Funds | 30,514 | 26,354 | 23,123 | 19,106 | 16,755 |
| Working Capital* | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Under borrowing | 22,389 | 18,972 | 18,092 | 17,200 | 16,270 |
| Expected Investments | 9,125 | 8,382 | 6,031 | 2,906 | 1,485 |

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

- 3.15 The estimates of financing costs include current commitments and the proposals in the budget report.

BORROWING STRATEGY

- 3.16 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow have been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is an issue that needs to be considered.
- 3.17 The Head of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to borrowing. Section 3 of the Appendix details the Council's Borrowing Strategy.
- 3.18 The Council's treasury portfolio position at 31 March 2018, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

| £'000 | 2018/19 Revised | 2019/20 Estimate | 2020/21 Estimate | 2021/22 Estimate |
|-----------------------------|--------------------|---------------------|---------------------|---------------------|
| External Debt | | | | |
| Debt at 1 April | 83,782 | 87,180 | 87,369 | 88,110 |
| Other Long Term Liabilities | 2,669 | 0 | 0 | 0 |
| Expected change in debt | 729 | 189 | 741 | - 119 |
| Debt at 31 March | 87,180 | 87,369 | 88,110 | 87,991 |

Treasury Indicators: limits to borrowing activity

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

| Operational boundary £000's | 2017/18 Estimate | 2018/19 Estimate | 2019/20 Estimate | 2020/21 Estimate |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|
| Debt | £106,152 | £105,461 | £105,310 | £104,261 |
| Total | £106,152 | £105,461 | £105,310 | £104,261 |

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

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

The Council is asked to approve the following authorised limit:

| Authorised limit £000s | 2018/19 Estimate | 2019/20 Estimate | 2020/21 Estimate | 2021/22 Estimate |
|-----------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| General Fund | 37,832 | 41,141 | 40,990 | 36,941 |
| HRA | 71,915 | 71,915 | 71,915 | 71,915 |
| Total | 109,747 | 113,056 | 112,905 | 108,856 |

Separately, the Council is also limited to a maximum HRA CFR based on affordability.

| HRA Debt Limit £m update | 2018/19 Estimate | 2019/20 Estimate | 2020/21 Estimate | 2021/22 Estimate |
|---------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| HRA debt cap | 72.0 | 72.0 | 72.0 | 72.0 |
| HRA CFR | 70.3 | 70.3 | 70.3 | 70.3 |
| HRA headroom | 1.7 | 1.7 | 1.7 | 1.7 |

ANNUAL INVESTMENT STRATEGY (Section 4 of Appendix)

- 3.21 The Council's investment policy has regard to the following: -
- MHCLG's Guidance on Local Government Investments ("the Guidance")
 - CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
 - CIPFA Treasury Management Guidance Notes 2018

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return).

The investment strategy is detailed in Section 4 of the Appendix. In accordance with guidance above the strategy prioritises security first, portfolio liquidity second and then return (yield). The Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables spreading of risk. Market information and expert advice is also used to monitor financial markets.

- 3.22 The Head of Finance will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are to be used.
- 3.23 Credit rating information is supplied by Link Asset Services our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list
- 3.24 The criteria for providing a pool of high quality investment counterparties is listed in section 4.2 of the Appendix.

4. EXEMPTIONS IN ACCORDANCE WITH THE ACCESS TO INFORMATION PROCEDURE RULES

- 4.1 Report to be taken in open session

5. FINANCIAL IMPLICATIONS [IB]

- 5.1 These are contained in the body of the report.

6. LEGAL IMPLICATIONS [FA]

6.1 These are contained in the body of the report.

7. CORPORATE PLAN IMPLICATIONS

7.1 Treasury Management and Prudential Indicators indirectly impacts on all Corporate Plan targets

8. CONSULTATION

8.1 None

9. RISK IMPLICATIONS

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

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

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

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

10. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

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

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
- Procurement implications

- Human Resources implications
 - Planning implications
 - Data Protection implications
 - Voluntary Sector
-

Background papers:

Capital Programme 2018/19 to 2021/22

Revenue Budget 2019/20

Contact Officer: Ilyas Bham, Accountancy Manager ext 5924

Executive Member: Cllr C Ladkin

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Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement
and Annual Investment Strategy

2019/2020

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1.INTRODUCTION

1.1 Background

Treasury Management reporting

The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

- a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers:
 - the capital plans, (including prudential indicators);
 - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
 - the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
 - an investment strategy, (the parameters on how investments are to be managed).
- b. **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition, Finance & Performance Committee will receive quarterly update reports.
- c. **An annual treasury report** – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy. This will be presented at Finance & Performance Committee

Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Finance & Performance Committee.

1.2 Treasury Management Strategy for 2019/20

The strategy for 2019/20 covers two main areas:

Capital issues

- the capital expenditure plans and the associated prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;

- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

1.3 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. .

1.4 Treasury management consultants

The Council uses Link Asset Services, Treasury solutions as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

.The scope of reporting investments within the Council's operations now includes both conventional treasury investments, (the placing of residual cash from the Council's functions), and more commercial type investments, such as investment properties. The commercial type investments require specialist advisers. The Council does not currently have any such investments.

2 THE CAPITAL PRUDENTIAL INDICATORS 2019/20 – 2021/22

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

2.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

| Capital expenditure £m | 2017/18 Actual | 2018/19 Estimate | 2019/20 Estimate | 2020/21 Estimate | 2021/22 Estimate |
|-----------------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Non-HRA | 2,027 | 3,931 | 6,441 | 3,778 | 1,758 |
| HRA | 6,617 | 6,212 | 11,106 | 5,294 | 3,906 |
| Total | 8,644 | 10,143 | 17,547 | 9,072 | 5,664 |

Other long-term liabilities - The above financing need excludes other long-term liabilities, such as leasing arrangements that already include borrowing instruments. The primary leasing arrangements in place for this Council are Hinckley Hub and Heavy goods vehicles procured in 2018/19

