Steve Atkinson MA(Oxon) MBA FIoD FRSA
Chief Executive

Date: **14 February 2012**

Hinckley & Bosworth
Borough Council

A Borough to be proud of

Dear Sir/Madam

I hereby summon you to attend a meeting of the Hinckley & Bosworth Borough Council in the Council Chamber, Council Offices, Hinckley at these offices on **THURSDAY, 23 FEBRUARY 2012** at **6.30 pm**

Yours faithfully

Miss RK Owen
Democratic Services Officer

A G E N D A

1. Apologies
2. Presentation of the Colin Smith Award to Irene Ashton
3. To confirm the minutes of the meeting held on 20 December 2011 (Pages 1 - 8)
4. To be advised of any additional items of business which the Mayor decides by reason of special circumstances shall be taken as matters of urgency at this meeting.
5. 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.
6. To receive such communications as the Mayor may decide to lay before the Council.
7. To receive petitions in accordance with the Council's Petitions' Scheme.
8. To deal with questions under Council Procedure Rule number 11.1.
9. To receive the Leader of the Council's Position Statement.
10. To receive for information only the minutes of the Scrutiny Commission meetings held on 8 December 2011 and 5 & 19 January 2012 (Pages 9 - 20)

11. Pay Policy Statement (Pages 21 - 36)

12. General Fund Budget 2012-2013 (Pages 37 - 54)

13. Capital Programme 2012 to 2014/15 (Pages 55 - 68)

14. HRA Subsidy Buyout (Pages 69 - 72)

15. Housing Revenue Account Budget (Pages 73 - 80)

16. Medium Term Financial Strategy 2011/12 to 2014/15 (Pages 81 - 144)

17. The Prudential Code for capital finance in local authorities - setting of Prudential Indicators 2011/12 - 2014/15 and Treasury Management Strategy 2012/13 - 2014/15 (Pages 145 - 166)

18. Council Tax setting

    Report to follow when information regarding the level of precept or a firm recommendation of level of precept to be set has been received from Leicestershire County Council, Leicestershire Police Authority and the Combined Fire Authority who are holding their budget meetings on 21 February, 22 February and 15 February respectively.

19. To approve the calendar of meetings 2012/2013 (Pages 167 - 168)

20. To consider the following motions, notice of which have been received in accordance with Council Procedure Rules 13.1 and 13.2:-

    From Councillors MR Lay and S Sprason

    Hinckley & Bosworth Borough Council is alarmed at the decision of Leicestershire County Council (LCC), who in removing the assisted home to school bus service which takes children from Field Head to Groby Community College is now seeking to charge £400 a year for a safe travel to school option which for many years had been provided by the County Council as a right.

    This decision was taken midway through the school year causing hardship for parents and yet in a similar case the free bus from Kirby Muxloe to Groby has been allowed to continue until the end of the school year. At a minimum the route should qualify for assistance as other historic exception routes do and continue as stated in the final report of the LCC scrutiny review panel on home to school transport. We believe that the qualifying criteria are met by this route and the failure not to acknowledge this falls foul of the Equalities Act 2010.

    The County Council has claimed the route from Field Head to Groby is “suitable” and available for children to walk almost 3 miles to school but do not regard safety to be an issue while many reasoned neutral observers would totally disagree with the assessment that the route is either “suitable” or safe for children to walk.

    The route leads children to walk right alongside the A50 one the busiest stretches of road in the County carrying over 24,000 vehicles per day, many travelling along a good part of the route in excess of the speed limit and with the footpath running right alongside. A section of the route on the steep gradient of Bradgate Hill is a recognised accident hot-spot known by locals as “Accident Alley” which claimed another fatality as recently as Tuesday 7th February 2012. The aftermath caused the route to be closed to vehicles and pedestrians for over 7 hours.

    The irony is that the school transport that is provided for eligible children by LCC school bus that children at Field Head used is the same bus that picks up children from Markfield and this assisted service will continue. However this bus will now pass Field Head children being exposed to having to walk along this dangerous route, with obviously visible empty seats as most parents in these difficult times cannot afford the £400 extra now being demanded from them, in some cases for 2 children. A ridiculous situation from which there is no gain for the County Council who will not achieve any additional revenue while no additional cost is incurred by having to continue to provide the assisted bus service, which has existed since Markfield and Field Head children began attending Groby Community College many years ago. The only negative impact with potentially serious consequences are the children who are being encouraged to walk to and from school along what is potentially a very dangerous route as borne out by an independent Risk Assessment and recent fatalities.

The County Council should therefore reflect on the comments made in Parliament on the 10th of January 2012 by Andrew Bridgen MP (North West Leicestershire) who said that “under current guidelines common sense sometimes appears to go out the window” and Nicky Morgan MP (Loughborough) who said “Common sense has been lost as part of the debate in the County Council reviewing these routes”

The motion calls on the Hinckley & Bosworth Borough Council to

1. Make the strongest representations to the County Council asking them to revisit their decision on home to school transport removing the assisted transport service from Field Head to Groby CC, to put child welfare and safety at the top of its priorities, remind the County of the pressing nature of this issue, and reports back to this Council on its response as soon as possible.

2. To ask the County Council to comply in full to the statutory guidance in particular sections 82, 84, 85 & 86 provided on these matters by the Department for Education.

3. To ask the County Council to take into full consideration the data on the number of road traffic accidents on the route, the ever increasing volume and speed of the traffic travelling along the route and the percentage of it which is HGV traffic.

4. To ask if the 3 miles + safe walking route criteria apply to the Kirby Muxloe and Field Head route

5. To ask for copies of relevant equality impact assessments in regard to the County Council’s home to school transport policy + EIA for the above routes.

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HINCKLEY AND BOSWORTH BOROUGH COUNCIL

20 DECEMBER 2011 AT 6.30 PM

PRESENT: MR R MAYNE - MAYOR
MR MB CARTWRIGHT – DEPUTY MAYOR

Mr RG Allen, Mr JG Bannister, Mr PR Batty, Mr Bessant, Mr DC Bill, Mr CW Boothby, Mr SL Bray, Mrs R Camamile, Mr DS Cope, Mr WJ Crooks, Mr DM Gould, Mr PAS Hall, Mrs WA Hall, Mrs L Hodgkins, Mr MS Hulbert, Mr DW Inman, Mr C Ladkin, Mr MR Lay, Mr KWP Lynch, Mr K Morrell, Mr MT Mullaney, Mr K Nichols, Mr LJP O'Shea, Mrs J Richards, Mrs H Smith, Mrs S Sprason, Mr BE Sutton, Miss DM Taylor, Mr R Ward and Ms BM Witherford

Officers in attendance: Steve Atkinson, Michael Brymer, Bill Cullen, Rachel Dexter, Louisa Horton, Sanjiv Kohli, David Potter, Jacqueline Puffett and Simon Wood

297 APOLOGIES

Apologies were submitted on behalf of Mrs Chastney and Mr Moore.

298 MINUTES OF THE MEETING HELD ON 25 OCTOBER

On the motion of Mr Bray, seconded by Mr Cope, it was

RESOLVED – the minutes of the meeting held on 25 October 2011 be confirmed and signed by the Mayor.

At this juncture, a Member drew attention to the minutes of the previous meeting (page 6 of the agenda pack), which stated that the explanation on how the five-year land supply was calculated would be re-circulated to Members, and raised concern that this had not been received. Members were assured that this would be sent as soon as possible. It was also suggested that the answer to supplementary questions should be minuted, and it was agreed to give consideration to this.

299 DECLARATIONS OF INTEREST

Mr Bray declared a personal and prejudicial interest in item 14: Depot Relocation Options, as he owned a property near to the current depot site.

Mr Mullaney declared a personal interest in item 14: Depot Relocation Options.

300 MAYOR'S COMMUNICATIONS

The Mayor announced the success of the recent visit of a delegation from Le Grand Quévilly and the Christmas lights switch-on event. He made reference to his recent visits to residential homes, and also expressed his concern regarding the closure of some of the neo-natal facilities at the George Eliot Hospital.

A Member informed the Council that ex-Councillor Mrs Claridge was ill, and asked that the Council wish her a speedy recovery.

301 QUESTIONS RECEIVED UNDER COUNCIL PROCEDURE RULE 11.1

a) Questions asked by Councillor DM Taylor and addressed to the Leader of Council

"Can the Leader remind the Council what the proposals were for the Argents Mead area in the Masterplan published by the previous administration in 2006?"

Response from Councillor SL Bray

"Thank you Cllr Taylor for your question.

I would refer you to an extract of the adopted Hinckley Town Centre Renaissance Masterplan published in May 2006. As you will see, extensive development was proposed. Two plans are attached."

b) Question asked by Councillor MS Hulbert and addressed to the Leader of Council

"A lot has been said in the Chamber and local press about the consultation that has taken place over the Barwell and Earl Shilton SUE's. Could the Leader put on record all the consultation that has taken place for the benefit of all Members, some of which appear to have missed it!"

Response from Councillor SL Bray

"You will recall at last Council, I highlighted the extensive consultation that has been carried out on the SUE's for Barwell and Earl Shilton. For the avoidance of doubt, I have listed below the details of the consultation exercises which demonstrate the ongoing and extensive nature of consultation carried out to date. You will also be aware the Developers are planning further consultation early in the New Year, as well as a presentation to Scrutiny Commission.

Public Consultation Stages – Earl Shilton and Barwell SUEs/AAP

Masterplan

- Pre-commencement consultation (July to September 2008)
    - (Lanarca working with Earl Shilton Town Council, Barwell Parish Council, Hinckley & Bosworth LSP and HBBC)
    - Information provided (Barwell Carnival and Earl Shilton Egyptian Day)
    - Website updates
    - Information boards
    - Letter and information pack to Citizens Panel
    - Members briefings
    - Workshops with strategic partners
    - Press release
    - Public exhibitions and Community workshop (Barwell Parish Council on Saturday 20 September 2008 and Earl Shilton Methodist Church on Saturday 27 September 2008)
- Masterplan Options Consultation (from July 2009 to March 2010)
    - Stakeholder Workshop – July 2009

- Leaflets distributed to all addresses in Earl Shilton and Barwell regarding the SUEs and consultation and associated events
- Posters displayed in key locations in Earl Shilton and Barwell
- Borough Bulletin article
- Exhibition material and comments forms available on the HBBC website
- Masterplan Options consultation in Barwell 4th and 5th December 2009
- Masterplan Options consultation in Earl Shilton 11th and 12th December 2009
- Stakeholder Design Workshop – 2nd and 3rd March 2010

- Masterplan Preferred Options Consultation (October 2010)

  - Borough Bulletin article
  - Posters in key locations
  - Local radio coverage
  - Email as and flyers to stakeholders
  - Public exhibitions in Barwell on 8th and 9th October 2010
  - Public exhibitions in Earl Shilton on 15th and 16th October 2010

- Earl Shilton and Barwell Area Action Plan – Preferred Options Consultation (January and February 2011)

  - 6 week statutory public consultation allowing the submission of representations (7th January 2011 until 18th February 2011)
  - Letters sent to all contacts on HBBC's planning policy database
  - Letters to all residential and business addresses in Earl Shilton and Barwell providing an invitation to attend the consultation events, where the proposals can be viewed and the opportunity to submit comments as part of the formal AAP preparation process.
  - Press release to Hinckley Times and Leicester Mercury. Information provided to Parish and Town Council for inclusion in their newsletters
  - Public exhibitions in Barwell on 14th and 15th January 2011
  - Public exhibitions in Earl Shilton on 7th and 8th January 2011
  - Documents made available at main libraries in the Borough, the main council offices and on the HBBC website."

In response to a supplementary question, the Leader assured Members that consultation had been undertaken and would continue to be carried out.

c) Questions asked by Councillor MS Hulbert and addressed to the Leader of Council

"Can the Leader inform the Council how much Leicestershire County Council is planning to spend of its £5M Sustainable Transport Allocation, which it has bid to central government for, on Hinckley & Bosworth?"

Response from Councillor SL Bray

"Leicestershire County Council has advised that its bid for £5M Local Sustainable Transport Fund will be focussed on Loughborough and Coalville. Hinckley & Bosworth are unlikely to see any of this funding invested in the locality. The County will start to investigate the second tranche of potential area based schemes in the next financial year (2012/13) and I will wish to be making a strong pitch for this Borough to be included as a priority due to the transport issues we experience and to gain commitment for this resource to support our regeneration initiatives."

In response to a supplementary question, Councillor Bray stated that the matter would continue to be a top priority.

d) Question asked by Councillor DM Gould and addressed to the Deputy Leader of Council

"Could the Executive Member for the Local Strategic Partnership tell me what impact he thinks the electrification of the Midland Main Line near our Borough would have on our Businesses, and how such a scheme would interact with our projected growth in apprenticeships and employment opportunities?"

Response from Councillor DC Bill

"Thank you Cllr Gould for your question. As you will be aware, Network Rail propose to upgrade the Midland Mainline running between London and Sheffield via Leicester, Derby and Nottingham through its national electrification programme. As well as key benefits for passengers, in terms of faster and more frequent services, this also presents the opportunity for the rail operators to shift from diesel operated locomotives to more environmentally friendly electric trains which will produce up to 30% less CO_2 emissions. This also offers an opportunity for many of our local businesses and those employed in the locality to have better access to an improved national network from Hinckley. I am pleased to confirm through the work of the Local Employment and Skills Partnership, that the number of apprenticeships in companies such as Caterpillar, MIRA and Triumph are increasing and any major improvement in the provision of public transport access in the vicinity of this Borough is to be welcomed."

In response to a supplementary question, in which Councillor Gould asked why investment in the railway network was so important, Councillor Bill referred to the good connections to Nuneaton to all parts of the country and the importance of maintaining these links.

e) Question asked by Councillor JS Moore and addressed to the Leader of Council

"Could the Leader outline the rationale behind the practice of allowing former employees who have either taken earlier retirement or enhanced payments in respect of voluntary redundancy, providing consultancy services to this council?

Additional could the leader also inform council of the sum total payments to former employees in respect of the consultancy services they have subsequently provided to the authority."

In the absence of Councillor Moore this question was not put.

f) Question asked by Councillor PS Bessant and addressed to the Leader of Council

"Given the financial challenges that this, and all authorities are facing at this time, would the Leader please let this chamber know his Administration's current spend on Press Releases, especially as I noted with some dismay recently receiving 10 press releases in the space of eight days."

Response from Councillor SL Bray

"Can I thank Councillor Bessant for his question as it gives me an opportunity to highlight the amount of work which is required to ensure that the people of this Borough are kept informed of decisions and events and to ensure that they are consulted to make sure our services are accessible and responsive for all.

The costs associated with press releases are limited to a small proportion of salary costs, estimated at £4,300, made up of the time spent by two part time officers who also have responsibility for Media Relations, Graphic Design, Consultation (including the Citizens' Panel), the Council's website, the Borough Bulletin, internal communications and increasingly, social media.

Press releases are used proactively and usually in the alternative to paid for advertising space. It is a cost-effective way to ensure that every council service area provides the residents of the borough as well as the media, with accurate and up-to-date information about council services and facilities. In some cases this is necessary because of a statutory duty to inform, consult and involve local people in decision making across all public functions. In others it is to enable people to get the greatest benefit from the services available and to know what they are entitled to.

Further I am pleased to say that the Communications team now provides comms support to the Crimestoppers charity in this area and Creative Hinckley as part of our partnership working and that we are actively pursuing joint working arrangements with neighbouring councils.

Member input into press releases is desired and being included in circulation is requested by Members, I am however happy to ask officers to remove Councillor Bessant from the circulation list should he prefer it."

As a supplementary question, Councillor Bessant asked if the Communications team tracked who the press releases were sent to and whether they were used. It was confirmed that this was tracked and also reported to the Strategic Leadership Board. It was agreed that detail on tracking distribution and use of press releases would be sent to all Members following the meeting.

302 LEADER OF THE COUNCIL'S POSITION STATEMENT

In his position statement, the Leader of Council paid tribute to the Cultural Services team who not only organised a successful event for the switching on of the Christmas lights, but also seamlessly moved the event to Church Walk with less than 24 hours notice, due to a suspected gas leak in the Market Place. He also thanked officers for their work on the Enterprise Zone.

He also made reference to the meeting with Greg Clark regarding the five-year land supply and the hope to achieve a more robust position from January 2012; the first Studio School planned by North Warwickshire and Hinckley College; progress regarding discussions with Royal Mail and the number of positive commitments secured; support for MIRA and improvements to the A5; the intention to make representations regarding the proposals for George Eliot Hospital; and the need to make difficult decisions regarding the budget, whilst retaining frontline service levels.

Councillor Bessant responded by expressing his support regarding George Eliot Hospital and offering congratulations for successful discussions with Royal Mail.

Councillor Lay, in addition to supporting the above points, thanked officers for the work put into the Compulsory Purchase Order for the Bus Station Site, and highlighted the potential for the expansion of MIRA to vastly improve the local economy.

303 MINUTES OF THE SCRUTINY COMMISSION

The minutes of the Scrutiny Commission meeting held on 27 October were received for information. In presenting these, the Chairman of the Commission reported that the particular issues discussed regarding the sale of vehicles on the highway (minute 223 refers) had not been resolved, and also outlined the discussions held and concern raised regarding doorstep lenders and high street stores offering credit at high rates of interest.

304 PUBLIC SECTOR EQUALITY DUTY

The Executive Member presented a report which informed Council of the recent accreditation as an "Achieving Authority" under the Equality Framework for Local Government and provided advice on the Public Sector Equality Duty under the Equalities Act 2010 and the implications for individual councillors.

A Member expressed concern regarding accessibility of the new council offices and other buildings in the borough and asked if new regulations gave more power to the authority to require existing buildings to be accessible. He also asked about equal opportunities in recruitment within the authority. In response it was reported that the new council offices would be completely accessible and that all public buildings were compliant. With regard to recruitment, it was stated that under the 'two tick' scheme, all disabled applicants meeting the criteria were offered an interview.

Some Members expressed concern that, without fully understanding their responsibilities, they may be exposing themselves to challenges. A Member also felt that as councillors were volunteers and not employees, they could not be expected to maintain awareness of updates to equalities legislation. In response it was explained that under the Equalities Framework both officers *and* councillors were expected to take direct responsibility for equalities.

In response to another question it was stated that Member input into the Action Plan had been received via the Corporate Equalities Steering Group (CESG), and Members were assured that there would now be cross-party representation on the group. Members were also informed that the Action Plan had arisen from the recommendations of the peer assessment and that the CESG would look at the concerns expressed in detail.

The Leader expressed his view that the issues contained within the report were fundamental issues and should already be embedded in the authority and he expressed disappointment at the negative debate.

On the motion of Ms Witherford, seconded by Mr Bray, it was

RESOLVED –

(i) The Council's "Achieving Authority" status be acknowledged;

(ii) The responsibilities introduced by the Equalities Act 2010 be noted;

(iii) the action plan and proposal to seek "excellent" accreditation in 2014 be endorsed.

305 NEW HOMES BONUS CONSULTATION - OUTCOMES

Council was informed of the results of the consultation exercise in relation to the New Homes Bonus (NHB) and process for allocation of funds. Members welcomed the recommendation to transfer 25% of the total annual allocation to relevant parish councils, and it was noted that HBBC was the only district in Leicestershire which was taking such a step at this point.

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

RESOLVED – the report be endorsed and the following recommendations be agreed:

(i) only those parishes subject to new homes development will receive NHB;

(ii) the mechanism for calculating NHB be the number of new council tax accounts initiated in the previous 12 months;

(iii) 25% of the annual allocation to the Borough Council be transferred to the relevant parish councils;

(iv) funds be allocated to the relevant parish council (with 'no strings');

(v) funds be rolled over year on year if necessary;

(vi) an annual report be presented by both the Borough Council and parish councils detailing how NHB has been spent;

(vii) the allocation of 2010/11 NHB be undertaken as set out in paragraph 5.2 of the report.

306 GREEN WEDGE REVIEW

Members received a report which sought approval of the Green Wedge Review as an evidence-base document for use when preparing Local Development Framework (LDF) documents. Officers were thanked for their hard work. Attention was drawn to the proposed additional recommendations which had been circulated and it was agreed that these be included.

It was moved by Mr Bray, seconded by Mr Nichols and

RESOLVED –

(i) the review be approved for use as an evidence base when preparing the LDF;

(ii) a further topic paper be produced to investigate potential new green wedges;

(iii) the Green Wedge Review document be amended at paragraphs 3.4.3 and 3.4.4 to insert paragraphs 4.28 and 4.38 respectively of the adopted Core Strategy which emphasises the protection function of the green wedge;

(iv) the Green Wedge Review document be amended at paragraph 3.9.5 to delete the penultimate sentence and replace it with:

"If it is identified through the investigation of sites for the Site Allocations DPD that suitable and viable sustainable sites cannot be identified within the settlement boundary it may be necessary, having exhausted the review of all brownfield sites, to consider as a last resort investigating alternative land outside the settlement boundary to meet this requirement";

(v) the Green Wedge Review be amended to clearly stipulate in section 4.5 (evaluation) that, for the purposes of evaluating the green wedge, any sub area does not need to meet all four of the evaluation criteria to be deemed worthy of protection.

307 MATTERS FROM WHICH THE PUBLIC MAY BE EXCLUDED

On the motion of Mr Lay, seconded by Mr Bannister, 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 3 and 10 of Part I of Schedule 12A of that Act.

308 DEPOT RELOCATION OPTIONS

Having declared an interest in this item, Mr Bray left the meeting at 8.12pm.

A report was presented which sought approval for an option to relocate the operational headquarters from Middlefield Lane.

Some Members expressed concern regarding the proposals and the lack of information regarding impact on the capital programme and links between all current and proposed capital projects. A question was asked regarding vehicle movements, potential noise and access to the site, in response to which the Deputy Chief Executive (Corporate Direction) agreed to circulate a briefing note to Members. Mr Lynch advised Members of the on-site trial which had already taken place and gave assurances about the timing of vehicle movements, which the briefing note would confirm.

Mr Bessant, along with six further Members, requested that voting be recorded on the recommendations contained in the report. The vote was taken as follows:

Mr Bannister, Mr Bill, Mr Cartwright, Mr Cope, Mr Crooks, Mr Gould, Mrs Hall, Mr Hall, Mrs Hodgkins, Mr Hulbert, Mr Inman, Mr Lay, Mr Lynch, Mr Mullaney, Mr Nichols, Miss Taylor and Ms Witherford voted FOR the recommendations (17);

Mr Allen, Mr Batty, Mr Bessant, Mr Boothby, Mrs Camamile, Mr Ladkin, Mr Morrell, Mr O'Shea, Mrs Richards, Mrs Smith, Mrs Sprason and Mr Ward voted AGAINST the recommendations (12);

Mr Sutton abstained from voting.

Therefore on the motion of Mr Lynch, seconded by Mr Nichols, it was

RESOLVED – the recommendations contained within the report be agreed.

(The Meeting closed at 8.52 pm)

MAYOR

HINCKLEY AND BOSWORTH BOROUGH COUNCIL

SCRUTINY COMMISSION

8 DECEMBER 2011 AT 6.30 PM

PRESENT: Mr MR Lay - Chairman
Mr PAS Hall and Mr C Ladkin – Vice-Chairman

Mr RG Allen (In place of Mr K Morrell), Mr PR Batty, Mrs WA Hall, Mrs L Hodgkins, Mr DW Inman, Mr JS Moore (In place of Mrs S Sprason), Mr K Nichols and Miss DM Taylor

Officers in attendance: Steve Atkinson, Valerie Bunting, Bill Cullen, Rachel Dexter, Edwina Grant, Louisa Horton, Alison Ker, Sanjiv Kohli, Sally Smith, Sharon Stacey and Simon Wood

260 APOLOGIES AND SUBSTITUTIONS

Apologies for absence were received from Mr K Morrell and Mrs S Sprason, with the substitution of Mr Allen for Mr Morrell and Mr Moore for Mrs Sprason authorised in accordance with Council Procedure Rule 4.1.

261 MINUTES

On the motion of Mr Moore, seconded by Mr Hall it was

RESOLVED – the minutes of the meeting held on 27 October be confirmed and signed by the Chairman.

262 MINUTES OF THE COUNCIL SERVICES SELECT COMMITTEE

On the motion of Mrs Hall, seconded by Mr Lay, it was

RESOLVED – the minutes of the Council Services Select Committee meeting on 28 April 2011 be confirmed and signed by the Chairman of the Scrutiny Commission.

263 ADDITIONAL URGENT BUSINESS BY REASON OF SPECIAL CIRCUMSTANCES

Members were informed that the extraordinary meeting of the Commission scheduled for 15 December had been cancelled due to the developers not being ready to provide the presentation. It was expected that the presentation would be ready in January. Discussion ensued regarding the Barwell & Earl Shilton Scrutiny Group, and it was agreed that this would also be discussed in January.

264 DECLARATIONS OF INTEREST

No interests were declared at this stage.

265 GREEN WEDGE REVIEW

Members received a report which sought initial views on the Green Wedge Review before being considered by Council. An addendum was circulated following comments by the Executive and individual members.

Concern was expressed that planning policy comments on the Green Wedge were used in a recent planning appeal before the Review had been considered by Members, and that they had been used negatively by Developers. In addition Members also raised concern that the report did not contain detail on Burbage Common. In response it was noted that Burbage Common was included in the Hinckley / Barwell / Earl Shilton / Burbage designated Green Wedge. With regard to other potential sites for inclusion as Green Wedge designation this would be the subject of a separate report. Members wished to reiterate that the Burbage area of green wedge was a priority for the Hinckley & Burbage area and should be protected. It was requested that this be included in the document.

A Member asked why the methodology for reviewing the green wedge had been prepared in 2009 but had only just been put before Members. In response it was agreed that the Member would receive an answer outside of the meeting, and if not satisfied with the response the matter would be put on the agenda for the next meeting of the Commission.

RESOLVED –

(i) Burbage Common be highlighted as being included in the document;

(ii) the study be endorsed and RECOMMENDED to Council for approval.

266 AFFORDABLE HOUSING DELIVERY OPTIONS

The Commission received a report which informed Members of the alternative ways of increasing the supply of affordable housing in the Borough and potential opportunities for the Local Authority to increase its stock. This information had been requested at a previous meeting.

During discussion, points were raised regarding targeting empty homes and the possibility of an empty homes programme; the use of commuted sums in increasing affordable housing; the problem of developers agreeing to provide 40% affordable housing and then applying for a variation of the Section 106 Agreement on grounds of viability; and the need to use new terminology to promote affordable housing, ie ‘Starter Homes’.

Members expressed the desire to negotiate with developers for the Authority to take ownership of a percentage of property.

A proposal to develop an Implementation Strategy for alternative approaches to delivering affordable homes was supported.

267 FUEL POVERTY REVIEW

In order to progress the Scrutiny Commission’s review of Fuel Poverty, they received a report which provided information on the national and local position regarding fuel poverty and the obligations on energy suppliers to reduce fuel poverty, along with a suggested timetable for the review. The complexity of tariffs was highlighted as a problem and it was noted that energy providers provided special tariffs or discounts for those in fuel poverty.

It was reported that Hi4EM had been requested to undertake some research into fuel poverty specifically in Hinckley & Bosworth, and this report should soon be ready. In addition, Mosaic was being used to map areas of poverty. This data would then make it possible to target those likely to be in fuel poverty and to run campaigns to educate them and raise awareness of help available from third parties. It was RECOMMENDED that officers also use this data to target households.

It was agreed that six energy companies would be invited to the Commission to discuss how we could work together to tackle fuel poverty. Questions to the companies, should they agree to attend, would be around assessing customers' needs; factoring in the 'Green deal' scheme; the number of pre-payment meters in use; the reason for the complexity of tariffs; and the number of customers who have had energy cut off due to non-payment.

RESOLVED –

(i) the timetable for the review be agreed and energy providers be invited to the next meeting of the Commission;

(ii) Officers be requested to use the Hi4em and Mosaic data to target households in fuel poverty.

268 SCRUTINY REVIEW: CARE FOR PEOPLE SUFFERING FROM DEMENTIA

In order to commence the second Scrutiny Review of the year, Members received a proposed timetable for the review into care for people suffering from dementia. It was reported that the meeting on 19 January would provide information to assist Members in understanding the definition of dementia. The increasing number of people under 50 suffering from dementia was raised.

RESOLVED – the timetable be agreed.

269 RSL RECOMMENDATIONS UPDATE

Following the Scrutiny review of Registered Social Landlords which had concluded the previous year, the Commission was presented with a report which provided a progress update. In particular it was reported that communications with the RSLs had improved and that Orbit had been very proactive in supporting the Neighbourhood Action Teams, the Community Houses and the Credit Union. It was also noted that the partnership board with Orbit Housing was proving successful.

Members raised concerns that communication between the RSLs and themselves was still no better, and it was agreed that this would be taken up with RSLs again. Officers also suggested that RSLs should be asked about their contribution to alleviate fuel poverty.

Mr Batty left the meeting at this juncture.

270 PROGRESS REPORT FOLLOWING VOLUNTARY AND COMMUNITY SECTOR INFRASTRUCTURE SUPPORT SERVICES REVIEW

Following a presentation by Voluntary Action Leicestershire (VAL) at the previous meeting, Members were provided with an update on the progress and impact of the delivery of voluntary and community sector infrastructure support services following the revision of arrangements for Hinckley and Bosworth in April 2011.

It was reported that VAL was working increasingly with the authority and actions had been agreed, including that VAL officers develop a greater presence in the community, in both rural and urban areas. Other actions which would be more difficult to achieve were noted, including reaching groups of which we were not currently aware.

Members looked forward to receiving further progress updates when available.

271 NEW HOMES BONUS

Members received a report which detailed the results of the consultation exercise in relation to the New Homes Bonus (NHB) and the allocation of funds. Whilst Members generally accepted the information in the report, they had concerns regarding the mechanism. It was also noted that the funding received by the Council under this scheme, before further distribution, would be significantly less than the previous central government funding streams, which would no longer be available.

272 CREDIT UNION UPDATE

Members received a progress report regarding the local credit union provision since its creation in March 2010. It was reported that more volunteers and Member Champions were needed, and Members agreed that they would welcome another session on this.

Members wished to thank all volunteers for their hard work.

273 SCRUTINY COMMISSION WORK PROGRAMME 2011-12

RESOLVED – the work programme be noted.

274 FORWARD PLAN OF EXECUTIVE AND COUNCIL DECISIONS

RESOLVED – the Forward Plan be noted.

275 MATTERS FROM WHICH THE PUBLIC MAY BE EXCLUDED

On the motion of Mr Nichols, seconded by Mr Ladkin, it was

RESOLVED – in accordance with Section 100A of the Local Government Act 1972 the public be excluded from the remaining item of business on the grounds that it involves the disclosure of exempt information as defined in paragraphs 3 and 10 of Part I of Schedule 12A of that Act.

276 ALTERNATIVE DEPOT OPTIONS

Members received a report which advised them of the options available for relocation of the depot.

At this juncture, having reached 9.30pm, it was moved by Mr Lay, seconded by Mr Nichols and

RESOLVED – the meeting be permitted to continue in order to consider the remaining business.

It was reported that whilst the new site would be smaller, it would make more efficient and effective use of space. The report would be presented for approval to Council on 20 December 2011

RESOLVED – the recommendations contained within the report be supported.

(The Meeting closed at 9.32 pm)

HINCKLEY AND BOSWORTH BOROUGH COUNCIL

SCRUTINY COMMISSION

5 JANUARY 2012 AT 6.30 PM

PRESENT: Mr MR Lay - Chairman
Mr PAS Hall and Mr C Ladkin – Vice-Chairman

Mr PR Batty, Mr Bessant, Mrs L Hodgkins, Mr MS Hulbert (In place of Mrs WA Hall), Mr DW Inman, Mr K Morrell, Mr K Nichols, Mrs S Sprason and Miss DM Taylor

Also in attendance: Councillor JG Bannister, Councillor DC Bill MBE, Councillor DM Gould, Councillor JS Moore, Councillor Mrs J Richards, Councillor Mrs H Smith, Councillor BE Sutton and Councillor Ms BM Witherford

The following representatives were in attendance on behalf of the Developers: Mr J Alwyn (Taylor Wimpey); Mr B Bailey (Barton Wilmore); Mr J Brookes (Ainscough Strategic Land); Mr J Gibbins (Barwood); Mr G Hulman (Hal Planning); Mr P Martin (Ainscough Strategic Land) and Ms J Nally (Lexington Communications).

Officers in attendance: Steve Atkinson, Cathy Horton, Louisa Horton, Steven Merry, Aaron Vogel and Simon Wood

309 APOLOGIES AND SUBSTITUTIONS

Apologies for absence were received from Mrs A Hall with the substitution of Mr Hulbert for Mrs Hall authorised in accordance with Council Procedure Rule 4.1.

310 DECLARATIONS OF INTEREST

No interests were declared at this stage.

311 PRESENTATION ON EMERGENCY PLANNING

Members received a presentation on the Local Resilience Forum, the role of the Emergency Planning Officer and the Emergency Plan. The role of Members in relation to emergency planning was also outlined: including identifying risks, being aware of the Emergency Planning Framework, presenting the public face of the authority and supporting communities following an emergency.

Following the presentation, discussion ensued during which the following points were raised:

- Parish councils did not have a statutory responsibility with regard to emergency planning. Advice and guidance about reporting mechanisms for parish councils was requested.
- The emergency plans were exercised regularly with both senior officers and also in multi-agency exercises.
- There were communications plans in place and communication during an emergency would be managed by the borough council.
- Specific plans were in place for high risk areas, for example calor gas. The County Council had its own specific plans and companies with high risk products also had their own emergency plans.

312 BARWELL SUSTAINABLE URBAN EXTENSION (SUE)

Members received a presentation from all developers for the land west of Barwell, being informed that Ainscough Strategic Land, Barwood Development Securities and Taylor Wimpey had formed a consortium of three developers who were fully committed to the development and could deliver 95% of the Area Action Plan.

It was stated that the Area Action Plan, which went to Council in April 2011 and had been consulted upon, had developed plans for Barwell and Earl Shilton, and that the policy was to encourage sustainable growth to benefit existing and new development in order to enhance the settlement. Joint planning was encouraged and as such comprehensive applications would come forward.

The following benefits of the arrangements were highlighted:

- Delivery of affordable housing either on-site or via commuted sums;
- Delivery of 105 acres of open space;
- Recognition of natural features to maximise ecological benefits including green infrastructure links and wetlands;
- A community hub including a new primary school and community facility (to be informed by consultation and audit exercises);
- Extension of public transport and connections for walking and cycling;
- Creation of new jobs (an estimated 220 in construction, the employment zone and spending power and 800 anticipated once developed).

It was reported that a Barwell Centre fund would be established through Section 106 contributions, which would bring benefits to the existing village centre, including improving the external appearance of businesses, new car parking provision and new spending power, and that the Primary Care Trust was aspiring to improving healthcare facilities in the locality. Other improvements reported included landscaping, lighting and environmental improvements.

The masterplan was outlined and the importance of ensuring close links to the current community, sticking to the AAP as much as possible and challenging the plans to check they were robust was highlighted.

The developers outlined the next steps, stating that there would be a public exhibition at the George Ward Centre on 13 & 14 January, and that Members had been invited to a preview on 12 January. A range of consultants would be available at the exhibition, for example specialists in ecology and drainage. The intention to establish a working group to help secure improvements to the centre was also stated by the developers.

In concluding the presentation it was stated that;

- the development would be high quality and sensitively designed and aimed to achieve new benchmarks for development;
- A third of the space would be new public open space accessible to all;
- Detailed consideration would be given to how to use the Barwell Centre Fund to provide tangible support to the village;
- 1000 new jobs would be created, many of which could be for local people.

Following the presentation Members had the opportunity to ask questions of the developers. The following points were made in response to Members' questions:

- A traffic assessment process had been commenced to identify the problem areas and create solutions including improvements to transport routes.

- Highways modelling was ongoing, funded by the development, and would be used in conjunction with the transport assessment. Officers hoped that this would be submitted with the planning application.
- It was unlikely that a dual carriageway would form part of the plans. However, both the Highways Agency and Leicestershire County Council as Highways Authority continued to be involved in developing the plans.
- With regard to affordable housing and the concern that increasing the number of flats was not viable, the housing service would be instrumental in providing information on housing needs in order that property developed was as required.
- Leicestershire County Council had submitted a housing needs survey which would inform the detailed requirements of the scheme to ensure the ageing population and resulting mixture of property types required would be met.
- New properties would meet the Code Level 3 for Sustainable Homes, but the cost/benefit ratio of anything higher would need to be taken into consideration.
- Commercial properties would meet the BREEAM requirements; however, the exact level would be the responsibility of the end users (occupiers).
- Work regarding electricity generation schemes was ongoing.
- Apprenticeship schemes would be used by the developers when recruiting for the construction project to ensure skills gaps were filled.
- It would be difficult to restrict jobs in the employment zone to local people, as it would be up to the employers occupying the units, and too many restrictions would detract from the attractiveness to businesses of relocating to the site.
- There was a need for a package of healthcare providers and discussions were being undertaken with the PCT, including the possibility of bringing services together into a 'one-stop shop'.
- Discussions were underway with Leicestershire County Council regarding primary school places; however, costs for this were not yet known (but would be the responsibility of the developer).
- No proposals were in place for the Conservative Club but, whilst not a main focus, the scheme in the AAP would work with the Club.
- Regeneration of the town centre would be phased, but some 'quick wins' could be delivered more quickly, such as physical improvements.
- The need for additional buses and/or bus routes was not yet known, but this would be discussed with bus operators and, should an increase be required due to the development, the developers may provide some initial financial assistance.
- There would be a transport strategy to encourage reduced car usage.
- There was a legal obligation on both the Council and the developer to be CIL compliant. If development was not compliant there would be a risk of judicial review.
- Development was unlikely to commence until at least 12 months after approval.
- Retail development on the site would meet local need and was not intended to compete with the town centre.

Members then considered the Terms of Reference for the Barwell & Earl Shilton Scrutiny Group, using those agreed in 2008 as a basis. On the motion of Mr Ladkin, seconded by Mr Batty, it was

> RESOLVED – the following amendments to the Terms of Reference agreed on 23 July 2008 be made:
>
> (i) parish and town council representatives not be included in the membership of the group;
>
> (ii) an independent Chairman be selected by the Group;

(iii) the purpose of the working group includes scrutiny of the Area Action Plan, and not 'the impact of the Earl Shilton Bypass'.

It was reiterated that the group would not be a decision-making body, but would make recommendations to the Scrutiny Commission. Members were also reminded that, as a Scrutiny Group, it must remain non-political.

With regard to the agreement that representatives of the Parish and Town Councils would not be members of the Group, it was suggested that they could be called as 'witnesses'. In response to some concern about not including them in the membership, it was stated that Parish and Town Councils had other forums for expressing their views.

<u>RESOLVED</u> –

(a) the Barwell & Earl Shilton Scrutiny Group be set up with the following terms of reference:

(i) The Barwell and Earl Shilton Scrutiny Group will be a sub-group of the Scrutiny Commission and will present minutes of its meetings and appropriate reports on its work to the Scrutiny Commission.

(ii) The membership of the Barwell and Earl Shilton Scrutiny Group will comprise local ward councillors for Barwell and Earl Shilton. It will be supported by appropriate officers, as necessary.

(iii) At its first meeting, the Scrutiny Group will elect an independent Chairman and produce a programme of work.

(iv) The purpose of the Scrutiny Group will be to scrutinise the Area Action Plan, Sustainable Urban Extensions (SUEs), master planning exercises and the Barwell and Earl Shilton Neighbourhood Action Teams, and to make appropriate recommendations to the Scrutiny Commission.

(v) The Barwell and Earl Shilton Scrutiny Group will report the findings of its work and any recommendations to the Scrutiny Commission.

(b) The nomination of Cllr K Nichols as independent Chairman of the Barwell & Earl Shilton Scrutiny Group be supported.

(The Meeting closed at 8.38 pm)

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CHAIRMAN

HINCKLEY AND BOSWORTH BOROUGH COUNCIL

SCRUTINY COMMISSION

19 JANUARY 2012 AT 6.30 PM

PRESENT: Mr MR Lay - Chairman
Mr PAS Hall and Mr C Ladkin – Vice-Chairman

Mr PR Batty, Mrs WA Hall, Mrs L Hodgkins, Mr DW Inman, Mr K Morrell and Miss DM Taylor

Diane Cook (Rural Community Council); John Preston (Energy Best Deal); Diane Smith (Alzheimer's Society) and Howard Wilkins (Burbage Parish Council) were also in attendance for the items on the Scrutiny Reviews.

Officers in attendance: Steve Atkinson, Louisa Horton, Alison Ker, Sharon Stacey, Judith Sturley, Clive Taylor and Simon Wood

331 APOLOGIES AND SUBSTITUTIONS

Apologies were submitted on behalf of Mr Bessant, Mr Nichols and Mrs Sprason, with the substitution of Mr Moore for Mrs Sprason authorised in accordance with Council Procedure Rule 4.1.