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

| Financing of capital expenditure £m | 2017/18 Actual | 2018/19 Estimate | 2019/20 Estimate | 2020/21 Estimate | 2021/22 Estimate |
|--|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Capital receipts | 830 | 1,429 | 5,176 | 2,054 | 1,353 |
| Capital grants | 1,322 | 1,078 | 2,410 | 765 | 751 |
| Capital reserves | 6,266 | 6,606 | 9,305 | 5,039 | 3,200 |
| Revenue | 0 | 0 | 0 | 0 | 0 |
| Net financing need for the year | 226 | 1,030 | 656 | 1,214 | 360 |

The crematorium project is the only project included in net financing need for commercial type activities.

| Crematorium Project | 2017/18 Actual | 2018/19 Estimate | 2019/20 Estimate | 2020/21 Estimate | 2021/22 Estimate |
|---|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Capital Expenditure | 0 | 253,611 | 3217,350 | 1,584,660 | 0 |
| Use of Reserves | | 0 | 0 | 0 | |
| Financing costs | 0 | 0 | 3,217,350 | 782,650 | 0 |
| Net financing need for the year | 0 | 253,611 | 0 | 802,010 | 0 |
| Percentage of total net financing need % | 0 | 24.5 | 0 | 66.6 | 0 |

2.2 The Council's borrowing need (the Capital Financing Requirement)

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

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has £10.499m of such schemes within the CFR.

The Council is asked to approve the CFR projections below:

| £m | 2017/18 Actual | 2018/19 Estimate | 2019/20 Estimate | 2020/21 Estimate | 2021/22 Estimate |
|--------------------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Capital Financing Requirement | | | | | |
| CFR – non housing | 35,851 | 35,832 | 35,141 | 34,990 | 33,941 |
| CFR – housing | 70,320 | 70,320 | 70,320 | 70,320 | 70,320 |
| Total CFR | 106,171 | 106,152 | 105,461 | 105,310 | 104,261 |
| Movement in CFR | | -19 | -691 | -151 | -1,049 |

| | | | | | |
|--|--|-------------|--------------|-------------|---------------|
| Movement in CFR represented by | | | | | |
| Net financing need for the year (above) | | 1,030 | 656 | 1,214 | 360 |
| Less MRP/VRP and other financing movements | | -1,049 | -1,347 | -1,365 | -1,409 |
| Movement in CFR | | - 19 | - 691 | -151 | -1,049 |

2.3 Core funds and expected investment balances

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

| Year End Resources £000's | 2017/18 Actual | 2018/19 Estimate | 2019/20 Estimate | 2020/21 Estimate | 2021/22 Estimate |
|------------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Fund balances / reserves | 21,633 | 20,225 | 15,365 | 12,413 | 10,392 |
| Capital receipts | 4,734 | 2,289 | 3,917 | 2,851 | 2,520 |
| Provisions | 1,208 | 900 | 900 | 900 | 900 |
| Grants/Contributions | 2,939 | 2,940 | 2,941 | 2,942 | 2,943 |
| Total core funds | 30,514 | 26,354 | 23,123 | 19,106 | 16,755 |
| Working capital* | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Under/over borrowing** | 22,389 | 18,972 | 18,092 | 17,200 | 16,270 |

| | | | | | |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| Expected investments | 9,125 | 8,382 | 6,031 | 2,906 | 1,485 |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|

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

2.4 Minimum revenue provision (MRP) policy statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

MHCLG regulations have been issued which require the full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement

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

Existing practice - MRP will follow the existing practice outlined in former MHCLG Guidance. From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be

- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3); These options provide for a reduction in the borrowing need over approximately the asset's life.

There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.

Repayments included finance leases are applied as MRP.

MRP Overpayments - A change introduced by the revised MHCLG MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31 March 2018, the total VRP overpayments were £116,666. This relates to the temporary borrowing incurred for build of the new leisure centre. It is recommended that this is reversed out in 2018/19 on the basis that the legal agreement for the sale of Middlefield site will be agreed.

3 BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

The overall treasury management portfolio as at 31 March 2018 and for the position as at 31 December 2018 is shown below for both borrowing and investments.

| TREASURY PORTFOLIO | | | | |
|--|-----------------|-----------------|-----------------|-----------------|
| | Actual | Actual | Current | Current |
| | 31.03.18 | 31.03.18 | 31.12.18 | 31.12.18 |
| | £'000 | % | £'000 | % |
| Treasury Investments | | | | |
| Banks | 2,582 | 17% | 1,722 | 6% |
| Building Societies - unrated | 9,800 | 64% | 17,500 | 63% |
| Building Societies - rated | 0 | 0% | 8,509 | 31% |
| Local Authorities | 3,000 | 20% | 0 | 0% |
| Total managed in House | 15,382 | 100% | 27,731 | 100% |
| Treasury External Borrowings | | | | |
| PWLB | 75,952 | 100% | 75,952 | 100% |
| Total External Borrowings | 75,952 | 100% | 75,952 | 100% |
| Net treasury Investments/(Borrowings) | -60,570 | 0% | -48,221 | 0% |

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

| £m | 2017/18 Actual | 2018/19 Estimate | 2019/20 Estimate | 2020/21 Estimate | 2021/22 Estimate |
|------------------------------------|-----------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| External Debt | | | | | |
| Debt at 1 April | 75,952 | 83,782 | 87,180 | 87,369 | 88,110 |
| Expected change in Debt | 0 | 1,030 | 656 | 1,214 | 360 |
| Other long-term liabilities (OLTL) | 7,830 | 2,669 | 0 | 0 | 0 |
| Expected change in | 0 | - 301 | - 467 | - 473 | - 479 |

| | | | | | |
|-----------------------------------|---------|---------|---------|---------|---------|
| OLTL | | | | | |
| Actual gross debt at 31 March | 83,782 | 87,180 | 87,369 | 88,110 | 87,991 |
| The Capital Financing Requirement | 106,171 | 106,152 | 105,461 | 105,310 | 104,261 |
| Under / (over) borrowing | 22,389 | 18,972 | 18,092 | 17,200 | 16,270 |

Within the range of prudential indicators, there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

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

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

| Operational boundary £m | 2018/19 Estimate | 2019/20 Estimate | 2020/21 Estimate | 2021/22 Estimate |
|----------------------------|---------------------|---------------------|---------------------|---------------------|
| Debt/CFR | £106,171 | £106,152 | £105,461 | £105,310 |
| Expected Change in CFR | -19 | -691 | -151 | -1,049 |
| Total | £106,152 | £105,461 | £105,310 | £104,261 |