332 MINUTES

It was

RESOLVED – the minutes of the meeting held on 8 December 2011 be confirmed and signed by the Chairman.

333 DECLARATIONS OF INTEREST

No interests were declared at this stage.

334 ECONOMIC REGENERATION STRATEGY ACTION PLAN UPDATE

Members were updated on work undertaken to meet the targets of the Economic Regeneration Strategy Action Plan 2009 – 2014. The main areas of work were outlined as well as future work planned, and the strategic objectives to which each activity related were also highlighted.

Members raised concern regarding a local company sending staff outside of the Borough for training, the risk of businesses in the SUEs having to recruit from outside of the Borough, and the requirement for an increase in the level of employment that had not been achieved in the Borough throughout the last ten years. It was suggested that the issue of building relationships between industry and colleges in the Borough be built into the Scrutiny Commission's work programme for 2012/13.

It was noted that discussions were also taking place, or would shortly be commenced, with regard to Regent Street, Stockwell Head, the Britannia Centre and the Cultural Quarter.

RESOLVED – the report be endorsed.

335 SCRUTINY REVIEW: CARE OF PEOPLE WITH DEMENTIA

Diana Smith, Locality Manager from the Alzheimer's Society Leicestershire gave a presentation on dementia which included background information such as definitions and types of dementia, the work undertaken by the Society, current projects and schemes, links with other organisations, and future aims. Members had the opportunity to ask questions to further their understanding of the disease to enable them to support the review.

Howard Wilkins, a local Parish Councillor who had personal experience of supporting family members with dementia, outlined his experience and concerns to provide a different perspective to the Commission.

The two attendees were thanked for their contributions and Members felt that the information received would assist them in preparing questions for future witnesses as part of the Commission's review.

336 SCRUTINY REVIEW: FUEL POVERTY

Diana Cook and John Preston from the Rural Community Council attended the meeting to present information on the Energy Best Deal scheme. Members received advice on switching fuel providers, rules to standardise energy tariffs, the winter fuel allowance, social tariffs and priority services registers and home insulation schemes.

Mr Batty left the meeting at 8.29pm.

Officers reported that work to map fuel poverty was ongoing and that maps showing this would be brought to the next meeting. With regard to the attendance of witnesses at future meetings, the Commission was informed that invitations had been sent but that only one energy provider had agreed to attend.

337 ANNUAL REVIEW OF MEMBER DEVELOPMENT ACTIVITY

Members received a report which informed them of member development activity since the last update along with planned activity. The Commission was informed that the Member Development Steering Group had supported working towards the East Midlands Councillor Development Charter and that a Member Development Strategy had now been drafted.

A Member asked whether Member training was publicly advertised and whether it was open to Parish Councillors. In response it was reported that training was not open to the public, but that invitations to training events were extended to parish councils where appropriate, and that joint working across organisations and different tiers of local government would reflect well in achieving the Councillor Development Charter.

338 SCRUTINY COMMISSION WORK PROGRAMME 2011-12

Consideration was given to the Scrutiny Commission's work programme for the remainder of 2011/12. It was highlighted that there were a number of witnesses for the 'care of people with dementia' review who had confirmed their attendance at the following meeting. Amongst these was the Manager of a local care home who had requested advance notice of the types of questions that would be asked of her. It was anticipated that these would cover the scope of care provided, how her care home compared to others, and how the home was funded.

Following a discussion earlier in the meeting, it was also requested that next year's work programme includes work to identify how the authority would be able to champion the skills agenda for economic growth.

339 FORWARD PLAN OF EXECUTIVE AND COUNCIL DECISIONS

Members received the latest published copy of the Forward Plan of Executive and Council decisions. It was reported that the Value for Money report and the Green Space delivery plan would be considered at the meeting on 1 March.

(The Meeting closed at 8.43 pm)

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CHAIRMAN

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COUNCIL – 23 FEBRUARY 2012

PAY POLICY STATEMENT 2012/13
REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)

Hinckley & Bosworth Borough Council
A Borough to be proud of

1. PURPOSE OF REPORT

To present to Members for approval the proposed HBBC Pay Policy Statement for 2012/13 set out at Appendix A.

2. RECOMMENDATION

That Council approve the HBBC Pay Policy Statement for 2012/13.

3. BACKGROUND TO THE REPORT

3.1 The pay accountability provisions within Localism Act 2011 incorporate the principles of transparency and accountability in regard to how local authorities pay and reward its workforce. Section 38 of the act requires local authorities to prepare pay policy statements setting out the authority's own policies in regard to the remuneration of its staff in particular its senior staff (or 'chief officers') and its lowest paid employees.

3.2 Pay policy statements must be prepared and approved by full Council each financial year, beginning with 2012/13 and for each financial year thereafter. Following approval the statement must be published on the council's website and complied with when setting terms and conditions of chief officers.

3.2 The legislation provides that the pay policy statement includes:

- The council's policy on the level and elements of remuneration for each chief officer
- The council's policy on the remuneration of its lowest paid employees (together with its definition of its lowest paid employees)
- The councils policy on the relationship between the remuneration if its chief officers and other officers, known as the pay multiple
- The council's policy on other specific aspects of chief officer's remuneration : during recruitment, increases and additions to remuneration, use of performance related pay, bonuses and termination payments

4. FINANCIAL IMPLICATIONS [AB]

None.

5. LEGAL IMPLICATIONS [LH]

Contained within the body of the report

6. CORPORATE PLAN IMPLICATIONS

By publishing the Pay Policy Statement will ensure that data is accessible to the community thus meets the Corporate Plan aim 'Strong and distinctive communities' and supports the value of 'Equality and Fair Treatment for all'.

7. CONSULTATION

n/a

8. RISK IMPLICATIONS

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

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

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

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
Failure to publish the pay policy statement and therefore not complying with the legislation may lead to enforcement risk and/or reputational damage to the authority	Council approve Pay Policy Statement	LH

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

By publishing the Pay Policy Statement will ensure greater transparency in regard to how pay is determined thus ensuring accountability to citizens within the borough. The pay policy statement also sets out how the authority through its robust pay policies does not discriminate against any groups of staff within the protected characteristics as contained within the Equality Act 2010.

10. **CORPORATE IMPLICATIONS**

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

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

Background papers: none

Contact Officer: Julie Stay, Human Resources and Transformation Manager, Ext 5688
Executive Member: Cllr KWP Lynch and Cllr BM Witherford

APPENDIX A

HINCKLEY & BOSWORTH BOROUGH COUNCIL
PAY POLICY STATEMENT 2012/2013

1. Introduction

1.1 Section 38 of the Localism Act 2011 requires local authorities to produce a Pay Policy Statement for 2012/13 and for each financial year thereafter. This document comprises that Pay Policy Statement being recommended for adoption for 2012/13.

1.2 Whilst the Act and supporting guidance sets out the pay detail that must be included in the statutory pay policy, each local authority has the autonomy to make decisions on pay structures and pay policies. The Pay Policy Statement must be approved formally by full Council by the end of March each year, can be amended in year, must be published on the Council's website and must be complied with when setting terms and conditions of Chief Officer employees.

1.3 This Pay Policy Statement includes a policy on:

(a) the level and elements of remuneration for each Chief Officer;
(b) the remuneration of the lowest paid employees;
(c) the pay differential, known as the 'pay multiple' between the remuneration of Chief Officers and other officers and
(d) other aspects of Chief Officer remuneration, fees and charges and other discretionary payments

2. Principles

2.1 HBBC recognises that, in the context of managing scarce resources, remuneration at all levels needs to be adequate to secure high quality employees who provide excellent services to the public, yet at the same time needs to avoid being unnecessarily generous or otherwise excessive. This pay policy sets out how the Council determines pay decisions across all aspects of pay and provides a framework to assist council Members in determining a pay strategy in a fair and equitable way within the council's Medium Term Financial Strategy.

2.2 The Public Sector Equality Duty also requires the Council to develop and publish a policy on how it is meeting its duty, having due regard to the need to eliminate unlawful discrimination particularly in relation to employment and pay. As an 'Achieving' authority under the Equality Framework for Local Government the council supports the principle of equal opportunities in employment and acknowledges that men and women should receive equal pay for the same or broadly similar work, for work rated as equivalent and for work of equal value. This Pay Policy Statement sets out the Council's approach in ensuring equality of pay in line with those legal requirements.

2.3 It is important that local authorities are able to determine their own pay structures in order to address local priorities and to compete in the local labour market.

3. Scope

3.1 The policy covers all staff employed by the Council irrespective of grade and conditions of service. It will have reference to national agreements which affect pay and grading including:

- National Agreement on Pay and Conditions of Service (the Green book, for all staff below Head of Service)
- Joint Negotiating Committee for Chief Executives (Chief Executive and Deputy Chief Executive)
- Joint Negotiating Committee for Chief Officers

A copy of the Council's staffing structure is at Appendix A.

4. Remuneration of senior officers

4.1 In this policy the senior pay group refers to posts within the top three tiers of the organisation. These include the Chief Executive Officer, Deputy Chief Executive (2) and Chief Officers (5).

4.2 **Chief Executive**

4.2.1 The term Chief Executive means the officer who is the head of the council's paid service. The salary paid to the Chief Executive (this excludes Returning Officer fees which are paid separately) is approved by full Council at the time of appointment.

4.2.2 The current salary range for the Chief Executive is £114,331 – £136,712 per annum; the range contains 5 increments and is subject to annual cost of living increases agreed by the Joint National Council (JNC). This is a local grade which was established in 2004, following an analysis of the degree of responsibility in the role, benchmarking with other comparators and the ability to recruit and retain an exceptional candidate.

4.2.3 The Council's review group, which comprises of the elected leader and the leader of the opposition group, determines incremental pay progression on an annual basis with the potential to award up to 3 increments in any one year. The 3 available increments will be awarded on the following basis, taking into account the Chief Executive's overall performance in relation to performance measures which are:

Satisfactory performance	-	0 increment
Good performance	-	I increment
Excellent performance	-	2 increments
Outstanding performance	-	3 increments

The current Chief Executive reached the top of the scale in 2009.

4.2.3 Other conditions of service are as prescribed by the JNC for Local Authority Chief Executives national conditions.

4.3 **Deputy Chief Executive and Heads of Service**

4.3.1 The pay and grading for both Deputy Chief Executives and Chief Officers are evaluated using the HAY evaluation scheme. The HAY scheme methodology reviews current job information including: job descriptions, staff structure including lines of accountability and capital and revenue budget responsibility. This information is used to determine the value of the job size. The external officer also reviews salary scales for similar posts in other councils in order to make a meaningful comparison.

4.3.2 The grades are as follows:

Deputy Chief Executive Grade	Fixed Salary	£95,231
Chief Officers	Spinal point 1-5	£57,900 - £67,500

Salary is subject to annual cost of living increases agreed by Joint Negotiating Committee for Chief Officers.

4.3.3 Other conditions of service are as prescribed by the JNC for Local Authority Chief Executives national conditions.

4.4 **Other allowances**

4.4.1 The Chief Executive, Deputy Chief Executives and Chief Officers do not receive a car allowance. It is expected that the basic salary payable covers all motoring costs.

4.4.2 Fees are payable for Returning Officer duties which are not part of the post holder's substantive role. Whilst appointed by the council, the role of the Returning Officer is one which involves and incurs personal responsibility and accountability and is statutorily separate from his/her duties as an employee of the council. Returning Officer fees are variable and paid based upon the number of electors per election. The Returning Officer for the council is the Chief Executive.

4.4.3 For any Chief Officer who undertakes duties that have been procured by another local authority, a discretionary payment (honorarium) will be made based on a percentage of the amount charged to the procuring authority, following an assessment by the Head of Paid Service of the additional time, over and above the contracted hours, that the Chief Officer will spend in carrying out these additional duties.

4.4.4 There are no other additional elements of remuneration in respect of: overtime, bank holiday working, standby payments etc. paid to senior staff as they are expected to undertake duties outside their contractual hours and working patterns without additional payment.

5. Pay Structure

5.1 The locally agreed pay structure (Grade 1 -11) applies to all employees excluding the senior pay group (Appendix B). Salaries within the pay spine are subject to pay awards as agreed by the National Agreement on Pay and Conditions of Service (NJC). The lowest paid employee is currently paid at spinal point 4 within Grade 1 at a full time equivalent basic pay rate £12,145 per annum.

5.2 All posts are evaluated using the NJC Job Evaluation Scheme, which is recognized by public sector employers and unions nationally. This scheme allows for robust measurement against set criteria resulting in fair and objective evaluations and ensures equal pay.

5.3 Progression within the grade for all staff is subject to satisfactory performance which is assessed annually through the council's appraisal process.

5.4 Incremental progression is subject to the employee meeting the following criteria, such as

- Mandatory core skills training e.g. customer care, equalities
- Achievement of national standards (where they exist)
- Working as part of a team to meet service objectives
- Competence to cover absence of immediate supervisors and colleagues on sickness or holiday
- Attainment of any NVQ/national/ professional/post graduate/qualification necessary to operate at a fully competent level
- Contributing to 'on the job' training and induction for new employees

5.5 The grading structure aims to meet the current and/or market position for most jobs. At certain times some types of jobs are very scarce either because of national shortages or high demand for certain skills. The consequence of this is recruitment and retention problems in the service. In these circumstances market premiums can be paid in order to attract good candidates. The criteria for payment of market premiums, which must be established before any payments are offered to either recruit or retain,
Is set out below:

- Recruitment problems - identified by the failure of at least one advertising campaign
- Retention problems - identified by a higher than normal turnover rate
- A high pay market - where credible market information advises of high rates of pay

The Strategic Leadership Board will review all market arrangements to be approved by the Personnel Committee.

6. Other allowances

6.1 NJC employees may claim allowances which may be locally and nationally agreed in the course of their work duties. A list of typical allowances that employees can claim is set out at Appendix C.

7. Pension Arrangements

All employees, of the council, irrespective of pay group, are entitled to join the Local Government Pension Scheme. The table below sets out the varied rates that employees are required to contribute based upon their whole time salary.

The employee contribution rates for 2012/13 are below:

Full time salary range	**Contribution rate**
Up to £13,500	5.5%
More than £13,501 and up to £15,800	5.8%
More than £15,801 and up to £20,400	5.9%
More than £20,401 and up to £34,000	6.5%
More than £34,001 and up to £45,500	6.8%
More than £45,501 and up to £85,300	7.2%
More than £85,300	7.5%

The council, as an employer, currently contributes 17.5% of the whole time salary.

8. Multipliers

8.1 Publishing the pay ratio of the organisation's top earner to that of its lowest paid earner and median earner has been recommended to support the principles of Fair Pay (Will Hutton, 2011) and transparency.

8.2 In the context of the council's payroll the Chief Executive, who is the top earner in the Council, currently earns £136,712 per annum. This is 5.61 times the average earnings in the Council, 6.68 times the median earnings and 10.82 times the lowest earner, which is £12,145 per annum.

8.3 The multipliers will be monitored each year as part of the review of the Pay Policy Statement.

9.0 Severance Payments

9.1 The council operates a voluntary severance scheme which is applicable to all employees of the Council. The scheme applies to:

- Redundancy
- Voluntary early retirement

The policy for the award of any discretionary payment due to termination is the same for all staff regardless of level.

9.2 Redundancy

Under regulation 5 and 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England & Wales) Regulations 2006 the Council can exercise discretion to increase statutory redundancy payments.

The Personnel Committee will determine severance terms in accordance for Senior Officers (Heads of Service and above). For other Officers it will be the Council's Chief Executive in consultation with the Deputy Chief Executive (Corporate Direction).

The Council has discretion to enhance the number of weeks pay accrued (via the statutory formula) by applying a multiplier of 1.5. This is payable to employees made redundant with 2 or more years local government service regardless of their age.

9.3 Early Retirement – inefficiency grounds

Employees who will be 55 or more at the age of retirement and have at least 2 years' pensionable service in the Local Government Pension Scheme (LGPS) may retire early upon entering into a formal agreement with the Council which will include a mutually agreed retirement date, where it is considered to be in the interests of the efficient exercise of the Council's functions. The employee will not receive a severance payment or additional year's service but will have access to the pension scheme. The capital cost of early payment of pension benefits is subject to approval and costs must be met by savings within a 3 year period.

This will not generally be awarded other than in exceptional circumstances and not where there would be any entitlement to redundancy.

9.4 Early Retirement

An employee can request to retire early from the age of 55 up to 65 years. For employees between aged 55 – 59 years there will be a capital cost incurred by the employer. The Council therefore will use discretion as to whether to grant early retirement but each case will be at the Chief Executive's discretion in consultation with Deputy Chief Executive (Corporate Direction).

9.5 Flexible Retirement

An employee who is a member of the LGPS and 55 years or over may request with the council consent reduces their hours and/or grade and make an election to the administering authority for payment of their accrued benefits without having retired from employment. However the council will only agree to release pension where there is no capital cost to the authority.

10. Re-employment/engagement of senior managers

Where a senior manager, as defined under paragraph 4.1, has left the authority on redundancy or early retirement grounds, the authority will not re-employ at a later stage or re-engage the former employee as a consultant.

11. Decision Making

Decisions on remuneration are made as follows:

(a) Chief Executive local pay structure approved by full Council
(b) Performance progression of Chief Executive Officer approved by the leader and opposition leader in accordance with the Chief Executive Performance Related Pay Scheme
(c) Pay structure for all other posts approved by full Council
(d) Performance progression for all other posts in accordance with the locally agreed scheme and as approved by officers under existing delegated powers

SENIOR MANAGEMENT STRUCTURE
(At 13 SEPTEMBER 2011)

Appendix A

CHIEF EXECUTIVE
Steve Atkinson

Corporate PA Team
Jane Stew

DEPUTY CHIEF EXECUTIVE
(Community Direction)
Bill Cullen

Chief Officer *
(Housing, Community Safety and Partnerships)
Sharon Stacey

Chief Officer *
(Environmental Health)
Rob Parkinson

Head of Planning
Simon Wood

Cultural Services Manager
Simon Jones

Chief Officer *
(Business, Contract and Streetscene Services)
Mike Brymer

Public Space Manager
Caroline Roffey

Waste Manager
(Shared with Nuneaton and Bedworth)
Sarah Elliott

Acting Housing Repairs Manager
Ian Parsons

Service and Business Development
Darren Moore

DEPUTY CHIEF EXECUTIVE
(Corporate Direction)
(Section 151 Officer)
Sanjiv Kohli

Chief Officer * ▽
(Corporate & Customer Resources, Scrutiny & Ethical Standards)
(Monitoring Officer)
Louisa Horton

Chief Officer *
(Finance, ICT, Asset Management, Audit and Procurement)
Julie Kenny

Accountancy Manager
David Bunker

ICT Manager
Paul Langham

Revenues/Benefits Manager
Storme Coop

Estates and Assets Manager
Malcolm Evans

Strategic Leadership Board (SLB)
Chief Executive
Deputy Chief Executives (2)

Corporate Operations Board
Chief Officers * (5)

▽ Responsible for:

Legal Services
Human Resources/Transformation
Customer Services
Governance and Scrutiny
Centralised Administration
Corporate Performance/Risk Management
Communications
Elections/Electoral Registration
Equalities/Customer Insight

Appendix B

Sp Pt	Salary Structure April 2009	Hourly Rate	278	337	385	431	478	520	567	639	699	762	820
			1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
54	49,961	25.90											
53	48,760	25.27											
52	47,569	24.66											
51	46,369	24.03											
50	45,169	23.41											
49	41,616	21.57											
48	40,741	21.12											
47	39,855	20.66											
46	38,961	20.19											
45	38,042	19.72											
44	37,206	19.28											
43	36,313	18.82											
42	35,430	18.36											
41	34,549	17.91											
40	33,661	17.45											
39	32,800	17.00											
38	31,754	16.46											
37	30,851	15.99											
36	30,011	15.56											
35	29,236	15.15											
34	28,636	14.84											
33	27,849	14.43											
32	27,052	14.02											
31	26,276	13.62											
30	25,472	13.20											
29	24,646	12.77											
28	23,708	12.29											
27	22,958	11.90											
26	22,221	11.52											
25	21,519	11.15											
24	20,858	10.81											
23	20,198	10.47											
22	19,621	10.17											
21	19,126	9.91											
20	18,453	9.56											
19	17,802	9.23											
18	17,161	8.90											
17	16,830	8.72											
16	16,440	8.52											
15	16,054	8.32											

14	15,725	8.15												
13	15,444	8.01												
12	15,039	7.80												
11	14,733	7.64												
10	13,874	7.19												
9	13,589	7.04												
8	13,189	6.84												
7	12,787	6.63												
6	12,489	6.47												
5	12,312	6.38												
4	12,145	6.30												

Local Allowances – NJC Staff

Shifts

There are two shift allowances. To get a shift allowance you have to be working on a rota and to cover all of the hours within a shift pattern. The cut off point for entitlement to a shift allowance is SCP 28 (within Grade 6/7)

1. Rotating shift (full 24 hours) – 20% on top of basic hourly rate
2. Split shift - 1% of basic hourly rate - A job which requires two shifts per day with a break in the middle of at least two hours

Saturday and Sunday Working:

If weekend working is part of a normal working week (that is regular rostered weekend working) then the following payments apply.

Saturday	-	Time and half
Sunday	-	Time and half if basic pay above SCP 11
		Double time if basic pay at or below SCP 11

For ad hoc weekend working plain time rates apply or TOIL unless part of an approved overtime arrangements in which circumstance overtime rates will apply.

Standby and call out

The standby rate is £100 per week and is subject to annual pay awards
The same rate applies to everyone in all services. To be eligible for standby you will be part of a standby rota and you are required to keep yourself immediately available and fit to return to work or deal with problems directly over the phone. If another employee substitutes the standby/call out arrangement then the substitute is entitled to the payment and not the rostered employee. Key holders will not normally be eligible for standby but will be eligible for call out payments.

Call-out payments are at time and half Monday to Saturday and double time on Sunday (normal overtime scp cut off does not apply) which are payable after a minimum call-out payment of two hours – including half hour travel time.

Additional Hours and Overtime Payments

Employees, on or below SCP 28, and required to work additional hours beyond a full 37 hour week (or average 37 hour week) are entitled to receive time and half for additional hours worked Monday to Saturday and double time for additional hours worked on a Sunday.

Part time workers are entitled to these enhancements only after a 37-hour week (or average 37 hour week) is exceeded, although **rostered** work on a Saturday and Sunday will attract the overtime allowance.

For employees on or above SCP 29 enhanced rates will not be paid. In exceptional circumstances the Head of Service may agree that overtime at plain time rates may be paid in order to clear backlogs or catch up on projects. In normal circumstance employees are expected to accrue and bank approved additional hours as time off in lieu. Managers have a responsibility under health and safety legislation to ensure that excessive hours are not worked and that accumulated TOIL is taken on a regular basis.

Overtime payments are full settlement and are not enhanced by any other allowance e.g. a shift allowance that is paid on normal working hours.

Public and Extra Statutory Days

Employees required to work on a public or extra statutory day shall, in addition to the normal pay for that day, be paid at plain time for all hours worked within their normal working hours for that day. In addition time off with pay shall be allowed as follows:
Less than half normal hours worked - half day
More than half normal hour's worked – full day

Car Allowances

The payment of £850 per annum will be payable to an essential user who use their private car for work purposes to cover general maintenance of the vehicle. A flat rate of 25p per mile will be paid for business miles. Each post is assessed against criteria prior to becoming an essential user. For all other staff, defined as casual users, a flat rate of 40p per mile will be paid for business miles.

Acting up arrangements

The pay structure supports employees' development through progression within a pay band; part of this development is acting up to cover the absence of higher graded employees for periods of up to a month. For acting up period of over I month (e.g. maternity leave) the first point of the relevant grade will normally be paid, (a minimum of two increments above the employees current rate).

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COUNCIL – 23 FEBRUARY 2012

Hinckley & Bosworth Borough Council
A Borough to be proud of

GENERAL FUND REVENUE BUDGET 2012/13
REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)

WARDS AFFECTED: ALL WARDS

1.0 PURPOSE OF REPORT

The General Fund Revenue Budgets have been prepared taking into account the Capital and HRA budgets. The Capital and HRA budgets are presented as separate reports but should be read in conjunction with this report.

2.0 RECOMMENDATIONS

2.1 The General Fund service expenditure shown in Table 1 (page 2) be approved.

2.2 The Special Expenses area expenditure shown in Table 2 (page 3) be approved.

2.3 The total General Fund service expenditure for the Council shown in Table 3 (page 4) be approved.

2.4 The proposed movement of General Fund Reserves as set out in Appendix C (page 16/17) be approved.

3.0 BACKGROUND TO THE REPORT

3.1 The General Fund Revenue Budget for 2012/13 has been drawn up in accordance with the principles set out in the Budget Strategy endorsed by Finance, Audit and Performance Committee and Executive in October 2011 and in accordance with the Medium Term Financial Strategy. The key objectives can be summarised as follows:-

i) To align expenditure on services to the Council's Corporate Performance Plan.

ii) To provide for corporate-wide pressures for 2012/13 (and future years) as set out in the Council's Medium Term Financial Strategy (MTFS) and to provide accordingly for such expenditure. These corporate pressures are also set out in section 3.8.

iii) To maintain acceptable and viable levels of General Fund balances and reserves, to make provisions for known future funding and expenditure pressures as identified in the MTFS.

iv) To maintain an acceptable and viable level of balances in the Special Expenses Area. Details are provided in paragraph 3.3.2 of this report.

v) To keep the overall increase in average Band D Council Tax (including Special Expense Areas) to 0%. The General Fund budget presented in this report achieves this. Details are provided in section 6 of this report.

3.2 Budget Summary

The revised budget for 2011/12 and the original budget for 2012/13 are set out in Table 1 below. (Please note that for 2011/12 a formal revised budget has not been prepared)

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

	Original Estimate 2011/12 £	**Revised Estimate 2011/12 £**	***Original Estimate*** **2012/13 £**
Central Services	3,183,820	3,014,490	2,898,560
Leisure and Environment	6,540,290	6,248,270	6,464,520
Housing (General Fund)	1,319,890	1,094,780	1,161,000
Planning	1,219,680	1,000,270	1,178,290
Direct Service Organisations	54,200	(650)	(53,190)
New Homes Bonus to Parishes	0	87,440	177,820
Identified Savings	0	(340,010)	0
Further Savings in Year	(175,000)	0	(100,000)
Total service expenditure *Less:*	**12,142,880**	**11,104,590**	**11,727,000**
Special Expenses Area	*(531,080)*	*(530,970)*	*(549,500)*
Capital Accounting Adjustment	*(1,133,060)*	*(1,053,060)*	*(1,461,900)*
Net external interest (received)/paid	*52,010*	*74,010*	*92,720*
FRS17 Adjustment	*(285,280)*	*(285,280)*	*(13,910)*
Transfer to/(from) balances	*(253,910)*	*216,262*	*(452,616)*
Transfer to reserves	*133,000*	*803,500*	*592,720*
Transfer from reserves	*(563,000)*	*(417,730)*	*(228,270)*
Transfer to/(from) pensions reserves	*115,470*	*115,470*	*119,030*
HBBC Budget Requirement	**9,677,030**	**10,026,792**	**9,825,274**

Note: The HBBC revised budget requirement differs from the original budget for 2011/12 because of the allocation of New Homes Bonus in 2011/12.

3.3. Special Expense Area

3.3.1 This represents the cost of parks, cemeteries and poop scoop schemes in the non-parished area of Hinckley. Whilst the cost will only fall on the residents of this area, the net expenditure is built into the service totals of Table 1 and must be included in the Council's overall budget requirement for capping purposes.

The proposed budgets for the Special Expenses area have been compiled in accordance with the approved General Fund Strategy.

Table 2 – Special Expenses Budget

	Original Estimate 2011/12 £	**Revised Estimate 2011/12 £**	**Original Estimate 2012/13 £**
Expenditure	531,080	530,970	549,500
Transfer to/(from) balances	50,950	25,900	(57,600)
Transfer to Projects Reserve	30,000	30,000	0
Revenue contribution to Capital Expenditure in Urban Parks	0	25,160	118,560
Net Expenditure	612,030	612,030	610,460

3.3.2 Balances in the Special Expenses Area at 31st March 2013 are estimated as follows:

	£
Balance at 1st April 2011	139,958
Transfer to Balances 2011/12	25,900
Estimated surplus at 31st March 2012	165,858
Transfer from balances 2012/13	(57,600)
Estimated Balance at 31 March 2013	108,258

3.3.3 Earmarked reserves at 31 March 2013 are estimated to be £30,000 (31 March 2012: £20,000). An amount of £30,000 was put aside to meet the cost of Green Space projects within the Special Expenses Area principally the Brodick Road Open Space.

3.3.4 Revenue Contribution to Capital Expenditure in Urban Parks. In order to reduce the level of balances held in respect of Special Expenses it is suggested that a contribution from Revenue totalling £143,720 be made in respect of schemes in the 2011/12 and 2012/13 Capital Programmes in Queens Park and Richmond Park. This would ease the resource position in respect of the Capital Programme slightly.

A separate report was presented to the Hinckley Area Committee on 30 January 2012 and the Committee supported the recommendations contained in this report.

3.4. Total Council Budget for 2012/13

The total overall budget for 2012/13 in the direct control of the Council is therefore:

Table 3 – Total Council Budget 2012/13

	Original Estimate 2011/12	**Revised Estimate 2011/12**	**Original Estimate 2012/13**
HBBC Budget Requirement (Table 1)	9,677,030	10,026,792	9,825,274
Special Expenses Budget Requirement (Table 2)	612,030	612,030	610,460
Total Council Controlled Budget Requirement	**10,289,060**	**10,638,822**	**10,435,734**

3.5. Revised Original Budget 2011/12

3.5.1 At Council on 24 February 2011, the total service expenditure totals and the Authority's net budget requirement for the 2011/12 year were approved. As part of setting the budget for the forthcoming 2012/13 year, a revised budget for the current 2011/12 has not been prepared as the original budget for 2011/12 has, in accordance with the Council's agreed financial planning framework, been revised during the year to take account of Supplementary Budgets and Virements that have been approved during the year. To date it has been agreed that a net additional amount of £471,402 will be added to General Fund Balances, £110 added to Special Expenses Balances and a net additional £582,270 added to Earmarked Reserves to meet these changes in the budget.

At its meeting on 5th July 2011, the Council, when considering the final outturn position for 2009/10, agreed that £128,720 of the 2010/11 underspend should be carried forward to 2011/12 to allow for the completion of projects that were budgeted for in 2010/11 but not completed in that year. This was to be financed as follows:

	£'000
General Fund Balances	63
Reserves	59
Special Expenses Balances	3
Earmarked Grants and Income	4
TOTAL	**129**

During the year additional pressures and savings have been identified in the budget and these include the following significant items:

Additional Pressures

	£'000
New Homes Bonus to be paid to parishes	88
Additional MRP arising from additional borrowing in 2010/11 due to delays in Capital Receipts	79
Travel review buy out of Essential Users	60
TOTAL	**227**

Identified Savings/Income

	£'000
New Homes Bonus received	349
Zero pay award and no increments paid	171
Delays in recycling project – postponed to 2012/13	170
Additional recovery of overpaid housing benefit	170
Delays to Masterplanning in Earl Shilton and Barwell SUEs	69
Additional Planning fee income	50
TOTAL	**979**

3.6 Original Budget 2012/13

The 2012/13 General Fund revenue budget has been prepared following a robust budget process. This process is outlined below.

Budget Strategy

The budget strategy for 2012/13 was presented to the Executive in October 2011. In brief, the strategy was as follows:-

Each service area's "base budget" for the year 2012/13 to be based on the 2011/12 original budget after adjusting for capital accounting and external interest received. Supplies and Services budgets were to be based on the 2011/12 original budget. Non-recurring items were deducted from the base and recurring growth bids approved in 2011/12 were included. The "target" for 2012/13 budget is the "base budget" plus inflationary increases, taking into account pay and price increases (see paragraph 3.6.4 below). Each service manager reviewed the budgets for deliverable savings and where commitments or discretionary growths increased the budget above the target then these have been evaluated separately by the Strategic Leadership Board (SLB), Finance & Audit Select Committee and Executive members.

Consultation, Prioritisation and Resource Allocation

The Council consulted with the people of Hinckley & Bosworth Borough Council by conducting surveys through the Citizen's Panel. The purpose of the Survey was to obtain the views of people living in the Borough as to whether they considered the top five and bottom five priorities that they identified in 2006 remained the same and also asked the panel to identify areas where they would like to see more or less money being spent.

Managers have been tasked with examining the budgets under their control and to identify potential reductions in Expenditure or additional sources of Income in order to close the gap in the budgets.

Links with Strategic and Service Objectives

Clarity about priorities has allowed the Council to shift resources to support these priorities.

Clarity of priorities has also enabled cross-party members through the Scrutiny function 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). Therefore, the Revenue Budgets have been prepared in conjunction with the Capital Budgets and not in isolation.

Service Improvement Plans have been prepared to support the Council's priority objectives. These Plans give a guide to how the Council will deliver the priorities and further clarify the resources needed to support them. This enables the service planning process to feed into the budget process and provides a mechanism for considering and approving changes and enhancements to service levels. The Service Improvement Plans for 2012/13 will be presented to the Strategic Leadership Board for approval in April 2012.

Pay and Price Increases

In order to drive efficiency savings within the cost of supplies and services, a rate of 0% has been applied to the 2011/12 original budget for non-contract related expenditure. As the average Retail Price Index for 2011/12 and 2012/13 is anticipated to be around 3.5%, the application of 0% represents an effective saving on running costs of around -3.5% or around £52,500.

For contracts, an inflation rate of 3.5% has been used, unless otherwise specified within the terms of the specific contract.

At just under £11m (including HRA : £1.4m) for 2012/13 the salaries and wages budget is a significant part of the total budget. For pay costs the 2012/13 estimates include a 1% increase for all employees.

Turnover of staff usually results in increased costs with advertising and use of temporary staff to cover key operational roles but inevitable delays in appointment arising from the Council's normal recruitment process will result in overall savings.

As usual, a full breakdown of the salary and wages figures by service areas will be supplied to members when final tax and spending decisions have been made.

The other significant change in the payroll budget is the increase in the employer's contributions for pensions' payments. The provision included in the 2012/13 budget and the implications for future years is dealt with in detail in paragraph 3.8.vi below.

3.7. Service Growths

Service Growths totalling £92,000 endorsed by the Strategic Leadership Board have been included in the draft budget and are detailed in Appendix A.

3.8. Corporate Issues

In addition to service pressures, there are a number of corporate issues, identified first in the MTFS, which have been addressed through the budget setting process and included in the base budget. These are fully detailed in the MTFS being considered at this meeting and the Budget Strategy approved by Executive in October 2011. A summary of these items is provided below.

i) Concessionary Travel

From 1 April 2011 responsibility for the administration and funding of the scheme I to the Leicestershire County Council. The funding for this (based on 2009/10 actual spend) has been removed from the Council's Grant Allocations and no expenditure or income have been included in either the 2011/12 or 2012/13 budgets.

ii) Income Reductions

A significant proportion of the Council's overall income comes from fees and charges made to users of particular services provided by the Council. The three major income streams are:

a) Car Parks income
b) Planning Application Fees
c) Building Regulation Fees

In 2011/12 each of these income streams has behaved differently, Car Parks fees have been in line with the budget set for 2011/12 but it should be noted that the budget for that year was reduced to take into account the experience of 2010/11 and the impact of the current economic situation.

In respect of Planning Application Fees it is anticipated that the 2011/12 budget will be exceeded due in the main to a very large unexpected application being received. In view of major developments planned for the Borough in the next year the budget provision for Planning Fees has been increased to £500,000. This does not take into account the potential to increase the level of these fees mentioned in the Localism Bill.

Building Control Fees are likely to exceed budget in 2011/12 and the provision in 2012/13 has been adjusted to £152,640 this will show the service as breaking even as required by regulation.

iii) Interest Rate

The Base Rate is currently 0.5%. It has been at this level since March 2009. It is recognised that it is unlikely that the Base Rate will decrease any further and the next movement will be upwards, however there is a significant degree of uncertainty in the markets as to when this increase will occur, but it is not expected to be in the short term. HBBC has a positive cash flow i.e. its investments exceed its long-term and temporary loans. For the purpose of forecasts it is considered prudent to apply an average base rate of 0.75% for 2012/13. Reductions in interest rates have a significant impact on the Council's budget as its investment income has been significantly reduced in recent years.

iv) Benefit Payments

With a total budget for Council Tax Benefit and Housing Benefit of just over £15m a 1% variation can lead to an overspend (or underspend) of around £150,000. It was therefore considered prudent when agreeing the MTFS to set aside some funding as a contingency against an adverse variance. This reserve currently has a balance of £171,000. Central Government has also announced that it is looking to reduce the cost of Council Tax Benefits by 10% with effect from 2013/14. This is likely to cost this Council of the order of £740,000 in reduced subsidy. It is therefore suggested that the Benefits Reserve be added to by £100,000 in 2011/12 and £250,000 in 2012/13 to help alleviate any costs that are not passed on to benefit recipients This would leave a balance of £521,000 in the reserve at 31 March 2013.

v) Local Development Framework (LDF)

The Local Development Framework consists of a series of statutory documents which set out the Council's spatial planning strategy for the local planning authority area. The requirement to produce this documentation is provided by the Planning and Compulsory Purchase Act 2004. This Act changes the approach to developing adopted policies used essentially to outline development plans across the Borough up until 2026 and to assess planning applications submitted to the Authority. Work on the LDF is ongoing and the timetable is laid out in the Local Development Scheme (originally published September 2004), a revised timetable for which was reported to Council in September 2009 and updated annually. An estimate of expenditure required to produce these documents has now been provided and profiled over the next 3 years. Qualifying expenditure will be funded from the Local Plan Reserve and provision will be made in future years to replenish this reserve and equalise the cost to the Tax payer over the years

vi) Pension Fund Contributions

The Leicestershire Pension Fund was re-valued as at 31 March 2010 in accordance with Statutory Requirements and was found to be in actuarial deficit i.e. the assets of the fund were less than those required to meet the long term liabilities in terms of benefits due to members. Whilst action is needed to remedy this position the timescales involved mean that there is sufficient time to recover the position in a phased manner over a number of years and valuations. To this end the Actuary has indicated that a phased increase in contribution rates of 2%, 1% and 1% of pay for each of the years 2011/12, 2012/13 and 2013/14 will be required taking the contribution rates to 18.1%, 19.1% and 20.1% in each of the 3 years stated. Provision for the 2012/13 increase has been included in the figures above. When the revised Pension Scheme was introduced in 2008 it made some significant changes to the scheme relating to enhancements given to employees having to retire early due to ill health, Whilst the enhancements payable to employees who were unfit to do the job for which they were employed but could undertake some form of work after a period of recovery were reduced, those payable to an employee who was unable to work again in any role were significantly improved.

Any payment of Pensions Benefits prior to the employee's expected retirement date and any enhancements involve a cost to the Pension Fund. Whilst in the past the actuary has had significant experience and knowledge of the impact of ill health retirements he has been able to include an amount in the valuation and resulting employers' contribution rates to cover the cost of the retirement without the need for the County Council to ask for an additional payment to cover the actuarial cost of the retirement. However, with the new arrangements the actuary has less experience of the costs involved and in certain cases the actuarial cost of the retirement may be very high and exceed the budget. To avoid the need to pay the County Council a significant unplanned sum to cover these costs the Council has agreed to insure against the costs of a high cost ill-health retirement. This insurance is arranged via the Pensions Fund Actuary and the cost is reflected in an equivalent reduction to the employer's contribution rate (although the total cost of pensions remains the same)

vii) Local Elections

The last Borough Election took place in May 2011 with the cost reflected in the Budget for that year. As the cost of an election is of the order of £100,000 it was decided in 2007/08 to create an Election Reserve to even out the cost to the tax payer over a four year period and avoid peaks in the Council Tax. Provision has been made in the 2011/12 budget for money to be taken out of the reserve to meet the cost of the May 2011 election and provision has been made in the 2012/13 budget for a contribution to the reserve of £25,000 to meet the cost of the May 2015 election. The cost of County Council and National Elections are recovered from the County Council and Central Government respectively.

3.9 Efficiency Savings

The details of the Service savings included in the budget are attached at Appendix B.

3.10 New Homes Bonus

When the budget for 2011/12 was set the Government was still in the process of finalising the New Homes Bonus Scheme and this authority did not make any provision for income from this source when setting the budget for 2011/12. The final scheme was published in April 2011 and based on the number of new properties (net of the change in the number of empty properties) brought into Council Tax in the year to October 2010 this Council was allocated £349,762 in 2011/12 payable for six years (until 2016/17). Data used to calculate the New Homes Bonus is collected each year by CLG as part of the Council Tax Base 1 (CTB1) return which is submitted in October. Allocations are then made along with the Local Government Finance Settlement in December to allow authorities to take the amount allocated into account in setting their budgets. Based on the number of new properties brought into Council Tax from October 2010 to October 2011 this Council has been allocated £361,527 bringing the total New Homes Bonus to be received in 2012/13 to £711,289. This amount has been included in the budget for 2012/13. At its meeting on 20 December 2011 the Council agreed that this authority would passport 25% of the funding to parishes. This amounts to £87,440 in 2011/12 and £177,820 in 2012/13. These amounts have been included in the latest budget for 2011/12 and the original budget for 2012/13. There will be a further review of the percentage allocation to parishes if the target amount of New Homes Bonus as set out in the MTFS is exceeded.