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

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

| Authorised limit £m | 2018/19 Estimate | 2019/20 Estimate | 2020/21 Estimate | 2021/22 Estimate |
|-----------------------------|---------------------|---------------------|---------------------|---------------------|
| Debt | £99,576 | £103,352 | £103,674 | £100,104 |
| Other long term liabilities | £10,171 | £9,704 | £9,231 | £8,752 |
| Total | £109,747 | £113,056 | £112,905 | £108,856 |

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

| HRA Debt Limit £m | 2018/19 Estimate £000's | 2019/20 Estimate £000's | 2020/21 Estimate £000's | 2021/22 Estimate £000's |
|-------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| HRA debt cap * | £71,915 | £71,915 | £71,915 | £71,915 |
| HRA CFR | £70,320 | £70,320 | £70,320 | £70,320 |
| HRA headroom | £1,595 | £1,595 | £1,595 | £1,595 |

** Abolition of Statutory HRA debt cap on 29/10/2018 however the cap has been kept in for comparative purposes. The Council can now borrow to affordable limits.*

The table below summarises the capital financing requirement over the term of this strategy.

| | 2017-18 Estimate £000's | 2018/19 Estimate £000's | 2019/20 Estimate £000's | 2020/21 Estimate £000's | 2021/22 Estimate £000's |
|-----------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| HRA CFR | £70,320 | £70,320 | £70,320 | £70,320 | £70,320 |
| GF CFR | £35,851 | £35,832 | £35,141 | £34,990 | £33,941 |
| Total CFR | £106,171 | £106,152 | £105,461 | £105,310 | £104,261 |
| External Borrowing | £75,952 | £76,982 | £77,638 | £78,852 | £79,212 |
| Other Long term Liabilities | £7,830 | £10,198 | £9,731 | £9,258 | £8,779 |
| Total Debt | £83,782 | £87,180 | £87,369 | £88,110 | £87,991 |
| Authorised Limit | | £109,747 | £113,056 | £112,905 | £108,856 |
| Operational Boundary | | £106,152 | £105,461 | £105,310 | £104,261 |

3.3 Prospects for interest rates

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

| | Dec 18 | Mar 19 | Jun 19 | Sep 19 | Dec 19 | Mar 20 | Jun 20 | Sep 20 | Dec 20 | Mar 21 |
|-------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| BankRate % | 0.75 | 0.75 | 1.00 | 1.00 | 1.00 | 1.25 | 1.25 | 1.25 | 1.50 | 1.50 |
| 3Months LIBIDS % | 0.80 | 0.80 | 1.00 | 1.00 | 1.20 | 1.30 | 1.40 | 1.50 | 1.50 | 1.60 |
| 6Months LIBID% | 0.90 | 1.00 | 1.20 | 1.30 | 1.40 | 1.50 | 1.60 | 1.70 | 1.70 | 1.80 |
| 12Months LIBIDS % | 1.10 | 1.20 | 1.30 | 1.40 | 1.50 | 1.60 | 1.70 | 1.80 | 1.90 | 2.00 |
| 5 yr PWLB% | 2.00 | 2.10 | 2.20 | 2.20 | 2.30 | 2.30 | 2.40 | 2.50 | 2.50 | 2.60 |
| 10yrPWLB % | 2.50 | 2.50 | 2.60 | 2.60 | 2.70 | 2.80 | 2.90 | 2.90 | 3.00 | 3.00 |
| 25yrPWLB % | 2.90 | 2.90 | 3.00 | 3.10 | 3.10 | 3.20 | 3.30 | 3.30 | 3.40 | 3.40 |

| | | | | | | | | | | |
|----------------|------|------|------|------|------|------|------|------|------|------|
| 50yrPWL B % | 2.70 | 2.70 | 2.80 | 2.90 | 2.90 | 3.00 | 3.10 | 3.10 | 3.20 | 3.20 |
|----------------|------|------|------|------|------|------|------|------|------|------|

The flow of generally positive economic statistics after the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, from 0.5% to 0.75%. Growth has been healthy since that meeting, but is expected to weaken somewhat during the last quarter of 2018. At their November meeting, the MPC left Bank Rate unchanged, but expressed some concern at the Chancellor's fiscal stimulus in his Budget, which could increase inflationary pressures. However, it is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. The next increase in Bank Rate is therefore forecast to be in May 2019, followed by increases in February and November 2020, before ending up at 2.0% in February 2022.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

Investment and borrowing rates

- Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years.
- Borrowing interest rates have been volatile so far in 2018-19 and have increased modestly since the summer. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;
- There will remain a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

3.4 Borrowing strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2019/20 treasury operations. The Head of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.*
- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.*

Any decisions will be reported to the appropriate decision making body at the next available opportunity.

3.5 Policy on borrowing in advance of need

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

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.6 Debt rescheduling

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

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

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

All rescheduling will be reported to *Council*, at the earliest meeting following its action.

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment policy – management of risk

The MHCLG and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

The Council’s investment policy has regard to the following: -

- MHCLG’s Guidance on Local Government Investments (“the Guidance”)
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 (“the Code”)
- CIPFA Treasury Management Guidance Notes 2018

The Council’s investment priorities will be security first, portfolio liquidity second and then yield, (return).

The above guidance from the MHCLG and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as “**credit default swaps**” and overlay that information on top of the credit ratings.
3. **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix 5.4 under the categories of ‘specified’ and ‘non-specified’ investments.
 - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
 - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

5. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.
6. **Transaction limits** are set for each type of investment in 4.2.
7. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 4.4).
8. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).
9. This authority has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.
10. All investments will be denominated in **sterling**.
11. As a result of the change in accounting standards for 2018/19 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the Ministry of Housing, Communities and Local Government, [MHCLG], concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from 1.4.18.)