3.11. Major Projects

Appropriate provision has been made in the budget for the Revenue consequences of the Council's Major Projects in the 2012/13 Budget. These projects are:

- Atkins Creative Industry (completed in 2011/12)
- Greenfields Industrial Estate (completed in 2011/12)
- Hinckley Hub (to be completed in 2012/13)

4.0 THE FINANCE SETTLEMENT

The Council's budgets are highly sensitive to changes in the finance settlement. The outcome of the Spending Review 2010 is having a significant impact on the financial position of the Council for 2012/13 and will continue to do so in subsequent years. Considerable work has already taken place to identify further savings (beyond those already delivered under CSR04 and CSR07) for 2012/13. More work will be required during the period of the next MTFS to identify areas for income/revenue generation and invest to save projects in order to meet the funding gap in 2012/13, 2013/14 and 2014/15.

The movement in Block Grant from 2011/12 to 2012/13 is as follows:

	£,000
Block Grant 2011/12	5,972
Reductions due to formula changes	
Private Sewers	40
Adjusted Block Grant 2011/12	5,932
Block Grant 2012/13	5,267
Reduction in grant 2012/13	**665**

In addition to the block grant, the Council adopted a zero increase in Council Tax for the year 2011/12 and will receive an additional £104,910 in grant in 2012/13 to compensate for this. This figure has been factored into the budget calculations

In addition if the Council adopts a zero Council Tax increase for 2012/13 it will receive additional grant of approximately £105,000 (equivalent to a 2.5% increase in its Council Tax) in 2012/13 only to compensate for this. This has been included in the draft budget.

Members should note that by freezing Council Tax for two successive years, the Council Tax base (which is already 10th lowest nationally) has been eroded and will therefore have a major influence on the ability of the Council to raise future funding from Council Tax increases (see also 6.0 below).

5.0. CONTRIBUTION FROM THE COLLECTION FUND

The latest estimates of the Collection Fund Balance at 31 March 2012 shows that there is likely to be a small surplus on the fund amounting to £20,000. This amount is available to be placed in the Pensions Contributions Reserve to meet any significant increases in Employers Pension Contributions that may arise from future triennial valuations of the Pension Fund.

The policy is that any surplus on the Collection Fund in the future is used to support either the capital programme or minimise the impact of the triennial revaluation of the Pension Fund.

The Pension Fund has been valued as at 31 March 2011 and the Actuary has recommended a phased increase in Employer's contributions from 2012/13 to meet the deficit. It is therefore recommended that any surplus on the Collection Fund is transferred to the Pensions Contribution Reserve to help finance future increases in Employers Pension Contributions.

6.0. COUNCIL TAX

One of the directions of the Comprehensive Spending Review (CSR10) published in October 2010 was that Council's should seek to set a zero increase in Council Tax for the year 2011/12, with additional grant funding equivalent to a 2.5% increase in Council Tax payable to those Council's who froze their tax level. This grant should also be payable in 2012/13. Central Government has also announced a Council Tax freeze grant for those Councils which freeze their tax in 2012/13 which is only payable in that year. The budget proposals set out in this report seek to achieve a zero Council Tax increase, as set out by CLG and incorporates the "Freeze" grant in the calculations of the proposed tax levels. This will retain the Council's current national position of having the 10th lowest Council Tax level.

Provisions exist for the Secretary of State for Communities and Local Government (CLG) to introduce a capping regime to curb excessive increases in Council Tax. CLG have announced that for 2012/13 Councils setting Council Tax increases of over 3.5% would need to carry out a referendum. The estimated cost of carrying out a referendum for this Borough would be between £110,000 and £120,000.

The Council is clearly restricted by the amount that Council Tax can be increased (see also 4.0 above) and thus if service expenditure rises Council Tax cannot necessarily be increased to match it. Instead, alternative financing needs to be obtained or reductions in other areas of service made.

7.0 USE OF GENERAL FUND RESERVES AND BALANCES

7.1. The Council has the following policies:

- Maintain general balances (non earmarked) at a minimum 10% of Hinckley & Bosworth Borough Council's budget requirement (a minimum of around £1.1m for 2011/12 and 2012/13. The proposals in this Budget Report meet this minimum level.

- All actual service under-spends for 2011/12 be transferred to earmarked reserves.

- There is no direct contribution from revenue to capital except for specific identified projects.

- Any notional profit earned by the Direct Service Organisations will be transferred to general fund balances.

7.2. General Fund Balances

The projected movement of the General Fund Balances is as follows:

Table 4

	Total	General	Special Expenses
	£'000	£'000	£'000
Balances at 1 April 2011	1,933	1,793	140
Amount Taken to (+) from (-) Balances 2011/12	242	217	25
Balances at 31 March 2012	2,175	2,010	165
Amount Taken to (+) from (-) Balances 2012/13	-509	-452	-57
Balances at 31 March 2013	1,666	1,558	108

7.3. Appendix C provides a summary of general fund reserves together with estimated movements during the year.

The use of reserve during 2011/12 and for 2012/13 are attributable to the following:

2011/12

Future Capital Schemes - £125,000
To meet part of cost of Minimum Revenue Provision (MRP)

Local Plans - £75,090
To meet approved LDF expenditure

Disaster Recovery - £118,000
To meet corporate budget shortfall

ICT Reserve - £50,000
To meet corporate budget shortfall

Pensions Contributions -£75,000
To meet part of cost of additional employers contributions

Elections Reserve - £80,000
To meet cost of Elections

Housing, Planning and Delivery Grant £38,640
To meet approved Expenditure in Planning Service Area

2012/13

Local Plans - £205,500
To meet approved LDF expenditure

HPDG - £22,770
To meet cost of additional Development Control support for Earl Shilton/Barwell SUE

8.0 FINANCIAL IMPLICATIONS (SK)

As contained in the report.

9.0 LEGAL IMPLICATIONS

As contained in the report.

10.0 CORPORATE PLAN IMPLICATIONS

None.

11.0 CONSULTATION

Citizens Panel, Executive Members

12.0. RISK IMPLICATIONS

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

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

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

Management of Significant (Net Red) Risks		
Risk Description	Mitigating Actions	Owner
None		

13.0 KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

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

14.0 CORPORATE IMPLICATIONS

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

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

Contact Officer	:	Sanjiv Kohli, Deputy Chief Executive (Corporate Direction), ext. 5607 David Bunker Accountancy Manager ext 5609
Executive Member	:	Councillor K.W.P. Lynch

Appendix A

REVENUE BUDGET 2012/13 GROWTH BIDS

Ref	Service	Description	Cost 2012/13 £	Ongoing cost £
1	Homelessness	Next Generation – Homelessness and Resettlement officer – funding for a third year for this post working with homeless or potentially homeless young people.	30,000	-
2	Private Sector Housing	This is to allow continuation of the proactive work by the Environmental Health Officer dealing with Housing Standards in Private Sector Housing (particularly in the rented sector) and in identifying and bring empty properties back into use as affordable housing. GOEM funding for this post will cease in September 2012	7,500	15,000
3	Community Safety	Project Endeavour is an initiative from the Locality Management theme of Leicestershire Together. The task group has identified a key position in the proposed new structure for improving joined up working between Police HBBC and other agencies such as the County Council is that of an Intelligence Officer (0.5FTE). This is a new role and does not come from any one service area. Funding is therefore requested to create a new code funding for this project. In addition a 0.5FTE post is required to support locality based community budget projects across the organisation. For these additional posts to be developed then additional funding above existing service budgets is required if this is considered to be a key priority for the authority	32,500	32,500
4	Community Safety	Revenue Costs of the Sentinel system. This is an integrated County-wide ASB recording system	5,000	5,000
5	Accountancy	Increased cost of bank charges following tender exercise	15,000	15,530
6	Corporate Management	Contribution to Better Business for all – a joint operation of all local and national government regulatory bodies to increase collaborative working	2,000	2,000
	Total		**92,000**	**70,030**

Appendix B

Efficiency Savings 2012/13

Service Area	Details of Saving	£
Finance Support	Impact of restructuring arising from voluntary redundancy of Accountancy Manager, Senior Accountant and Accountancy Assistant	80,610
Corporate and Customer Services	Reduction in Member Training	2,000
	Reduced administrative support achieved by natural wastage	17,730
	Reduced requirement for scanning due to Revenues and Benefits Function moving to Shared Service	12,000
	Committee Services restructure	12,000
Asset Management	Additional income from Atkins top floor following investment	25,000
Environmental Health	Reduced Pollution Technical Officer Support	1,000
	Reduced need for drainage works in default following transfer of responsibility for private sewers to STW in October 2011	900
Licensing	Non filling of vacant Licensing officer post covered by Admin and Licensing Officer	10,000
Climate Change and Environment	Reduction in Hired and Contracted Services	3,000
	Reduction in sustainable development fund	1,000
Land Drainage	Transfer of Planning consultation duties passed to Local Lead Flood Authority in 2012	5,000
Cultural Services	Reduced maintenance of Street Furniture and Bus Shelters	1,000
	Additional Market Income	5,000
Housing and Community Services	Domestic Violence projects	14,100
Asset Management	Leisure Centre Costs	950
	Attended Toilet Review	10,000
TOTAL		**201,290**

Reserve Movements 2011/12 and 2012/13 **Appendix C**

		Balance ¼/11	2011/12			Balance 31/3/12	2012/13			Balance 31/3/13
			In	Out			In	Out		
Description	Type			Revenue	Capital			Revenue	Capital	
Relocation Reserve	C	182,000.00	180,000.00		40,000.00	322,000.00			322,000.00	0.00
Future Capital Projects	C	486,000.00	125,000.00			611,000.00	205,000.00			816,000.00
Modern.E Gov Reserve	C	20,000.00			20,000.00	0.00				0.00
Planning Delivery Grant Reserve(Capital)	C	52,616.00			16,413.00	36,203.00				36,203.00
Special Expenses Projects	C		55,160.00		35,160.00	20,000.00	118,560.00		118,560.00	20,000.00
Grounds Maintenance	C	49,720.00	25,000.00			74,720.00	24,720.00			99,440.00
Greenfields Reserve	C	19,000.00				19,000.00				19,000.00
Atkins Top Floor	C	0.00	9,000.00		9,000.00	0.00				0.00
Historic Buildings Loan Fund	E	14,000.00				14,000.00				14,000.00
Building Control Reserve	E	63,820.41		-30,000.00		93,820.41				93,820.41
Land Charges Reserve	E	50,851.00				50,851.00				50,851.00
UG&C Non S106 Developer Contributions	EC	42,008.00				42,008.00				42,008.00
UG&C Section 106 Reserve	EC	449,314.39				449,314.39				449,314.39
UG&C Unapplied Conts Earmarked Reserve	EC	206,516.37				206,516.37				206,516.37
UG&C Other Open Space Receipts	EC	20,326.43				20,326.43				20,326.43
UG&C POS Reserve	EC	80,755.60				80,755.60				80,755.60
UG&C Ferndale Grove & Netherley Crt adopt	EC	61,323.00				61,323.00				61,323.00
Commutation & Feasibility Reserve	R	248,113.99	50,000.00	107,730.00		190,383.99				190,383.99
Benefits Reserve	R	171,370.00	100,000.00			271,370.00	250,000.00			521,370.00
Local Plan Procedure	R	389,961.00	68,000.00	7,000.00		450,961.00	68,000.00	205,500.00		313,461.00
Disaster Reserve (Corporate & I T)	R	118,000.00		118,000.00		0.00				0.00
Pensions Contribution	R	108,761.00	15,000.00	75,000.00		48,761.00	20,000.00			68,761.00
ICT Reserve	R	241,000.00	12,500.00	50,000.00		191,000.00				191,000.00
Waste Management Reserve	R	172,765.06	70,000.00			242,765.06				242,765.06
Project Management/Master Plan Reserve	R	333,000.00				333,000.00				333,000.00
Shared Services Reserve	R	74,000.00				74,000.00				74,000.00
Planning Delivery Grant Reserve (Revenue)	R	195,080.13		10,000.00		185,080.13		22770.00		162310.13
Flexible Working Reserve	R	15,000.00				15,000.00				15,000.00
IFRS Capacity Support Reserve	R	2,277.00				2,277.00				2,277.00
Freedom of Information Training Reserve	R	3,000.00				3,000.00				3,000.00

New Performance Improvement Reserve	R	10,000.00				10,000.00				10,000.00
Housing Energy Cert Training Reserve	R	10,500.00				10,500.00				10,500.00
Finance Capacity Fund Reserve	R	20,103.20				20,103.20				20,103.20
Well Being Fund Reserve	R	70,000.00				70,000.00				70,000.00
Workforce Strategy Reserve	R	3,000.00				3,000.00				3,000.00
Election Reserve	R	85,000.00	45,000.00	80,000.00		50,000.00	25,000.00			75,000.00
Transformation	R	50,000.00				50,000.00				50,000.00
Identified Carry Forwards	R		104,000.00			104,000.00				104,00.00
		4,119,182.58	858,660.00	417,730.00	120,573.00	4,439,539.58	711,280.00	228,270.00	440,560.00	4,481,989.58
Capital	C	809,336.00	394,160.00	0.00	120,573.00	1,082,923.00	348,280.00	0.00	440,560.00	990,643.00
Ring Fenced	E	128,671.41	0.00	-30,000.00	0.00	155,671.41	0.00	0.00	0.00	155,671.41
Ring fenced Contributions unapplied	EC	860,243.79	0.00	0.00	0.00	860,243.79	0.00	0.00	0.00	860,243.79
Revenue	R	2,320,931.38	464,500.00	447,730.00	0.00	2,337,701.38	363,000.00	228,270.00	0.00	2,472431.38
		4,119,182.58	858,660.00	417,730.00	120,573.00	4,439,539.58	711,280.00	228,270.00	440,560.00	4,481,989.58

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COUNCIL – 23 FEBRUARY 2012

CAPITAL PROGRAMME 2011/2012 TO 2014/15

REPORT OF THE DEPUTY CHIEF EXECUTIVE (COMMUNITY DIRECTION)

Hinckley & Bosworth Borough Council
A Borough to be proud of

WARDS AFFECTED: ALL WARDS

1.0 PURPOSE OF REPORT

1.1 To consider the Capital Programme for the years 2011/12 to 2014/15.

2.0 RECOMMENDATIONS

- Members approve the programme.
- Members note the financial implications contained in section 7.

3.0 BACKGROUND

3.1 Projects in the programme have been submitted by Project Officers and reflect outcomes from the Officers Capital Forum Group, SLB and changes after the report being presented to Executive Briefing on the 10th November 2011 and Finance and Performance Committee on the 12th December 2011. Council agreed to the depot relocation project on the 20th December 2011. This scheme has also been included. A £5,000 bid for financial assistance from Sport in Desford has been agreed in January and included within the programme.

3.2 Members will be aware of the issues surrounding future capital funding in particular the drawdown on the current capital receipts reserve as highlighted in section 4 below. The pressure on future funding of the capital programme and the depletion of reserves has previously been raised with members and were reported to Council in February 2011.

3.3 The attached programme in Appendix A assumes a virtual standstill position on schemes for future years.

3.4 Projects have been re-profiled in line with the latest spending and external funding forecasts. The major change being the re-profiling of the Richmond Park Project as a result of funding approval delays with the Football Association (FA).

3.5 Within the current financial year there may be an under spend on Private Sector Housing on minor and major works of around £180,000. Due to changes in the referral system the amount of approvals have reduced. There may however be a backlog that would need to be covered by this under spend. Additionally, the Disabled Facilities Grant budget will, in the future, no longer be supported through decent homes funding. This means that the level of expenditure will need to reduce to £295,000. Due to these uncertain compensating pressures, the potential under spend of around £180,000 has not been built into the funding assumptions below.

4.0 Programme to 2014-15 – Funding Issues

4.1 Due to major schemes now being completed the programme will be relatively small in future years. However, due to reduced funding even a status quo programme will have an impact on the council’s general fund revenue account. The estimated cost of borrowing will be £13,323 in financial year 2012/13 rising to £100,039 by 2014/15. This assumption is based on major use of the capital receipts reserve, estimated receipts from right to buy sales and disposal of other small plots. At the end of 2014/15 only £192,000 will be left in the capital receipts reserve. This position is summarised below:-

Table 1

	2011/12	2012/13	2013/14	2014/15
Opening Bal	(1260)	(1227)	(178)	(48)
Receipts	(1484)	(520)	(274)	(144)
Funding used	1517	1,569	404	0
CI (Bal)	(1227)	(178)	(48)	(192)

5.0 New Bids

5.1 The following new bids were received by SLB. Following a review they were not accepted.

General Fund Bids Not Supported By SLB/Executive

Recycling Receptacles - An annual uplift of £5,000 plus inflation to allow for new properties. Negotiations are currently taking place whether these additional bins can be funded either directly through voluntary contributions from developers or through the Community Infrastructure Levy (CIL). It is likely that the final CIL agreement will not be in place for another 18 months. Any shortfall in the short term could be met from the Waste Management Reserve.

CCTV - SLB received a report regarding options on the delivery of CCTV in the future. This bid reflects the need to update the current technology. Although the cost is estimated at £60,000 with an estimated asset life of 10 years, there would be potential revenue savings of £13,000 per annum. This can be compared against the additional cost of borrowing of £8,700. Further options on CCTV are currently being explored as a result of the need to re-locate the control centre from it's present location in the Hinckley Police Station. The future financial impact will be known once these options have been finalised.

HRA Bid Supported by SLB/ Executive

Orchard Upgrade - A bid has been received to upgrade the current Housing Management and Rents system. Technical support for the old system will cease in December 2012. The new system will be web based and will allow customers to check their rent accounts, report repairs etc. The estimated cost is £111,286. Based on a ten year asset life the cost of borrowing chargeable to the HRA would be £16,136.

Additionally, the Council will, under the new self financing system, need to borrow £67.2m to fund the HRA subsidy buy out. This amount has been included within the attached programme. The borrowing impact on the revenue account has been included within the future HRA budgets.

Leisure Centre

An amount of £10m (commencing in 2014/15) has been estimated for the development of a new leisure facility. A refurbishment option could potentially cost around £6.5m. It should be recognised that this option is higher risk than a new build scheme in terms of cost certainty. Furthermore, the asset life for a new centre would be c40 years and the life of a refurbishment would be c25 years. Either option would be funded from future major capital receipts; £2.75m from the Bus Station development site £3m from the Argents Mead development and a net £0.6m receipt from the depot relocation. The option of a new build on a new site would generate further funding of around £1.5m to £1.8m from the sale of the current site. This would leave a balance £2.24m (for a new build on a new site) to fund from other sources. It is possible that an external financial contribution towards this project might be achieved and if not then this amount could be borrowed under Prudential Borrowing. This project has currently not been built into the capital programme because of the uncertainty around future provision and future funding.

6.0 <u>HRA Capital</u>

The future year's housing repairs capital programme shows a reduction of approximately £470k. This assumes the total contract value reduction from £2.4m to £1.9m is all attributable to capital schemes. It is difficult to accurately forecast future costs as the service was recently brought in house. However savings on the current programme budget will be made. As a one off the cost of the Orchard upgrade could be met from the proposed capital under spend.

7.0 <u>Financial Implications (IB)</u>

7.1 Capital resourcing and borrowing implications arising from this report will be reflected within the Medium Term Financial Strategy and the Prudential Code (Treasury Management) report.

Based on the current economic climate there has been a significant reduction in anticipated capital receipts.

7.2 Section 4.1 above, assumes £938k of capital receipts between 2012/13 and 2014/15. This would still mean gross borrowing of £2.671m between 2012/13 to 2014/15 with a borrowing chargeable to general fund (interest plus repayment of principal) rising by £100,039 in 2014/15 on the basis any borrowing related to the depot relocation has been paid of by March 2015. If this is not the case an additional £82,000 would be chargeable.

7.3 Future funding requirements could reduce by c£180k if savings on General Fund Housing are achieved and there were no other compensating pressures.

7.4 Members will have to decide on the option of recommending reductions on future uncommitted schemes.

<u>New Bids</u>

7.5 There is an additional risk with the leisure centre development. The current leisure management contract ends in April 2014. If by then development arrangements are not made there could be significant revenue costs to let a contract on a short/medium term basis.

Additionally, if future major receipts are not realised there will be a risk to the leisure centre development. It is recommended that members agree the Leisure Centre Development request to be put forward to Council for approval on the basis that the following sales are earmarked for the development.

£2.75m - Bus Station Redevelopment,
£1.5m- Future sale of the existing Leisure Centre site,
£3m - Argents Mead Development
£0.6m – Net receipt from the Depot Relocation

8.0 Legal Implications (AB)

8.1 None arising directly from the report.

9.0 Corporate Plan Implications

9.1 The report provides a refresh of the Council's rolling Capital Programme. Any item included in the programme has to contribute to the achievement of the Council's vision, as set out in the Corporate Performance Plan.

10.0 Consultation

10.1 Expenditure proposals contained within this report have been submitted after officer consultation. Appropriate consultation with relevant stakeholders takes place before commencement of individual projects.

11.0 Risk Management

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

11.2 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.

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

12.0 Knowing Your Community – Equality and Rural Implications

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

13.0 Corporate Implications

13.1 The Council has an agreed corporate approach to project management. This approach has been developed in collaboration with the Leicestershire and Rutland Improvement Partnership. This approach ensures that a consistent and coherent approach is applied across the Council (and across the county).

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

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

Background Papers: Capital Estimates 11/12 – 14/15

Contact Officer: Ilyas Bham ext. 5924

Lead Member: Cllr KWP Lynch

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CAPITAL ESTIMATES 2011-2012 to 2014-2015 SUMMARY

Appendix A

	TOTAL COST	ESTIMATE 2011-12	ESTIMATE 2012-13	ESTIMATE 2013-14	ESTIMATE 2014-15
	£	£	£	£	£
SECTION 1 (Leisure and Environment)	2,050,574	1,368,330	322,244	180,000	180,000
SECTION 2 (Planning)	1,878,070	255,820	1,535,000	48,250	39,000
SECTION 3 (Central Services)	1,393,304	441,104	892,200	30,000	30,000
Housing (General Fund)	2,005,910	618,860	462,350	462,350	462,350
Sub-Total General Fund	7,327,858	2,684,114	3,211,794	720,600	711,350
Housing Revenue Account	9,265,440	2,896,296	2,123,048	2,123,048	2,123,048
H R A Borrowing	67,652,000	67,652,000	-	-	-
	84,245,298	**73,232,410**	**5,334,842**	**2,843,648**	**2,834,398**
Resources : HRA Major Repairs Allowance	2,052,266	2,052,266	0	0	0
Resources : Capital Receipts	3,489,867	1,517,309	1,568,756	403,802	0
Supported Borrowing GF	426,400	106,600	106,600	106,600	106,600
Unsupported Borrowing GF	3,311,178	959,792	1,536,438	210,198	604,750
Unsupported Borrowing HRA	1,056,376	844,030	70,782	70,782	70,782
HRA Major Repairs Reserve Adj	6,156,798	0	2,052,266	2,052,266	2,052,266
HRA Subsidy Buy Out Borrowing	67,652,000	67,652,000	0	0	0
Contribution from reserves GF	95,413	95,413	0	0	0
Contribution from reserves HRA	0	0	0	0	0
	84,240,298	73,227,410	5,334,842	2,843,648	2,834,398

SECTION 1

	TOTAL COST	ESTIMATE 2011-2012	ESTIMATE 2012-2013	ESTIMATE 2013-2014	ESTIMATE 2014-2015
Parish & Community Initiatives Grants					
Total Annual Expenditure(ALL HBBC)	**430,710**	**130,710**	**100,000**	**100,000**	**100,000**
Parks Major works					
Total Annual Expenditure(ALL HBBC)	**141,090**	**40,350**	**40,740**	**30,000**	**30,000**
Richmond Park Play Area					
Total Annual Expenditure	237,120	18,560	218,560		
External Funding (FA)	(100,000)	0	(100,000)		
Total Annual Expenditure(ALL HBBC)	**137,120**	**18,560**	**118,560**	**0**	**0**
Hollycroft Park					
Total Annual Expenditure(ALL HBBC)	**670**	**670**	**0**	**0**	**0**
Burbage Common					
Total Annual Expenditure	264,300	264,300			
Less 6c's grant	(72,300)	(72,300)			
HBBC Element	**192,000**	**192,000**	**0**	**0**	**0**
Memorial Safety Programme					
Total Annual Expenditure(ALL HBBC)	**5,770**	**5,770**	**0**	**0**	**0**
Waste Management Receptacles					
Total Annual Expenditure(ALL HBBC)	**224,654**	**61,710**	**62,944**	**50,000**	50,000
Blue Bin Recycling					
Total Annual Expenditure(ALL HBBC)	**892,000**	**892,000**	0	0	0
Churchyard Repairs					
Total Annual Expenditure(ALL HBBC)	**2,370**	**2,370**	**0**	**0**	**0**
Queens Park					
Total Annual Expenditure	6,610	6,610			
HBBC Element	**6,610**	**6,610**	**0**	**0**	**0**
Grounds Maintenance Machinery					
Total Annual Expenditure(ALL HBBC)	**2,580**	**2,580**	**0**	**0**	**0**
Sport in Desford					
Total Annual Expenditure	5,000	5,000			
Less contributions	0	0			
HBBC ELEMENT	**5,000**	**5,000**	**0**	**0**	**0**
Brodick Road Woodlands Scheme					
Total Annual Expenditure(ALL HBBC)	**10,000**	**10,000**	**0**	**0**	**0**
Billa Barra Improvements					
Total Annual Expenditure	10,980	**10,980**			
Less contributions	(10,980)	**(10,980)**			
HBBC ELEMENT	**0**	**0**	**0**	**0**	**0**
TOTAL GROSS EXPENDITURE	2,233,854	1,451,610	422,244	180,000	180,000
LESS TOTAL CONTRIBUTIONS	(183,280)	(83,280)	(100,000)	0	0
TOTAL HBBC ELEMENT	**2,050,574**	**1,368,330**	**322,244**	**180,000**	**180,000**

	TOTAL COST	ESTIMATE 2011-2012	ESTIMATE 2012-2013	ESTIMATE 2013-2014	ESTIMATE 2014-2015
Borough Improvements					
Total Annual Expenditure	214,040	64,040	50,000	50,000	50,000
Less Private contribution	(64,235)	(19,235)	(15,000)	(15,000)	(15,000)
HBBC Element	**149,805**	**44,805**	**35,000**	**35,000**	**35,000**
Car Park Resurfacing					
Total Annual Expenditure(ALL HBBC)	**28,805**	**11,555**	**0**	**13,250**	**4,000**
Goddard Building Conversion					
HBBC ELEMENT	**31,460**	**31,460**	**0**	**0**	**0**
Barwell Shop Front Improvements					
Total Annual Expenditure	30,085	30,085	0	0	0
Less Private contribution	(30,085)	(30,085)	0	0	0
HBBC Element	**0**	**0**	**0**	**0**	**0**
Depot Relocation					
Total Annual Expenditure	1,668,000	168,000	1,500,000	0	0
HBBC Element	**1,668,000**	**168,000**	**1,500,000**	**0**	**0**
Barwell Wall Improvements					
Total Annual Expenditure	9,300	9,300	0	0	0
Less Private contribution	(9,300)	(9,300)	0	0	0
HBBC Element	**0**	**0**	**0**	**0**	**0**
TOTAL GROSS EXPENDITURE	1,951,605	284,355	1,550,000	63,250	54,000
LESS TOTAL CONTRIBUTIONS	(73,535)	(28,535)	(15,000)	(15,000)	(15,000)
TOTAL HBBC ELEMENT	**1,878,070**	**255,820**	**1,535,000**	**48,250**	**39,000**

SECTION 3

	TOTAL COST	ESTIMATE 2011-2012	ESTIMATE 2012-2013	ESTIMATE 2013/14	ESTIMATE 2014/15
Asset Management Enhancements					
Total Annual Expenditure(ALL HBBC)	**100,000**	**50,000**	**50,000**	**0**	**0**
General Renewals					
Total Annual Expenditure(ALL HBBC)	**69,100**	**35,100**	**14,000**	**10,000**	**10,000**
Rolling Server Review					
Total Annual Expenditure(ALL HBBC)	**113,230**	**43,230**	**30,000**	**20,000**	**20,000**
Financial System					
Total Annual Expenditure(ALL HBBC)	**15,730**	**15,730**	**0**	**0**	**0**
Customer Services Project					
Total Annual Expenditure(ALL HBBC)	**17,190**	**17,190**	**0**	**0**	**0**
Members IT					
Total Annual Expenditure(ALL HBBC)	**39,370**	**39,370**	**0**	**0**	**0**
Flexible Working Project					
Total Annual Expenditure(ALL HBBC)	**5,000**	**5,000**	**0**	**0**	**0**
Council Office Relocation					
Total Annual Expenditure(ALL HBBC)	**498,000**	**49,800**	**448,200**	**0**	**0**
GIS Upgrade					
Total Annual Expenditure(ALL HBBC)	**6,520**	**6,520**	**0**	**0**	**0**
HR/Payroll					
Total Annual Expenditure(ALL HBBC)	**2,880**	**2,880**	**0**	**0**	**0**
Greenfields Development					
Total Annual Expenditure	2,830	2,830			
Less LSEP contribution	0	0			
HBBC Element	**2,830**	**2,830**	**0**	**0**	**0**
Electronic Meter Reading					
Total Annual Expenditure(ALL HBBC)	**20,000**	**20,000**	**0**	**0**	**0**

SECTION 3

	TOTAL COST	ESTIMATE 2011-2012	ESTIMATE 2012-2013	ESTIMATE 2013/14	ESTIMATE 2014/15
Demolition of Argents Mead Offices					
Total Annual Expenditure(ALL HBBC)	**350,000**	**0**	**350,000**	**0**	**0**
Transformation					
Total Annual Expenditure(ALL HBBC)	**49,041**	**49,041**	**0**	**0**	**0**
Atkins partisionng					
Total Annual Expenditure(ALL HBBC)	**50,000**	**50,000**	**0**	**0**	**0**
Planning Plotter					
Total Annual Expenditure(ALL HBBC)	**6,143**	**6,143**	**0**	**0**	**0**
Modern E Gov					
Total Annual Expenditure(ALL HBBC)	**20,000**	**20,000**	**0**	**0**	**0**
Corporate Scanner					
Total Annual Expenditure(ALL HBBC)	**10,270**	**10,270**	**0**	**0**	**0**
Atkins partisionng Phase 2					
Total Annual Expenditure(ALL HBBC)	**18,000**	**18,000**	**0**	**0**	**0**
Revenues and Benefits Shared Services					
Total Annual Expenditure	369,280	369,280			
Less RIEP Funding	(369,280)	(369,280)			
HBBC Element	**0**	**0**	**0**	**0**	**0**
TOTAL GROSS EXPENDITURE	1,762,584	810,384	892,200	30,000	30,000
LESS TOTAL CONTRIBUTIONS	(369,280)	(369,280)	0	0	0
TOTAL HBBC ELEMENT	**1,393,304**	**441,104**	**892,200**	**30,000**	**30,000**

PROJECT		TOTAL COST	ESTIMATE 2011-2012	ESTIMATE 2012-2013	ESTIMATE 2013-2014	ESTIMATE 2014-2015
H1	**Major Works Assistance**					
	Total Annual Expenditure	760,000	190,000	190,000	190,000	190,000
	Less Government Grant	0	0	0	0	0
	HBBC ELEMENT	**760,000**	**190,000**	**190,000**	**190,000**	**190,000**
H2	**Minor Works Assistance**					
	Total Annual Expenditure	360,000	90,000	90,000	90,000	90,000
	Less Government Grant	0	0	0	0	0
	HBBC ELEMENT	**360,000**	**90,000**	**90,000**	**90,000**	**90,000**
H3	**Care & Repair Improvement Agency**					
	Total Annual Expenditure(ALL HBBC)	**149,400**	**37,350**	**37,350**	**37,350**	**37,350**
H4	**Disabled Facilities Grants**					
	Total Annual Expenditure	1,494,550	609,550	295,000	295,000	295,000
	less decent homes	0	0	0	0	0
	Less Government Grant	(758,040)	(308,040)	(150,000)	(150,000)	(150,000)
	HBBC ELEMENT	**736,510**	**301,510**	**145,000**	**145,000**	**145,000**
H5	**Decent Homes Projects**					
	Total Annual Expenditure	23,340	23,340	0	0	0
	Less Contributions	(23,340)	(23,340)	0	0	0
	Total Annual Expenditure(ALL HBBC)	**0**	**0**	**0**	**0**	**0**
	TOTAL GROSS EXPENDITURE	2,787,290	950,240	612,350	612,350	612,350
	LESS TOTAL CONTRIBUTIONS	(781,380)	(331,380)	(150,000)	(150,000)	(150,000)
	TOTAL HBBC ELEMENT	**2,005,910**	**618,860**	**462,350**	**462,350**	**462,350**

HOUSING REVENUE ACCOUNT (CAPITAL PROJECTS)

PROJECT	TOTAL COST	ESTIMATE 2011-2012	ESTIMATE 2012-2013	ESTIMATE 2013-2014	ESTIMATE 2014-2015
HRA PROJECTS					
Communal Furniture	0	0	0	0	0
Tenant Led Community Projects	20,000	20000	0	0	0
Adaptations for Disabled People	1,500,594	429,150	357,148	357,148	357,148
Upgrade Lifts	50,000	50,000	0	0	0
Kitchen Improvements	1,170,249	290,610	293,213	293,213	293,213
Central Heating Replacement	1,130,488	282,622	282,622	282,622	282,622
Low Maintenance Doors	114,657	21,180	31,159	31,159	31,159
Electrical Testing / Upgrading	461,425	134,110	109,105	109,105	109,105
Major Void Enhancements	3,107,152	874,690	744,154	744,154	744,154
Programmed Enhancements	1,273,026	514,827	252,733	252,733	252,733
Single to Double Glazing	122,123	62,123	20,000	20,000	20,000
Re-roofing	131,656	32,914	32,914	32,914	32,914
Housing Repairs Software system	70,000	70,000	0	0	0
	9,151,370	2,782,226	2,123,048	2,123,048	2,123,048
Council Houses - New build	232,070	232,070	0	0	0
Less Contributions	(118,000)	(118,000)	0	0	0
Total Annual Expenditure(ALL HBBC)	114,070	114,070	0	0	0
TOTAL GROSS EXPENDITURE	9,383,440	3,014,296	2,123,048	2,123,048	2,123,048
LESS TOTAL CONTRIBUTIONS	(118,000)	(118,000)	0	0	0
TOTAL HBBC ELEMENT	**9,265,440**	**2,896,296**	**2,123,048**	**2,123,048**	**2,123,048**

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COUNCIL – 23 FEBRUARY 2012

HRA SUBSIDY BUYOUT
REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)

Hinckley & Bosworth Borough Council
A Borough to be proud of

WARDS AFFECTED: ALL WARDS

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1. **PURPOSE OF REPORT**

To seek Council approval to make a payment of £67.652m to Department of Communities and Local Government on 28 March in order for the Authority to buy itself out of the Housing Revenue Account Subsidy Regime and to approve the borrowing of £67.652m to fund this payment.

To approve the delegation of the decisions regarding the structure of the debt to nominated members and officers. .

2. **RECOMMENDATION**

That Council approves:

a) That the authority buys itself out of the current Housing Revenue Account Subsidy system at a cost of £67.652m as per the Communities and Local Government (CLG) HRA Self Financing Determination on 28 March 2012
b) That the authority borrows up to £67.652m from the Public Works Loan Board (PWLB) to finance the buy out payment on 26 March 2012 (the loan being advanced on 28 March 2012)
c) The determination of the structure of the borrowing is delegated to the Deputy Chief Executive (Corporate Direction), Deputy Chief Executive (Community Direction), Lead Executive member for Finance and Lead Executive member for Housing.
d) That the debt be repaid over a maximum period of 25 years

3. **BACKGROUND TO THE REPORT**

Members will be aware that Central Government has operated a system of subsidy to authorities' Housing Revenue Accounts for many years. Under the current subsidy system authorities whose deemed rental income is in excess of their deemed expenditure needs pay into the system (negative subsidy) and those whose deemed rental income is less than their deemed expenditure needs receive money (positive subsidy). Over the years more and more authorities have moved into negative subsidy including this authority.

The subsidy system was considered to be restrictive and relying as it did on annual determinations did not give authorities the ability to plan ahead with any degree of certainty with one of the major items of their HRA accounts.

Discussions have taken place over a number of years as to methods of reforming the system and giving authorities some degree of certainty over their HRA.

A scheme has been devised and passed into law in the recent Localism Act whereby authorities who are in negative subsidy will buy themselves out of the system and those who are currently receiving subsidy will receive a payment (which will in effect be used to reduce their debt level).

The amounts that are to be paid or received by authorities have been determined by calculating the net present value of the notional net income stream generated by the existing subsidy system over a 30 year period less the authority's notional capital financing requirement from the subsidy system. For Hinckley and Bosworth Borough Council the sum to be paid works out at £67.652m

As regards the financing of this payment, CLG regard it as Capital Expenditure and therefore it could be financed by any form of capital financing instrument but given the size of the payment borrowing is the only feasible option.

As regards the source of the borrowing the most advantageous source appears to be the Public Works Loan Board (PWLB) which is a branch of Central Government's Debt Management Office. In September the Chief Secretary to the Treasury announced that for money borrowed from the PWLB for the purposes of the HRA subsidy buyout payments the PWLB would revert to the margins over gilt rates that applied before they were increased in the Comprehensive Spending Review Statement in October 2010. This equates to a saving of approximately 0.85% on the normal PWLB rates (or £577,600 per annum). However this offer will only be available on 26 March 2012 and as PWLB rates vary twice daily it is considered that the exact amounts and maturities of the loans can only be decided nearer the time to ensure the best fit given market conditions. It is therefore recommended that delegated authority be given to the Deputy Chief Executive (Corporate Direction), Deputy Chief Executive (Community Direction), the Lead Executive member for Finance and the Lead Executive member for Housing to determine the exact structure of the borrowing.

Under the terms of the self financing settlement it is up to the individual authority whether or not it repays the debt over time (there is no legal requirement to repay the debt). By setting aside money for debt repayment but not physically repaying the loan could enable the council to undertake capital works on its stock or to build new council dwellings using some low cost capital. If members are minded to repay the debt it is suggested that it is done so over a maximum period of 25 years by equal installment of principal.

4. **<u>FINANCIAL IMPLICATIONS [DB]</u>**

There are significant financial implications arising from this change. The Council will cease to pay Negative Subsidy to Central Government, which amounted to £4.2m in 2011/12 and was estimated to be £5.2m in 2012/13. This amount would increase over time. This will be replaced by the payment of interest which is estimated to be £1.808m in 2012/13 and repayment of principal debt which is estimated to be £2.720m in 2012/13 (assuming an equal instalment of principal debt for years). This would generate a saving of £672,000 which could be used to invest in the housing stock either by way of improvements to the existing stock or new build. Whilst these amounts may change in future years there is a greater degree of certainty which would allow for better planning of the service.

5. **<u>LEGAL IMPLICATIONS (AB)</u>**

Contained in the body of the report

6. **<u>CORPORATE PLAN IMPLICATIONS</u>**

This report contributes to the Council's Corporate Objective

7. **<u>CONSULTATION</u>**

None

8. **RISK IMPLICATIONS**

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

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

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

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
None		

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

There are none

10. **CORPORATE IMPLICATIONS**

By submitting this report, the report author has taken the following into account: [if you require assistance in assessing these implications, please contact the person noted in parenthesis beside the item]

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

Background Papers HRA Self Financing Determination

Contact Officer – David Bunker, Accountancy Manager

Executive Member : Councillor K W P Lynch

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COUNCIL – 23 FEBRUARY 2012

HOUSING REVENUE ACCOUNT BUDGET 2012/13
REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION

Hinckley & Bosworth Borough Council
A Borough to be proud of

WARDS AFFECTED: ALL

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1. PURPOSE OF REPORT

1.1 The purpose of this report is to seek the Council's approval of the proposed budget for 2012/13, in respect of the Housing Revenue Account (HRA) and to the level of rent increases to apply in 2012/13.. This report should be read in conjunction with the Capital Budget reports.

2. RECOMMENDATIONS

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

3. BACKGROUND TO REPORT

3.1 The budgets covered by this report relate to the Council's responsibilities as the landlord of around 3,390 dwellings. The Housing Revenue Account is the account which groups the subsidiary activities of :

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

3.2 The rent calculation for 2012/13 continues the government's rent restructuring model, which the Borough Council applied for the first time in 2004/05. The impact of the restructuring model will produce different percentage increases for individual properties. However, the average increase is 9.3%. At the present rate on convergence it is anticipated that Social Rented Sector rents will converge by 2014/15.