However, this authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

4.2 Creditworthiness policy

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

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

The Head of Finance will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall

pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

Credit rating information is supplied by Link Asset Services, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating Watch applying to counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

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

- Banks 1 - good credit quality – the Council will only use banks which:
 - i. are UK banks; and/or
 - ii. are non-UK and domiciled in a country which has a minimum sovereign Long Term rating of AA-
 and have, as a minimum, the following Fitch, Moody's and Standard & Poor's credit ratings (where rated):
 - i. Short Term – F1
 - ii. Long Term – A-
- Banks 2 – Part nationalised UK bank – Royal Bank of Scotland ring-fenced operations. This bank can be included provided it continues to be part nationalised or it meets the ratings in Banks 1 above.
- Banks 3 – The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time invested.
- Bank subsidiary and treasury operation -. The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
- Building societies The Council will use all societies which:
 - i. Meet the ratings for banks outlined above;
 - or
 - ii. Have assets in excess of £500m;
 - or meet both criteria.
- Money Market Funds (CNAV LNAV VNAV) - £9m
- UK Government (including gilts, Treasury Bills and the DMADF)
- Local authorities, parish councils etc.
- Supranational institutions
- Property Funds & Corporate Bonds. We may consider these funds if they meet the creditworthiness criteria. No decision will be made on the use of these funds without further Council approval.

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

Time and monetary limits applying to investments. The time and monetary limits for institutions on the Council's counterparty list are as follows (these will cover both specified and non-specified investments):

| | Fitch Long term Rating (or equivalent) | Money and/or % Limit | Transaction limit | Time Limit |
|--|---|---------------------------------|--------------------------|-------------------|
| Banks 1 higher quality | AA- | £14m | £5m | 1 yr |
| Banks 1 medium quality | A+ | £7m | £4m | 1 yr |
| Banks 1 lower quality | A- | £9m | £4m | 1 yr |
| Banks 1 Council's Own Banker | A- | £9m | £5m | 1 yr |
| Banks 2 – part nationalised | A- | £7m | £4m | 1yr |
| Limit 3 category – Council's banker (not meeting Banks 1) | | £6m | £3m | 1 yr |
| Other institutions limit | N/A | £6m | £3m | 1 yr |
| DMADF (Central Government) | UK sovereign rating | unlimited | Unlimited | 1 yr |
| Local authorities | N/A | £12m | £7m | 1 yr |
| | Fund rating | Money and/or % Limit | | Time Limit |
| Money Market Funds | AAA | £9m | £4m | liquid |

The proposed criteria for specified and non-specified investments are shown in Appendix 5.4 for approval.

UK banks – ring fencing

The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as "ring-fencing". Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and “riskier” activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity’s core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

4.3 Other limits

Due care will be taken to consider the exposure of the Council’s total investment portfolio to non-specified investments, countries, groups and sectors.

- a) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA-

4.4 Investment strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations.

Bank Rate is forecast to increase steadily but slowly over the next few years to reach 2.00% by quarter 1 2022. Bank Rate forecasts for financial year ends (March) are:

- 2018/19 0.75%
- 2019/20 1.25%
- 2020/21 1.50%
- 2021/22 2.00%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

| | Now |
|-------------|------------|
| 2018/19 | 0.75% |
| 2019/20 | 1.00% |
| 2020/21 | 1.50% |
| 2021/22 | 1.75% |
| 2022/23 | 1.75% |
| 2023/24 | 2.00% |
| Later years | 2.50% |

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end. The Council is asked to approve the following treasury indicator and limit:

| |
|--|
| Upper limit for principal sums invested for longer than 365 days £0 |
|--|

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits, in order to benefit from the compounding of interest.

4.5 Investment risk benchmarking

The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the mid-year or Annual Report.

Security -.

Liquidity – in respect of this area the Council seeks to maintain:

- Bank overdraft - £0.250m (if required)
- Liquid short term deposits of at least £1m available with a week's notice.
- Weighted average life benchmark is expected to be 0.5, with a maximum of 1 year.

Yield - local measures of yield benchmarks are

- Investments – internal returns above the 30 day LIBID rate.

4.6 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

The fund manager's view on interest rates and opportunities for gilts / bonds is as follows:

5 APPENDICES

(These can be appended to the report or omitted as required)

1. Prudential and treasury indicators and MRP statement
2. Treasury Management practice
3. Treasury management scheme of delegation
4. The treasury management role of the section 151 officer

5.1 THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2019/20 – 2021/22 AND MRP STATEMENT

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

5.1.1 Capital expenditure

Note: A detailed capital programme is included within the capital programme report

| Capital expenditure £000's | 2017/18 Actual | 2018/19 Estimate | 2019/20 Estimate | 2020/21 Estimate | 2021/22 Estimate |
|-------------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Non-HRA | £2,027 | £3,931 | £6,441 | £3,778 | £1,759 |
| HRA | £6,617 | £6,213 | £11,106 | £5,294 | £3,906 |
| | | | | | |
| Total | £8,644 | £10,144 | £17,547 | £9,072 | £5,665 |

5.1.2 Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

a. Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

| % | 2018/19 Estimate % | 2019/20 Estimate % | 2020/21 Estimate % | 2021/22 Estimate % |
|---------|--------------------------|--------------------------|--------------------------|--------------------------|
| Non-HRA | 9.98 | 9.29 | 10.08 | 9.54 |
| HRA | 23.77 | 24.69 | 23.76 | 22.66 |

The estimates of financing costs include current commitments and the proposals in this budget report.

b. HRA ratios

These ratio's summarise the level of debt against the level of income. As the current HRA debt is being paid of net revenue increases.

| £ | 2017/18 Actual | 2018/19 Estimate | 2019/20 Estimate | 2020/21 Estimate | 2021/22 Estimate |
|--------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| HRA debt £m | £70,300 | £70,300 | £67,358 | £64,416 | £61,474 |
| HRA debt cap | £71,915 | £71,915 | £71,915 | £71,915 | £71,915 |

| | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| HRA revenues £m | £13,674 | £12,783 | £12,586 | £12,964 | £13,353 |
| Ratio of debt to revenues % | 525.93 | 562.57 | 571.37 | 554.73 | 538.57 |

| £ | 2017/18 Actual | 2018/19 Estimate | 2019/20 Estimate | 2020/21 Estimate | 2021/22 Estimate |
|------------------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| HRA debt £m | £70,300 | £70,300 | £67,358 | £64,416 | £61,474 |
| Number of HRA dwellings | 3,307 | 3,305 | 3,246 | 3,252 | 3,222 |
| Debt per dwelling £ | £21.26 | £21.27 | £20.75 | £19.81 | £19.08 |