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

3.4 The financial year 2012/13 is the start of a new era in Council Housing. On this basis the budget presented in this report is a holding budget has a number of items relating to the change have not yet crystallised and estimates have been included in the budget based on assumptions that might change when final details of the transactions are known e.g the interest rate for the borrowing. Up to and including 2011/12 the Housing Revenue Account operations of local housing authorities were subsidised by Central Government to provide support for social housing costs being greater then the rents that could be afforded by tenants. Under the subsidy scheme that has operated in recent years the rents paid by tenants have in effect been pooled on a national basis so that authorities where the expenditure need has been less than the rental income have paid into the centre (negative subsidy) and those where expenditure need is greater than the rental income have received subsidy (positive subsidy). This assessment has been made via a calculation in a notional HRA using a target rent and national management and maintenance allowances. Hinckley and Bosworth BC has been paying negative subsidy for a number of years and for the information of members the amounts paid in the last 3 years have been

2009/10 £3,512,084

2010/11 £3,743,422

2011/12 £4,084,160

In March 2012 the Council will in effect buy its self out of the Subsidy system by making a payment of £67.652m to CLG which will be financed by borrowing. Therefore an item in respect of Negative subsidy has been removed from the budget but will be replaced by an item for Interest on Borrowing (£1,808,580) and an amount of £2,719,720 in respect of repayment of debt. This is based on repaying the debt over 25 years. (It is open to the authority not to repay the debt but to use the surplus generated to finance Capital Expenditure on enhances to properties or for new build). For information it is estimated that if the old system was operating in 2012/13 the negative subsidy payable by this council would have been of the order of £5.2m.

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

	2011/12 Original Estimate £	**2011/12 Latest Estimate** £	**2012/13 Original Estimate** £
Housing Revenue Account			
Income	10,706,760	10,613,980	11,696,460
Expenditure	12,977,190	12,860,030	11,932,690
Net Cost of Service	2,270,430	2,246,050	236,230
Transfer from Major Repairs Reserve	(1,976,800)	(2,007,900)	(818,740)
Other Reserve Transfers and Interest Receivable	(19,700)	(19,700)	(20,520)
(Surplus)/Deficit on the year	**273,930**	**218,450**	**(561,990)**
Balance at 1 April	**1,439,774**	**1,690,000**	**1,471,550**
Balance at 31 March	**1,165,844**	**1,471,550**	**2,033,540**
Housing Repairs Account			
Administration	847,260	762,160	809,570
Programmed Repairs	536,630	536,630	555,410
Responsive Repairs	1,039,670	1,039,670	1,058,650
TOTAL Expenditure	2,473,560	2,338,460	2,423,630

Income	2,414,630	2,414,630	2,402,560
Net Expenditure	**8,930**	**(76,170)**	**21,070**
Balance at 1 April	**238,100**	**344,000**	**420,170**
Balance at 31 March	**229,170**	**420,170**	**399,100**

3.6 The working balance (including the Repairs Account) decreases in 2011/12 to £1,891,720 due to an overall deficit on the year of £142,280 and in 2012/13 increases to £2,432,640 as a result of a surplus in the year of £540,920 arising from the changes resulting from the self financing regime.. An ongoing reassessment of programmed and capital repairs to reduce responsive variations continues to help to reduce the net expenditure and maintain the working balance above the level of £600,000 which is currently considered to be the target prudent minimum.

3.7 The reasons for variation between the Original and Revised Estimate for 2011/12 are shown in section 1 of Appendix A.

3.8 The reasons for the major variances in the provisional budgets for 2012/13 compared with the approved budgets for 2011/12are shown in Section 2 of Appendix A.

4. FINANCIAL IMPLICATIONS

As contained in the report.

5. LEGAL IMPLICATIONS

As contained in the report.

6. CORPORATE PLAN IMPLICATIONS

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

7. CONSULTATION

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

8. RISK IMPLICATIONS

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

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

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

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

9. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

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

10. CORPORATE IMPLICATIONS

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

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

Background Papers : Housing Revenue Account Subsidy Determinations 2012/13
Contact Officer : David Bunker ext 5609
Executive Member: Cllr K W P Lynch

	REF	2011/12 ORIGINAL ESTIMATE (Published) £	2011/12 LATEST ESTIMATE £	2012/13 ORIGINAL ESTIMATE £
SUMMARY HOUSING REVENUE ACCOUNT				
INCOME				
Dwelling Rents	*1*	(10,620,540)	(10,528,890)	(11,608,250)
Non Dwelling Rents		(69,800)	(69,800)	(72,380)
Contributions to Expenditure		(16,420)	(15,290)	(15,830)
		(10,706,760)	**(10,613,980)**	**(11,696,460)**
EXPENDITURE				
Supervision & Management (General)		1,476,000	1,449,560	1,421,930
Supervision & Management (Special)		759,860	518,190	593,220
Contribution to Housing Repairs A/C		2,400,000	2,400,000	2,400,000
Depreciation	*2*	4,200,910	4,200,910	2,935,470
Capital Charges : Debt Management		7,260	7,260	3,770
Increase in Provision for Bad Debts		50,000	50,000	50,000
Interest on borrowing	*3*	0	0	1,808,580
Repayment of borrowing	*3*	0	0	2,719,720
Negative HRA Subsidy	*3*	4,083,160	4,234,110	0
		12,977,190	**12,860,030**	**11,932,690**
Net Cost of Services		**2,270,430**	**2,246,050**	**236,230**
Transfer from Major Repairs Reserve	*2*	(1,976,800)	(2,007,900)	**(818,740)**
Interest Receivable		(9,640)	(9,640)	(650)
FRS17 Adjustment	*4*	(33,350)	(33,350)	(2,120)
Net Operating Expenditure		**250,640**	**195,160**	**(585,280)**
CONTRIBUTIONS				
Contribution to Piper Alarm Reserve		10,400	10,400	10,400
Contribution to Pensions Reserve		12,890	12,890	12,890
(Surplus) / Deficit		**273,930**	**218,450**	**(561,990)**
Relevant Year Opening Balance at 1st April		**(1,439,774)**	**(1,690,000)**	**(1,471,550)**
Relevant Year Closing Balance at 31st March		**(1,165,844)**	**(1,471,550)**	**(2,033,540)**

	REF	2011/12 ORIGINAL ESTIMATE (Published) £	2011/12 LATEST ESTIMATE £	2012/13 ORIGINAL ESTIMATE £
SUPERVISION & MANAGEMENT (GENERAL)				
Employees	1	507,680	561,870	572,570
Premises Related Expenditure		91,390	91,390	95,390
Transport Related Expenditure		24,540	32,300	17,510
Supplies & Services	2	92,240	134,200	116,970
Central & Administrative Exp	3	790,940	672,470	672,420
Gross Expenditure		**1,506,790**	**1,492,230**	**1,474,860**
Revenue Income		**(30,790)**	**(42,670)**	**(52,930)**
Net Expenditure to HRA		**1,476,000**	**1,449,560**	**1,421,930**
SUPERVISION & MANAGEMENT (SPECIAL)				
Employees	4	703,010	589,060	574,110
Premises Related Expenditure	5	401,910	381,360	380,750
Transport Related Expenditure		15,470	15,470	11,640
Supplies & Services		144,260	119,540	134,960
Central & Administrative Exp		137,570	137,570	166,870
Gross Expenditure		**1,402,220**	**1,243,000**	**1,268,330**
Revenue Income	6	(591,880)	(674,330)	(622,860)
Recharges		(50,480)	(50,480)	(52,250)
Total Income		**(642,360)**	**(724,810)**	**(675,110)**
Net Expenditure to HRA		**759,860**	**518,190**	**593,220**

	REF	2011/12 ORIGINAL ESTIMATE (Published) £	2011/12 LATEST ESTIMATE £	2012/13 ORIGINAL ESTIMATE £
HOUSING REPAIRS ACCOUNT				
Administration				
Employee Costs		355,970	302,870	356,960
Transport Related Expenditure		26,220	22,220	15,340
Supplies & Services		152,470	124,470	143,365
Central Administrative Expenses		312,600	312,600	293,900
Total Housing Repairs Administration		**847,260**	**762,160**	**809,565**
Programmed Repairs		**536,630**	**536,630**	**555,410**
Responsive Repairs		**1,039,670**	**1,039,670**	**1,058,655**
GROSS EXPENDITURE		**2,423,560**	**2,338,460**	**2,423,630**
Contribution from HRA		(2,400,000)	(2,400,000)	(2,400,000)
Interest on Cash Balances		(2,020)	(2,020)	(2,020)
Enhancement Exp Recovered and Other		(2,000)	(2,000)	0
FRS17 Adjustment		(10,610)	(10,610)	(540)
TOTAL INCOME		**(2,414,630)**	**(2,414,630)**	**(2,402,560)**
NET EXPENDITURE		**8,930**	**(76,170)**	**21,070**
Opening Balance at 1st April		**(238,100)**	**(344,000)**	**(420,170)**
Closing Balance at 31st March		**(229,170)**	**(420,170)**	**(399,100)**

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Hinckley & Bosworth Borough Council
A Borough to be proud of

COUNCIL – 23 FEBRUARY 2012

MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2014/15

REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)

WARDS AFFECTED: ALL WARDS

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1. **PURPOSE OF REPORT**

   To consider and approve the Medium Term Financial Strategy 2011/12 to 2014/15.

2. **RECOMMENDATION**

   That Council approve the Strategy.

3. **BACKGROUND TO THE REPORT**

   The Medium Term Financial Strategy sets out clearly the Council's financial position for the four years from 2011/12 to 2014/15. The financial strategy underpins the Council's Corporate Plan and ensures that resources are allocated and used effectively to achieve the targets set out in the Corporate Plan whilst at the same time not placing an unreasonable burden on local tax payers.

   The Strategy sets out the financial planning framework for Hinckley and Bosworth Borough Council and shows how national, regional and local issues are taken into account in planning the resources available for service delivery.

   Section 7 of the Strategy sets out the main financial pressures affecting the Council and Section 8 sets out the financial objectives of the Council. Section 11 sets out the Capital Programme of the Council and emphasises that the programme contains a number of major schemes (including the relocation of the Council offices to the Hinckley Hub and depot relocation). Revenue implications of these developments have a major impact on the General Fund revenue budgets in the years 2011/12 to 2014/15 and beyond.

   The Medium Term Financial Strategy is a rolling document and will require updating in six months time.

4. **FINANCIAL IMPLICATIONS (SK)**

   These are contained within the report.

5. **LEGAL IMPLICATIONS (LH)**

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

6. **CORPORATE PLAN IMPLICATIONS**

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

7. **CONSULTATION**

Members of the Strategic Leadership Board and Corporate Operations Board have been consulted during the preparation of this MTFS.

8. **RISK IMPLICATIONS**

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

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

The Risk Management Strategy is the vehicle that manages the risks to the council and the Strategic Risk Register identifies the key risks to the organisation during the period of the Medium Term Financial Strategy.

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

The MTFS relates to all services provided by the Council and therefore impacts all areas and groups equally.

10. **CORPORATE IMPLICATIONS**

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

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

Contact Officer: Sanjiv Kohli, Deputy Chief Executive (Corporate Direction), ext 5607

Executive Member: Cllr Keith Lynch

Hinckley & Bosworth
Borough Council

A Borough to be proud of

MEDIUM TERM FINANCIAL STRATEGY 2011/12 to 2014/15

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MEDIUM TERM FINANCIAL STRATEGY 2011 to 2015

FOREWORD

The Medium Term Financial Strategy (MTFS) 2011 to 2015 sets out the financial planning framework for Hinckley and Bosworth Borough Council and shows how national, regional and local issues are taken into account in planning the resources available for service delivery.

Financial planning is essential and enables the council to set objectives and priorities, turn policy decisions into programmes of action, decide how to best allocate the resources available and review results so that learning feeds back into the decision-making process.

The duty to provide best value to the community makes effective planning even more important. By having well planned services and associated resource allocation, the Authority will be much better equipped to respond appropriately to community needs. Good planning ensures that short-term solutions are not achieved at the expense of long-term sustainability. Well-informed decisions, which are open to scrutiny, will enable the council to demonstrate clearly to the community the ways in which we are responding to local aspirations, leading to greater accountability.

Effective planning, although difficult, is particularly important in this period of economic instability and financial uncertainty. The Council is, however, very well equipped to deal with this challenge as it has become accustomed to sound financial planning and has established a strong financial standing. This has recently been recognised and commended by the Council's auditors, PricewaterhouseCoopers LLP, in their Annual Audit and Inspection letter for the year ended 31 March 2011.

The Council faces a number of financial challenges. Whilst the financial position for 2011/12 and for 2012/13 continues to be stable primarily due to the early intervention, since 2009/10, in identifying and implementing base budget savings of close to £2m, there is increased uncertainty over the financial position from 2013/14 onwards with the anticipated introduction of reforms relating to council tax benefit and business rates, the likely further reduction in Revenue Support Grant (RSG) and the continuing need to support our General Fund from balances and reserves. Furthermore, the further delay in Government giving the go-ahead for the implementation of local determination of planning fees is already an issue for 2012/13 (as well as 2011/12) and we have therefore removed the estimated increase in fee income of £80,000 from being able to set our own planning fees.

As it stands we know that there will be a further reduction of central government grant funding of around £700,000 for 2012/13 (to add to the £908,000 reduction in 2011/12). For 2013/14 and 2014/15 we anticipate further reductions of 5% taking the total reduction in grant funding over the four year period to £2.12m or 35% reduction in grant funding. We also anticipate that the impact on this Council of the Council Tax Benefit reform will be around £740,000. Talking all of these factors into consideration and assuming all other things remain the same, we face a funding shortfall of around £2.94m from 2013/14 onwards. The Council made a head start by addressing almost £1.7m of this shortfall in setting the budgets for previous years, and the remainder of the shortfall has been addressed in compiling this Medium Term Financial Strategy. In doing so, certain assumptions have been made which are clearly set out in the strategy. The tables on page 8 and page 38 of the strategy summarise the forecast position for 2011/12 to 2014/15 and show that the Council will be able to balance its budgets for 2012/13, 2013/14 and 2014/15 provided that the next Finance Settlement is no worse than a further 5% reduction cumulative for 2013/14 and 2014/15. Senior Management have however already commenced work on identifying areas where savings could be made, if needed, from 2014/15 and a target level of £500,000 to £750,000 has been set for senior managers. If the settlement for

2013/14 and 2014/15 is closer to reductions in formula grant of cumulative 10% then there will inevitably be challenges to the mainstream services that the council currently delivers and some very difficult decisions will be required to be made on back office, non-priority and non-statutory services informed by citizen feedback and member priorities. Robust challenges to the financial performance of services will also be required throughout the life of the Strategy to ensure that targeted savings are delivered as a minimum and combined improvements are made where needed as identified in the council's Corporate Plan and Service Improvement Plans. Staff, Managers and Members will need to continue to work closely together and pull in the same direction in order to successfully meet the challenges of the next four years.

The funding of the Capital Programme over the period of this Strategy will also be challenging as the regional funding that this Council benefited from in the past is no longer available and as the Capital Receipts Reserve is drawn down by the end of 2013/14. The Cross Party Asset Management Group will continue to identify assets for disposal in order to provide funding for the future Capital Programme. The medium term funding implications are detailed in section 11 of this Strategy.

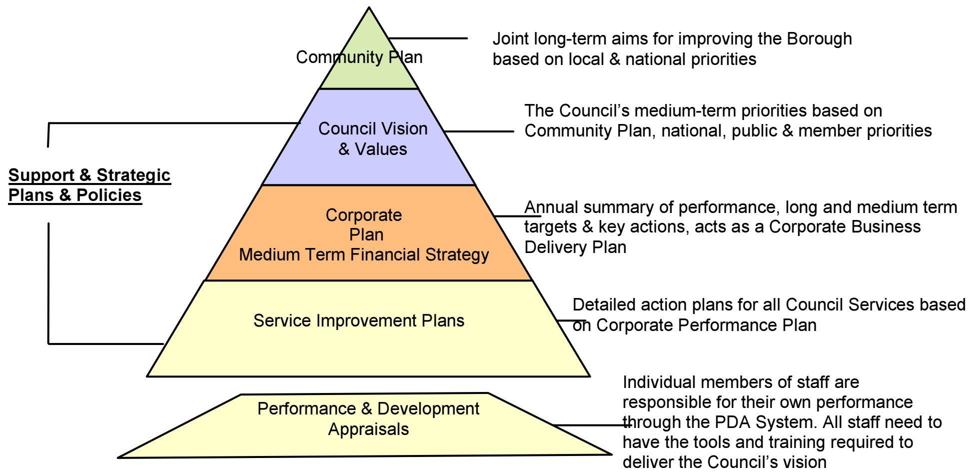
The changes in the Housing Financing System from April 2012 will mean that the Council's Housing Revenue Account will carry an opening debt of £72.256m. This is the amount determined by CLG as the debt allocation to this Council for "buying out" of the current subsidy system. Although the amount of debt is staggering it is financially beneficial when compared against the present value of the negative subsidy (£4.047m for 2011/12) that this Council pays each year to CLG under the current system.

Sanjiv Kohli	**Keith Lynch**
Director of Finance and S151 Officer	**Executive Member for Finance**

2. INTRODUCTION

The Council seeks to continually improve its financial management and reporting. It strives to provide financial information in a manner that is 'user friendly' based on the results of public consultations. The Medium Term Financial Strategy is one of a suite of strategic documents that forms the Corporate Planning Framework.

Hinckley and Bosworth Borough Council – Corporate Planning Framework



The Council's vision is to make Hinckley and Bosworth **'a Borough to be proud of'**. To achieve the Council's vision five long term Aims have been identified. We want to be proud of our:

- Cleaner and Greener Neighbourhoods
- Thriving Economy
- Safer and Healthier Borough
- Strong and distinctive communities
- Decent, well managed and affordable Housing

The Council uses its performance management framework to ensure that services improve and that plans, partnerships and strategies deliver the Council's Aims.

The Council regularly consults its community regarding local priorities to inform its strategic plans and policies. This consultation is conducted through both the Citizens Panel and borough-wide through the Borough Bulletin and the Council's Internet.

Detailed plans for the development and delivery of services are included in Service Improvement Plans (SIPs) prepared on an annual basis by service managers. These are three year plans that are used to identify service pressures and thus inform the MTFS to identify resource requirements.

The top five and lowest five ambitions for Hinckley and Bosworth to be a good place to live and work identified through the summer 2011 consultation are:

Local High Priority Ambitions

- Reduce Crime and antisocial behaviour and improve public confidence
- Clean neighbourhoods for everyone
- Provide value for money council services
- Support people in most need
- Maintain jobs, improve skills, increase wage levels and promote opportunities for employment

Local Low Priority Ambitions

- Improve public health through education, enforcement and ensuring people are physically active
- Make a sufficient number of different types of affordable homes available where they are needed
- Increase and promote activities in rural areas
- Support residents to maintain the condition of their homes
- Increase the number of volunteers in the community

Note: although the above five low priority ambitions have followed local public consultation, consideration of financial resources also needs to take account of the Council's statutory responsibilities.

Confirmed local public priorities, Leicestershire area, Member and national priorities are used to develop and inform the Council's delivery plans for the medium to long-term. The purpose of setting priorities is to allocate resources to meet the needs of the borough, whilst recognising that the Council has finite resources and cannot achieve everything all at once.

The MTFS considers the services that the Council needs to invest in for the years ahead in order to meet the corporate objectives and long-term service ambitions and the implications of this spending on council tax levels, and on other sources of income. The budget strategy for each of the years of this strategy will similarly take into account the Authority's priority and non-priority services. As regards non-priority services, the Council needs to ensure that it meets minimum statutory requirements.

Although the MTFS is a document that spans four years into the future, it is reviewed annually and amended, as appropriate.

3. EXECUTIVE SUMMARY

This Medium Term Financial Strategy takes into account the Council's Corporate Plan objectives which in turn are derived from the Community Plan. It takes into consideration national and county-wide initiatives together with local pressures facing the council over the next three to four years. The measures that have already been put in place and difficult decisions taken over the last few years regarding the Council's fiscal management have assisted greatly in underpinning its position to sustain the effective delivery of key services, as well as the progress of key ambitious projects.

The MTFS is prepared under a climate of great national and local uncertainty with many aspects of what the council is striving to achieve in the next three to five years being difficult to quantify and include in the financial forecasts. Nevertheless, it is important that this strategy is refreshed to incorporate what is known and can be projected, in order to give as clear a framework and direction as possible to the use of our resources in support of the work of the Council over the next three to four years.