5.1.3 Maturity structure of borrowing

Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits

The Council is asked to approve the following treasury indicators and limits:

| Maturity structure of borrowing 2019/20 | | |
|--|----------|-----------|
| | % | £m |
| Under 12 months | 3.87% | £2.941 |
| 12 months to 2 years | 3.87% | £2.941 |
| 2 years to 5 years | 11.62% | £8.824 |
| 5 years to 10 years | 19.36% | £14.707 |
| 10 years to 20 years | 38.73% | £29.414 |
| 20 years to 30 years | 11.62% | £8.824 |
| 30 years to 40 years | 4.34% | £3.300 |
| 40 years to 50 years | 6.58% | £5.000 |
| | | |
| | | |

5.2 TREASURY MANAGEMENT PRACTICE

The MHCLG issued Investment Guidance in 2018, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council adopted the Code on 01/04/2018 and will apply its principles to all investment activity. In accordance with the Code, the Head of Finance has produced its treasury management practices (TMPs). This part, TMP 1(1), covering investment counterparty policy requires approval each year.

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

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

The investment policy proposed for the Council is:

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

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

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

Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies why are included in the body of the report.

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

| | Non Specified Investment Category | Limit (£ or %) |
|----|---|-----------------------|
| a. | The Council's own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible. | £6m |
| b. | Building societies not meeting the basic security requirements under the specified investments. The operation of some building | £7m |

| | | |
|----|--|-----|
| | societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use such building societies which have a minimum asset size of £500m, but will restrict these type of investments to £7m | |
| c. | Any bank or building society that has a minimum long term credit rating of A, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment). | £6m |
| d. | Any non-rated subsidiary of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to a limit of £2m for a period of 6 months | £2m |

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

5.3 TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.
- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;

(ii) Finance & Performance Committee

- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

(iii) SLT / Head of Finance

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

5.4 THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- ensuring that the capital planning is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above



Hinckley & Bosworth Borough Council

FORWARD TIMETABLE OF CONSULTATION AND DECISION MAKING

SCRUTINY COMMISSION
COUNCIL

7 FEBRUARY 2018
22 FEBRUARY 2018

WARDS AFFECTED: ALL WARDS

CAPITAL STRATEGY 2018/19 TO 2021/2022

Report of Head of Finance

1. PURPOSE OF REPORT

1.1 To seek approval of the Capital Strategy for the years 2018/2019 – 2021/2022.

2. RECOMMENDATION

2.1 That Council approve the proposed Capital Strategy..

3. BACKGROUND

3.1 CIPFA's updated prudential code & Treasury Management Code of Practice require local authorities to produce capital strategies from 1st April 2019. This requirement has also been confirmed by MHCLG.

3.2 The key drivers for the requirement are summarised below:-

- Understanding risks associated in investing in non financial products with the primary aim of making a return (e.g. local authorities investing in shopping malls and not understanding associated risks)
- Understanding risks and funding involved with third sector entities, wholly owned companies as part of regeneration etc.
- Underlying issues of how such investments are financed and setting aside a borrowing provision & due diligence.

Details of this Councils process with regard to creation, approval and monitoring of schemes are included within section 7 of the financial procedure rules.

3.3 There is a requirement that the strategy is approved by Council.

- 3.4 This report should be read in conjunction with the Capital Programme and the Treasury Management report.

Capital Expenditure

- 3.5 Primary legislation regarding capital finance is included in The Local Government Act 2003. The act refers to the following types of expenditure that fall under the capital financing regime.
- “expenditure of the authority which falls to be capitalised in accordance with proper practices” (i.e. the creation of an asset that has a useful life of more than one year).
 - Expenditure under regulation prescribed by the Secretary of State which can or cant be treated as capital expenditure.
- 3.6 The Council’s definitions of the capital programme are included within Section 7 of the financial procedure rules. An extract is provided below:-

Capital expenditure” means the acquisition, construction or enhancement of tangible/intangible fixed assets (land, buildings, vehicles, plant, equipment, hardware and software). Capital assets shape the way services are delivered in the long-term and create financial commitments for the future in the form of financing and revenue running costs.

An enhancement is defined as:

- *Works that lengthen substantially the useful market value life of an asset.*
- *Works that increase substantially the market value of an asset.*
- *Works that increase the extent to which the property can be used for purposes of functions of the council. “*

The Capital Programme

- 3.7 The Capital programme and it’s funding are summarised below. Details of individual schemes are presented within the Capital Programme Report. The future year’s capital programme will continue to be reliant on external funding and rental income for HRA schemes.

General Fund Schemes

| | TOTAL | ESTIMATE | ESTIMATE | ESTIMATE | ESTIMATE |
|------------------------------|--------------|------------------|------------------|------------------|------------------|
| | COST | 2018-2019 | 2019-2020 | 2020-2021 | 2021-2022 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Capital Expenditure | | | | | |
| Corporate & Support Services | 1,005 | 363 | 351 | 135 | 156 |
| Community Services | 5,172 | 1,568 | 1,318 | 1,143 | 1,143 |
| Environmental and Planning | 9,732 | 1,999 | 4,773 | 2,500 | 460 |
| Total Capital Expenditure | 15,909 | 3,930 | 6,442 | 3,778 | 1,759 |
| | | | | | |
| Financing | | | | | |
| Capital Receipts | 6,773 | 800 | 4,006 | 1,334 | 633 |
| External Contributions | 3,685 | 1,078 | 1,090 | 765 | 752 |

| | | | | | |
|---------------------------------|--------|-------|-------|-------|-------|
| Borrowing GF | 3,259 | 1,030 | 656 | 1,214 | 359 |
| Revenue Contribution to Capital | 0 | 0 | 0 | 0 | 0 |
| Contribution from reserves GF | 2,192 | 1,022 | 690 | 465 | 15 |
| Total Financing | 15,909 | 3,930 | 6,442 | 3,778 | 1,759 |

HRA Schemes

| | TOTAL | ESTIMATE | ESTIMATE | ESTIMATE | ESTIMATE |
|----------------------------|--------------|------------------|------------------|------------------|------------------|
| | COST | 2018-2019 | 2019-2020 | 2020-2021 | 2021-2022 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Capital Expenditure | | | | | |
| HRA | 20,968 | 5,158 | 6,632 | 5,272 | 3,906 |
| Service Investment | 169 | 107 | 40 | 22 | 0 |
| Affordable Housing | 5,381 | 947 | 4,434 | 0 | 0 |
| Total Capital Expenditure | 26,518 | 6,212 | 11,106 | 5,294 | 3,906 |
| | | | | | |
| Financing | | | | | |
| Major Repairs Reserve | 12,036 | 3,009 | 3,009 | 3,009 | 3,009 |
| Regeneration Reserve | 9,708 | 2,474 | 5,516 | 1,542 | 176 |
| Earmarked Reserves | 162 | 100 | 40 | 22 | 0 |
| Grants | 1,320 | 0 | 1,320 | 0 | 0 |
| Capital Receipts | 3,292 | 629 | 1,221 | 721 | 721 |
| Total Financing | 26,518 | 6,212 | 11,106 | 5,294 | 3,906 |

Capital Project Planning & Approval Framework.

3.8 The Capital Programme is prepared in conjunction with budget holders and Directors. Project officers are invited as part of the budget setting process to submit requests for capital growths which are considered by Directors and the Strategic Leadership Team. Growths are assessed in terms of their contribution to corporate objectives and funding availability. Prior to consideration a capital bid form is submitted which details the following:-

- Brief description of scheme and how the scheme meets the Councils priorities.
- Profiled spending proposals over 4 years.
- Sets out external contributions and grant funding for the scheme.
- Ongoing revenue implications (e.g. IT, Staffing costs).

Officer recommendations are reported to Scrutiny Committee before presentation at Council in February.

3.9 Any additional bids that are agreed by SLT during the financial year are approved in accordance with financial procedure rules.

3.10 SLT will monitor progress and review the capital programme with the asset management plan in order to ensure that the council's corporate objectives are being met and that there is consistency between the capital programme and the asset management plan.

Governance Arrangements

3.11 Scheme budgets are monitored on a monthly basis. Project Officers receive monthly reports and are discussed as part of the monthly meetings with their respective Accountant. A monthly outturn report is presented to SLT with appropriate corrective action. Finance and Performance Committee receive quarterly updates. Additionally,

budget variations are reported and approved in accordance with financial procedure rules.

- 3.12 For larger schemes a Project Board and Project Team oversee the scope and delivery of key strategic projects. The Project Board will include a Member lead and senior manager within the Council. The Project Manager will head the Project Team, supported where necessary with specialist consultants. The Project Team will also draw on in-house expertise of officers and includes, financial, legal and planning representatives. The Project Team will report to the Project Board at agreed intervals and is responsible for delivering targets that the Project Board set against an agreed programme for delivery.

Prior to project approval and sign off of the Project Initiation Document a scoping and feasibility exercise will be carried out to identify the project objectives, project cost and project risks. If the feasibility study findings are supported by the Directors and Chief Executive of the Council the project will be forwarded to Executive or Full Council for sign off dependant on the capital investment required.

Throughout the project both the Project Team and Project Board will monitor progress and the Project Board will receive Highlight Reports and an updated Project Risk Register. Within the Highlight report key issues and budget figures will be reported. Updates may also be reported to Executive and Full Council for major capital projects.

Longer Term Financial Planning

- 3.13 The availability of financing options are becoming restricted over the medium term as asset sales become less frequent and the availability of funding from central government becomes restricted. An innovation and enterprise board has been set up which look at various potential opportunities that may arise. Within the existing capital programme the Crematorium scheme once completed will help to underpin the general fund resources by generating net income.

In the longer term the Council's vehicle fleet will need replacing (5 years for light vehicles and 7 years for Heavy vehicles). A decision will need to be made whether funds are set aside in preparation to fund the scheme. The Council will also have to set aside funds to ensure that parks, play areas, commercial units and corporate assets are maintained at a decent standard. A building maintenance reserve has been set aside to fund such developments.

- 3.14 Currently, the Councils capital activity for the general fund can be split into 2 areas. New one off schemes and recurring schemes are required to maintain the current level of service provision. i.e. this is the minimum value of the ongoing capital programme. The indicative cost for this is presented below.

| | 19-20 Budget £000's |
|---------------------------------|----------------------------|
| Enhancement & Improvement Works | 155.0 |
| Grants | 1,268.6 |
| Parks | 30.0 |
| Property, Plant and Equipment | 146.6 |
| Total | 1,600.2 |

£1.6m is spent on maintaining Council Assets or providing commercial activities.

- 3.15 Resources are needed to ensure that this level of support can be maintained and new commitments can be funded. In essence if no reserves or external funding is available, the cost of the capital programme is met by borrowing, the costs of which are charged to the revenue account through Minimum Revenue Provision (principal repayment of debt funding) and any interest cost if actual borrowing has taken place.
- 3.16 The HRA Capital Programme is primarily based on the 30 year Business Plan that was approved by Council in November 2018. Apart from the enhancement of current stock, the creation of 24 units at Ambion Court and the purchase of 12 new properties on Middlefield Lane are proposed.

Capital Funding

3.17 The following areas of funding are available to fund the programme.

- Government Grants – Typically these are received to enable Councils to focus resources on central government priorities. e.g. disabled facilities grant. The grants have conditions attached so spending has to focus on the area concerned and will normally only be given if a Council can also commit its own resources.
- Contributions and other grants Government Grants – Typically these are similar to government grants. Expenditure will be limited to those set out in the conditions of the grant or legal contracts and may require a level of match funding by the local authority.
- Earmarked Reserves – Capital Expenditure can also be funded through the Council's earmarked reserves. Typically these reserves are used to fund specific schemes or used for match funding to support partly funded projects. These reserves are reported as part of the MTFS and the revenue budget reports.
- Capital Receipts – These balances are the net sales proceeds that the Council can use to fund future capital projects. Part of the proceeds from the sale of Council Dwellings has to earmark for the increase in affordable housing supply.
- Direct Revenue Financing – This is where the General Fund or HRA Balance is used to fund projects. Due to pressures on the revenue budget this is only used occasionally. Typically this will arise when additional funding is received which can be used to fund either revenue or capital expenditure, or where specific underspends are used to part finance a capital project.

Borrowing

- 3.18 The Council is allowed to borrow funds to finance capital expenditure as long as it is affordable (i.e. future MRP and interest Payments affordable).
- 3.19 The Council has long term surplus cash balances these funds can also be used for fund expenditure. Although this will not attract an interest cost MRP still has to be provided.

- 3.20 The Council's borrowing requirement, risks and affordability are considered as part of the Treasury Management and prudential Indicator report approved by Council in February.

Asset Management Overview

- 3.21 The Council's asset management plan is currently being reviewed. The key strategic objectives of the plan are:

Provide opportunities for increasing the commercial estate and accommodation for "business start ups".

Promoting new affordable Housing for rent and delivering Council House new build & affordable housing schemes.

To complete the Crematorium Project..

Disposal of surplus land & buildings that have no operational uses..

Maximise efficiency through co-location and improved conference facilities.

Capital Receipts.

- 3.22 Estimated income from capital receipt sales are summarised in the table below.

| | 2018/19 | 2019/20 | 2020/21 | 2020/21 |
|-----------------------|----------------|----------------|----------------|----------------|
| | £'000 | £'000 | £'000 | £'000 |
| Right to Buys | 1,050 | 840 | 840 | 840 |
| Depot Site | 1,800 | 0 | 0 | 0 |
| Block C | 0 | 4,000 | 0 | 0 |
| Misc. Sales | 68 | 75 | 75 | 75 |
| Leisure Centre | 0 | 1,800 | 0 | 0 |
| Total Receipts | 2,918 | 6,715 | 915 | 915 |

Commercial Activity & Non Treasury investments

- 3.23 On the Councils Balance sheet the Council does not hold any investment properties. Investment properties are assets that are solely held for an investment return or capital appreciation and no other reason. For all of our assets although a future return is one of the aims, there are other aims as well e.g. economic regeneration, employment etc.

Major commercial activity through the use of council assets are listed below:- update

| Activity | Value £000's | Due Diligence |
|-------------------------------|---------------------|---|
| Leisure Centre Management Fee | £1,013 | This is a fixed Fee based on a design build operate and maintain contract. The fee is payable regardless value of fees collected by the Leisure Provider. Due diligence was undertaken at pre contract stage with detailed financial checks, references and off site meets at centres where the provider has successfully implemented such schemes. |
| Hinckley Hub | £479 | The partners occupy the premises on a Licence agreement. Each agreement has contractual provisions for uplift of rent. |

| | | |
|---------------------------|--------|--|
| Commercial Estates Income | £1,503 | Before award of the lease a financial check is undertaken and trading references are also taken. This may either result in refusal of a lease. Granting of a lease, or granting of the lease with additional guarantees. |
| Car Parking | £680 | Income is monitored on a monthly basis and changes to the fee base are subject to Council Approval. |
| New projects | | At feasibility stage key risks are identified and any potential on going costs, value on ongoing returns. Financial procedure rules. |

Knowledge & Skills - Capital Projects

3.24 The Council has the following resources to ensure projects are delivered successfully.

- 1 X Head of Estates & Asset Manager
- 1 X Investment Manager (Housing Schemes)
- 3 X Estates & Building Surveyors

These officers have experience of:-

- Developing capital projects
- Acquiring and selling properties
- Commissioning partners to deliver the capital programme
- Managing properties as a landlord

To support the Council own resources external support is also used for advice, due diligence, property assessments and valuations and project support. Architectural, Quantity Surveying and Engineering support is also used as and when required.

4. EXEMPTIONS IN ACCORDANCE WITH THE ACCESS TO INFORMATION PROCEDURE RULES

4.1 Report will be taken in open session

5. FINANCIAL IMPLICATIONS [IB]

5.1 Contained within the body of the report.

6. LEGAL IMPLICATIONS [FA]

6.1 The Local Government Act 2003 set out a framework for the financing of capital investments in Local Authorities.

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

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

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

7. **CORPORATE PLAN IMPLICATIONS**

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

8. **CONSULTATION**

- 8.1 Major schemes have been subject to individual consultations as part of the viability and design process.

9. **RISK IMPLICATIONS**

- 9.1 It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.
- 9.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.
- 9.3 The following significant risks associated with this report / decisions were identified from this assessment:

| Management of significant (Net Red) Risks | | |
|---|--|----------|
| Risk Description | Mitigating actions | Owner |
| [S.11 - Failure to successfully deliver the Medium Term Financial Strategy. | <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 have been maintained to ensure financial resilience</p> | A Wilson |

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

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

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

- Procurement implications
 - Human Resources implications
 - Planning implications
 - Data Protection implications
 - Voluntary
-

Background papers: None.

Contact Officer: Ilyas Bham, Accountancy Manager x5924

Executive Member: Councillor C Ladkin

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Hinckley & Bosworth
Borough Council

A Borough to be proud of

Overview and Scrutiny Work Programme 2018-2019

JANUARY 2019

SCRUTINY COMMISSION

| Date | Issue | Reason | Outcomes | Lead Officer | Supports corporate aims |
|-----------------|--|--|--|--------------------|-------------------------|
| 7 February 2018 | Budget reports | Scrutiny prior to Council decision | Ensure value for money | Ashley Wilson | All |
| | | | | | |
| 28 March 2019 | Parish & Community Initiative Fund | Annual report | Recommendations to SLT | Caroline Roffey | All |
| | S106 contributions update | Annual update | Ensure money is being allocated and spent | Nicola Smith | All |
| | Hinckley & Bosworth Heritage strategy 2018-2023 update | | | Nicola Smith | |
| | Update on healthcare in Hinckley | Regular update and following consultation events | Scrutiny of plans | Edwina Grant | 1, 2 |
| | Communication Strategy | Consultation prior to approval | Support for strategy | Jacqueline Puffett | All |
| | Local authority lottery | Request to review pre-implementation | Ensure processes followed | Edwina Grant | 1, 3 |
| | | | | | |
| 27 June 2019 | Planning appeals update | Six monthly update | Monitor performance in relation to planning decisions | Nicola Smith | 3 |
| | Economic Regeneration Strategy action plan update | Annual update | Monitor progress against action plan | Nicola Smith | 3 |
| | | | | | |
| 28 July 2019 | | | | | |
| | | | | | |
| 22 August 2019 | Air quality management | Annual update | Monitor air quality in the borough | Simon Smith | 1, 2 |
| | | | | | |
| 17 October 2019 | Community Safety Partnership | Six monthly update | Ensure effective operation of partnership and monitor local policing provision | Sharon Stacey | 1, 2 |
| | | | | | |

| Date | Issue | Reason | Outcomes | Lead Officer | Supports corporate aims |
|------------------|--------------------|---------------------------|-------------------|--------------|-------------------------|
| 12 December 2019 | Affordable housing | Annual review of delivery | Monitor provision | Nicola Smith | All |

FINANCE & PERFORMANCE SCRUTINY

| Date | Issue | Reason | Outcomes | Lead Officer | Supports corporate aims |
|-----------------|---|--|---|-----------------|-------------------------|
| 25 March 2019 | Frontline service review – Environmental Health (health & safety enforcement) | Programme of frontline service reviews | Monitor performance | Steve Merry | 1, 2 |
| | Frontline service review – housing | Programme of frontline service reviews | Monitor performance | Sharon Stacey | 1 |
| | Performance & risk Q3 | Quarterly review | Monitor performance and risk management | Julie Kenny | All |
| | | | | | |
| 24 June 2019 | Overview & Scrutiny workshop | | | | |
| | | | | | |
| 19 August 2019 | Frontline service review – Streetscene Services | Programme of frontline service reviews | Monitor performance | Caroline Roffey | All |
| | Rental income | To assess impact of universal credit on the rent account | Monitor income | Sharon Stacey | 1, 3 |
| | | | | | |
| 14 October 2019 | Frontline service review – Planning | Programme of frontline service reviews | Monitor performance | Nicola Smith | 2 |
| | | | | | |
| 9 December 2019 | Frontline service review – Housing | Programme of frontline service reviews | Monitor performance | Sharon Stacey | All |
| | Leisure Centre performance | Annual review | Ensure performance and value for money | Simon Jones | All |
| | | | | | |
| | | | | | |
| | | | | | |

To programme

Highway adoption

Building Control service & charges (F&P)

HRA cap

Void properties (F&P)

Universal credit – impact on non-council tenants

Impact of UC on rental income (F&P).

Key to corporate aims

1 – People

2 – Places

3 – Prosperity

HINCKLEY AND BOSWORTH BOROUGH COUNCIL

FINANCE & PERFORMANCE SCRUTINY

17 DECEMBER 2018 AT 6.30 PM

PRESENT: Mr KWP Lynch - Chairman
Mr HG Williams – Vice-Chairman
Mr DS Cope, Mr DW MacDonald and Mr R Ward

Officers in attendance: Simon D Jones, Julie Kenny, Karen Mason, Rebecca Owen and Ashley Wilson

313 APOLOGIES AND SUBSTITUTIONS

Apologies for absence were submitted on behalf of Councillor Camamile.

314 MINUTES OF PREVIOUS MEETING

It was moved by Councillor Ward, seconded by Councillor Williams and

RESOLVED – the minutes of the meeting held on 5 November be confirmed and signed by the chairman.

315 DECLARATIONS OF INTEREST

No interests were declared at this stage.

316 HINCKLEY LEISURE CENTRE PERFORMANCE

Members received a report on performance of Hinckley Leisure Centre since the opening of the new building in May 2016. Simon Churchman, Contracts Manager from Places Leisure, provided a presentation for members and highlighted some of the work undertaken and planned for the leisure centre, along with achievements and challenges.

In response to questions from members, the following points were noted:

- The opening of the new gym (previously Simply Gym) was a key development for 2019 and would support the business further
- The potential for the leisure sector to be affected by a reduction in disposable income, which had been accounted for
- The opening of the leisure centre on time and within budget in May 2016.

317 PERFORMANCE AND RISK MANAGEMENT SECOND QUARTER SUMMARY 2018/19

Finance & Performance Scrutiny received the outturn report in relation to performance indicators, service improvement plans, corporate risks and service area risks for the second quarter of 2018/19.

Members expressed concern in relation to voids and the time taken to bring back into use, and the effect this had on the rental income. In response it was noted that this was partly due to having only one contractor at present, and members were assured that the second contractor was being appointed to start in January which would improve the situation. It was also noted that changes in requirements, for example asbestos checks, was causing further delays on some properties. Notwithstanding this, it was reported that a review of the voids process was being undertaken. Members requested a report on this matter following the conclusion of the review, including the cost in terms of lost rent.

Concern was expressed about the planning enforcement service and difficulty in recruiting experienced staff. It was agreed that this concern would be fed back to the relevant manager.

In relation to the increase in missed bins, members were informed that this was due to the change in waste rounds and that issues were addressed with specific crews when this happened.

The high performance of customer services was noted and members wished to congratulate officers on this. A member said he had had cause to contact customer services both in person and on the telephone recently, and had been very impressed with the service received.

RESOLVED – the report be noted.

318 BUSINESS RATES AND POOLING UPDATE QUARTER 2 2018/19

Members received the quarterly update on business rates and pooling. During discussion, the likely support from the government to unitary authorities to assist in funding social care was raised and it was noted that the district's share of the rates was unlikely to be above 40% for that reason and that this had been taken into account when forecasting.

Members discussed the importance of bringing more businesses to the area and it was acknowledged that the discretionary rate relief for new businesses may assist in that, but that the area needed to be actively marketed as a location for new business.

RESOLVED – the report be noted.

319 FINANCE & PERFORMANCE SCRUTINY WORK PROGRAMME

In considering the work programme, the chairman stated that Scrutiny Commission had discussed the impact of universal credit on rental income and he had asked for a report on rents to come to Finance & Performance Scrutiny. A report on turnaround time for voids was also added to the work programme.

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

Whilst not urgent business, it was agreed that the answers from two queries raised at the previous meeting could be recorded.

Members had asked for clarification of which housing repairs contracts were still to be tendered. In response it was noted that there were two – the voids contract and the contract for adaptations of HRA dwellings.

Members had queried green space improvement projects that had not commenced and were due to be rephrased. It was reported that these related to the awaited adoption of open space at Waterside Park and noted that once adopted, the schemes could commence.

(The Meeting closed at 7.30 pm)

CHAIRMAN