This Strategy has been complied in the light of the Comprehensive Spending Review (CSR10) announced by the Coalition Government in October 2010. The overriding objective of this review was to eliminate the national budget deficit over the life of this Parliament i.e. to 2015. In the review the total level of Central Government support to Local Government was planned to drop by 25% over the life of the review. It was assumed that this support would reduce evenly over the period. However when the Local Government Finance Settlement was announced in December 2010 it soon became apparent that these reductions were front-loaded with this council losing £1.6m (23%) in grant in 2011/12 and 2012/13. As the Government had promised to protect certain areas of Local Government spending within the overall spending envelope there is less funding available for other services. The protected services e.g. Education and Personal Social Care are provided by County and Unitary Authorities and not District Councils; therefore, the grant reductions specific to districts are likely to be in excess of the 25% overall reduction in CSR10. It is assumed that the reductions in 2013/14 and 2014/15 will be of the order of 5% in each year which equates to a total further loss of grant of £514,000 over that two-year period.

In terms of local taxation Central Government has called for a Council Tax freeze in 2011/12 and 2012/13 but has provided a grant equivalent to a 2.5% increase in Council Tax to compensate. For 2013/14 and 2014/15 this strategy has assumed Council Tax increases of 2.5%. The Government has announced a scheme that rewards councils for bringing forward and completing new developments in their area in the form of the New Homes Bonus, whilst some additional funding has been made available for this, support to councils in excess of the provided amount will come from top slicing RSG and Business Rates available for distribution.

The overall economic state of the country is still in a very difficult position with the recovery from recession still very slow with the possibility that the situation in Europe may trigger another recession with all that means for the services provided by the Council. By seeking and achieving efficiencies in the past this Council has put itself in a position whereby it can weather the current storm without having to make further sudden and large scale reductions in expenditure. That is not to say that it will not be necessary to make savings going forward and some of these have been included in the strategy. The Council is still faced with pressures that increase costs both in terms of the demand for its services and from inflation both general and specific e.g. additional pension fund contributions.

The following table summarises the service budget requirements and the underlying funding requirements for the three years of the Strategy.

Table 1 - Summary of Service Budget Requirements

Projected at different levels of Finance Settlement (F.S.)	**2011/12 Revised**	**2012/13 Standstill**	**2013/14 Standstill**	**2013/14 FS -5%**	**2013/14 FS -10%**	**2014/15 Standstill**	**2014/15 FS -5%**	**2014/15 FS -10%**
Net Budget Requirement (NBR) after use of Balances and Reserves	10,289,060	10,435,734	10,640,098	10,371,474	10,102,851	11,068,358	10,544,543	10,047,590
Finance Settlement including New Homes Bonus and Freeze Grant	6,077,697	6,189,556	6,255,096	5,986,472	5,717,849	6,541,868	6,018,053	5,521,100
Total Balance & Reserve Movements	562,519	(467,766)	(519,346)	(787,969)	(1,056,593)	(220,872)	(744,688)	(1,241,641)
Levels of General Fund Reserves (see below)	4,439,539	4,481,989	3,796,209	3,796,209	3,796,209	3,245,929	3,245,929	3,245,929
Levels of General Fund Balances	2,175,162	1,664,946	1,831,380	1,562,757	1,294,133	2,160,788	1,368,349	**602,772**
Minimum Level 10% of NBR	1,028,906	1,044,143	1,064,010	1,037,147	1,010,285	1,106,836	1,054,454	1,004,759

Composition of Reserves Balances

Projected at different levels of Finance Settlement (F.S.)	**2011/12 Revised**	**2012/13 Standstill**	**2013/14 Standstill**	**2013/14 FS -5%**	**2013/14 FS -10%**	**2014/15 Standstill**	**2014/15 FS -5%**	**2014/15 FS -10%**
Capital Reserves	1,082,923	990,643	1,015,363	1,015,363	1,015,363	1,040,083	1,040,083	1,040,083
Ring Fenced Reserves	155,671	155,671	155,671	155,671	155,671	155,671	155,671	155,671
Unapplied Contributions Reserves	860,244	860,244	860,244	860,244	860,244	860,244	860,244	860,244
Revenue Reserves	2,337,701	2,472,431	1,761,931	1,761,931	1,761,931	1,186,931	1,186,931	1,186,931
TOTAL	4,439,539	4,481,989	3,796,209	3,796,209	3,796,209	3,245,929	3,245,929	3,245,929

For the purposes of the financial forecasts, the following council tax levels at average Band D have been assumed for the whole of the Borough:-

Table 2

	2011/12 Actual	2012/13	2013/14	2014/15
Borough-wide Council Tax at AV Band D	£112.35	£112.35	£115.16	£118.04
Percentage increase	0%	0%	2.5%*	2.5%

* If Central Government are minded to offer a Council Tax Freeze Grant in 2013/14 it is likely that this Council will accept the offer and freeze the Council Tax in 2013/14.

As part of the budget setting process for 2011/12 a budget Overview Panel (BOP) comprising SLB Members plus the Portfolio Holder for Finance tasked managers with identifying savings within their service areas based on targets set following a review of services based on statutory need to provide the service, citizens priorities, members priorities and level of resources available to the service.

Managers identified the following savings:

Table 3

	2011/12	2012/13	2013/14
In Year Savings	725,810	201,290	191,190
Total Cumulative effect on base budget	725,810	927,100	1,118,290

In 2009/10 the Council undertook a staffing restructure which resulted in a reduction in 21 staff effective in that year and three senior officers from 2010/11, further voluntary redundancies have been agreed for 2011/12. The on-going cost savings and related first year costs of redundancy and the pension fund strain are set out in the table below.

Table 4

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	TOTAL
Costs	£	£	£	£	£	£	£	£
Redundancy Pay/Notice Pay	340,450	213,551	81,340	0	0	0	0	635,341
Cost of Pension Fund Strain	121,108	151,580	151,580	151,580	32,140			607,997
Total Costs	461,558	365,131	232,920	151,580	32,140			1,243,338
Annual Savings	230,769	540,105	627,995	753,330	753,330	753,330	753,330	4,412,149
Net (cost)/ savings	**(230,789)**	**174974**	**395,035**	**601,750**	**721,190**	**753,330**	**753,330**	**3,168,811**

The Council has made the decision to fund the total net cost of the restructure in 2009/10 and 2010/11 from General Fund Balances. This decision has been made on the basis that the Council's General Fund Balances could sustain this charge.

It was therefore considered prudent to finance the restructure cost from revenue balances rather than place a further burden, through capitalisation, on the current Capital Programme.

4. NATIONAL OVERVIEW

There are a number of national initiatives and developments which the Council needs to take account of when developing the MTFS. These include initiatives directed at finance and funding, performance, efficiencies, personnel, partnerships, democracy etc. Further detailed information regarding these initiatives and local government in general can be obtained from the Department of Communities and Local Government website at: ***www.communities.gov.uk***.

In addition to these national initiatives and developments (including the prospect of reduced levels of Central Government funding for the CSR10 period), the current economic downturn and recessionary period followed by a prolonged period of recovery that the country is facing is adding, and will continue to add, financial pressures with decreased income from charges, increased costs and drop in land values, at a time when there will be an increased demand for our services.

The main factors affecting the Council are detailed below.

4.1 Economic Outlook

In recent years the country has faced unprecedented levels of public sector borrowing which have reached a peak of 11.0% of Gross Domestic Product (GDP) in 2009/10. In the Budget of 2011 the Government announced that it wished to see this level of borrowing reduce to 2.5% of GDP in 2014/15. This is a significant reduction in the resources available to the public sector and a great deal of pain will be endured by the Public Sector to achieve the target.

The recovery from the last recession which started in 2008 has indeed been very slow with growth only just in positive territory in the past year. In contrast the rate of inflation measured by the Government's preferred measure, the Consumer Prices Index, has been above the target level of 2% since December 2009 and has been above twice the target rate for the last eight months. This has provided a quandary for the Bank of England in that if Monetary Policy was being applied in the normal manner it would have raised its Base Rate to reduce inflation; however, to do so in the current climate may choke off any growth in the economy and precipitate a further recession. When the economy went into decline in 2008/09 the Bank of England tried to stimulate it by reducing interest rates, which fell from 5% in October 2008 to 0.5% in March 2009. The rate has not changed since that time. Interest rates are at an all time historic low and have also remained unchanged for one of the longest periods in history. The reduction in interest rates alone has not had the desired effect of encouraging growth and as rates are now as low as they can reasonably be. Other options to stimulate the economy were needed and the Bank of England undertook a programme of Quantitative Easing (QE) where money was injected into the economy to stimulate growth. Up until October 2011 a total of £200bn had been injected into the economy as a result of the Bank of England purchasing bonds. Poor growth performance for Q2 2011 resulted in the Bank of England Monetary Policy Committee (MPC) extending the programme of QE by £75bn at its October 2011 meeting.

At the present time the Bank of England Monetary Policy Committee (MPC) consider that the factors affecting the rate of inflation are temporary and will fall out in due course e.g. the impact of the increase in Value Added Tax in January 2011 to 20% and therefore do not want to increase interest rates to reduce inflation as they fear the impact this might have on future growth.

The outlook for the economy is not very bright at the current time with potential growth in the UK being put under threat by the troubles of some important Euro states and thus the outlook for interest rates suggests that they are likely to remain unchanged until the third or fourth quarter of 2012 and even then are only likely to increase by a quarter percentage point each quarter. The inflation outlook may be more rosy when the VAT increase drops out of the index and if wholesale energy prices do not increase at a similar rate to the recent past. For the purposes of this strategy it is forecast that inflation will be 3.5% in 2012/13 and 3% in future years compared with the current rate of 5.4% in October 2011.

4.2 Spending Review

Each year the Council receives a significant amount of financial support from Central Government in the form of grants. The allocations to the Council are determined by Government carrying out Comprehensive Spending Reviews (CSR) which enables it to decide how much it can afford to spend, what its priorities are and targets for improvements to be funded by additional resources.

The last review was undertaken in summer 2010 (CSR10) following the General Election in May 2010 and covers the years 2011/12 to 2013/14. The spending targets set in this review were significantly influenced by the Coalition Government's desire to remove the deficit within the term of this current Parliament (2010 – 2015).

Whereas before the Election it was anticipated that the CSR would result in a reduction in resources available to local authorities by 15% over the three years as a worst case the CSR gave a planning envelope of a reduction of 25%. At the time of the CSR announcement it was assumed that the reductions would be evenly spread over the life of the CSR but, when the Local Government Finance Settlement was announced in December 2010, it became clear that the reductions would be heavily front loaded. The Government has also indicated that it would ring fence the resources available to certain priority services such as Education and Social Care which in turn means that the cuts in Central Government funding to District Councils are estimated to be of the order of 35% over the period of the CSR.

The 2011/12 Finance Settlement only covered the grant and redistributed NNDR for 2011/12 and a provisional settlement for 2012/13. The settlement figures and reductions for 2011/12 and 2012/13 are shown below. It should be noted that the 2011/12 reduction is after the reduction resulting from Concessionary Travel Administration (costs and responsibility) moving to the County Council.

Table 5

	Finance Settlement		
	£	**Decrease £**	**Decrease %**
2011/12	5,972,437	908,250	13.2
2012/13	5,272,106	700,331	11.7

For the purposes of this strategy two options regarding the future movements in Formula Grant have been adopted, the best case scenario is a drop of 5% in 2013/14 and 2014/15 which equates to a total loss of grant of £514,000 over the two years. The worst case scenario is a loss of grant of 10% in 2013/14 and 2014/15 which equates to a loss of grant of £1,002,000 over the two years.

4.3 Local Government Resource Review

The Government has initiated a review of Local Government Resources which is in two parts, the first looking at ways of reducing the perceived reliance of Local Government on Central Funding and the Council Tax Benefits system and the second phase looking at ways of shifting power from Westminster to the people. The first phase has been completed and the results have been subject to consultation ending in October 2011. Terms of reference have been issued for the second phase which is due to be completed by April 2013 and deals with Neighbourhood and Community Budgets.

Details of various aspects of the review are set out below.

4.3.1 National Non Domestic Rates Reform

Whilst the Rates paid by Businesses are collected by District and Unitary authorities, the receipts are paid over to Central Government and are redistributed via the Grant Formula. The amount due is calculated by multiplying the Rateable Value of the premises occupied (determined by the Valuation Agency) and the NNDR multiplier set by Central Government, so at the present time local authorities have no influence on the amounts collected or how it is distributed.

The Government has recently issued a consultation document which is looking to allow some element of Business Rate growth to be retained at a local level as an incentive for authorities to promote business growth in there area.

The basis of the proposed system is for the rate poundage to continue to be set nationally, whilst the initial amount of rates to be retained will be based on the NNDR allocation in the settlement in the year prior to the commencement of the scheme. However, this means that there will still be contributions to and from a pool, which is intended to ensure that authorities do not suffer a significant reduction in resources available to them as a result of the change. Whilst the Council would benefit from additional NNDR generated by new developments in the area, it would be at risk of losing resources if the tax base reduced. To counter this a system of caps and safety nets would be put in place. At the present time it is envisaged that the scheme would not come into effect until 2013/14 at the earliest and at the present time no calculation of the possible impact on this Council has been made.

In addition, from April 2012 the establishment of the Enterprise Zone on the A5 at MIRA will have a financial impact with the Enterprise Zone retaining all of the Business Rates generated from that Zone for at least 10 years. (To amend as details become clearer)

4.3.2 Council Tax Benefit Changes

A consultation document has been issued by Central Government relating to changes to the Council Tax Benefit system, basically replacing it with a system of Council Tax support. The proposals seek to deliver:

- Abolition of Council Tax Benefit in favour of a Council Tax Discount
- A 10% reduction in the cost of paying Council Tax Benefit worth £500m nationally. A 10% reduction in this Council's subsidy equates to £740,000
- Giving councils greater financial autonomy
- Localised support for Council Tax for poorer households
- Ensure support for the most vulnerable in our communities, in particular pensioners
- Provide positive incentives to work linked to the new Universal Credit system

The timescales for this change are very tight with the changes coming into effect in April 2013 (2013/14 financial year). The proposals would require each authority to come up with its own local scheme which would result in extensive and costly ICT amendments.

These proposals, if implemented, will have a significant impact on local authorities in terms of the resources they have to support poorer households and, given that vulnerable groups are protected and these are likely to include pensioners, the main impact is likely to be felt by benefit recipients of working age or fall on the Council Taxpayer generally. It is felt that these changes will impact adversely on the collection rates of Council Tax, potentially impacting on the resources available to Councils

4.3.3 Second Phase of the Local Government Resource Review

Whilst the first phase of the resource review looked at giving greater financial autonomy, the second phase looks at ways in which all providers of public services can work together and possibly pool and realign budgets to provide better outcomes, more effective use of resources and greater value for money for taxpayers. The review will look at Community Budgets and Place based budgeting, using four pilot areas. It is anticipated that this work will be completed by April 2013.

4.4 Housing Reforms

The Council has retained management of its own Housing Stock and, therefore, has remained within the national Housing Revenue Account Subsidy Scheme. This scheme is intended to equalise the needs and resources available to Housing Authorities across the country. The system is based on a notional Housing Revenue Account and results in authorities with a surplus on the account (i.e. an excess of notional rental income over notional expenditure based on allowances for management and maintenance) paying money (negative subsidy) to the Department for Communities and Local Government (CLG) and in those with a deficit on the account receiving money from CLG. Over the years more and more Councils have moved into negative subsidy and the system is now in overall surplus i.e. more money is paid into CLG in negative subsidy then is paid out in subsidy.

Reform of the Housing Subsidy System was proposed by the previous Government and has been picked up by the Coalition Government. A system of self financing of the HRA has been introduced in the Localism Act which has recently received Royal Assent whereby those authorities currently paying negative subsidy to Central Government will make a single payment based on the discounted negative subsidy payments over 30 years using revised and updated management and maintenance allowances. This will be classed as a Capital Payment and financed by borrowing. Authorities that are currently receiving subsidy will receive a one off payment that is required to be used to pay off borrowing. It is anticipated that the new system will come into effect on 1 April 2012, although the financial transactions will be undertaken on 28 March 2012. At the present time it is anticipated that the Council will need to make a payment of £68m to CLG which will be financed by borrowing, with the interest charges being borne by the HRA. A 30 year business case for the HRA suggests that this change is sustainable for that period.

4.5 New Homes Bonus, Community Infrastructure Levy (CIL) and S106 agreements

New Homes Bonus was introduced in February 2011 and was designed to encourage housing growth by providing financial incentive for Councils and local people to accept new housing. The first awards were made in April 2011.

For each additional new home built local authorities will receive six years of grant based on the council tax. This will increase in amount each year as more new housing comes on stream.

The scheme applies to new housing, empty properties brought back into use, a £350 enhancement per year for each affordable home, as well as traveller sites in public ownership.

The grant is made to local authorities on a non-ring fenced basis with 80% to a district authority and 20% to a county council in two-tier areas. It can be used to provide new services or facilities, support local services or reduce taxation. In addition, this Council has determined a voluntary contribution to Parish Councils where the development takes place of 25% from its 80% allocation.

The award is made for each house that is built and occupied, not just for the granting of planning permission. Whilst it is a resource available to the council it is driven by the housing market and is therefore difficult to predict with any significant degree of accuracy. Based on the existing planned housing trajectory, the anticipated New Homes Bonus allocation for this Council is forecast as follows:-

Financial Year	Total Allocation (80%)	Transfer to Parishes	Retained NHB
2011/12	349,762	87,440	262,322
2012/13	694,762	173,691	521,071
2013/14	1,037,482	259,370	778,112
2014/15	1,611,034	402,759	1,208,275
2015/16	2,277,322	569,330	1,707,992
2016/17	2,793,418	698,351	2,095,067

Section 106 monies and the Community Infrastructure Levy (CIL) are secured through the planning process and are funding streams to provide infrastructure required to make development acceptable in planning terms.

The Community Infrastructure Levy Regulations 2010 enable Local Authorities to set a charging schedule to raise monies for agreed infrastructure. At present this authority does not have a CIL charging schedule, but is working with other Leicestershire authorities to have a scheme in place in the early part of 2013.

S106 requests have to comply with the statutory tests set out in the 2010 CIL regulations, which require the contribution to be necessary, related to the development and proportionate in scale.

It is difficult to assess what impact CIL will have on Council finances until the charging schedule has been set.

It is envisaged that major future capital schemes to improve community infrastructure will need to be funded through CIL as Council assets diminish and as the Council's ability to borrow becomes more constrained.

5. REGIONAL/COUNTY OVERVIEW

Hinckley and Bosworth sits on the western edge of the East Midlands region in the county of Leicestershire. The East Midlands covers the counties of Leicestershire, Nottinghamshire, Lincolnshire, Derbyshire, Rutland and Northamptonshire. There are a number of initiatives which improve service delivery and value for money and aim to promote better policy integration. These include:

- Leicester & Leicestershire Economic Partnership
- Sustainable Community Strategies

Some of these initiatives are being implemented at a county/sub regional level, others at a district level. However, they are all important within the context of local service provision. The Council has been recognised for its effective Partnership engagement in these initiatives at local sub-regional and regional level.

5.1 Shared Services Partnership

The Council has led on and implemented a number of successful shared service partnerships with other Councils and the Private Sector and has undertaken a full review of its approach to shared services. A list of the current main Shared Service arrangements and the partners is set out below. It is not comprehensive. The overriding objective of the Council in entering into a shared service arrangement is to increase capacity and resilience whilst delivering efficiencies savings or income of at least 15% of cost

Service	Partners	Savings/ Additional Income
Section 151 Officer and Internal Audit	Oadby & Wigston BC	18,237
Chief Officer - Finance	Oadby & Wigston BC	14,424
Building Control Manager	Oadby & Wigston BC	40,000
Land Charges	Blaby District Council	0
Community Safety Partnership	Blaby Borough Council	0
Revenues and Benefits	Harborough DC and NW Leicestershire DC	221,000
ICT	Oadby & Wigston BC, Blaby DC and Steria	50,300
Legal Services	Blaby DC, Oadby & Wigston BC and North Warks DC	40,000
Waste Manager	Nuneaton & Bedworth BC	24,700
Regeneration Team	Oadby and Wigston	Retention of expertise

5.2 Local Development Framework

Hinckley and Bosworth Borough Council became the first lower tier authority in the East Midlands to adopt its core strategy when it did so at Council on 15 December 2009.Future developments which comprise the Local Development Framework are outlined in the Council's Local Development Scheme, which also sets out the timetable for their production. An earmarked reserve which has a current balance of £391,000 is available to meet the cost of this process. Details of the movement in the reserve are shown in paragraph 7.8.

6. CLIMATE CHANGE & CARBON FOOTPRINT

Climate change is the greatest environmental challenge facing the world today. Rising global temperatures will bring changes in weather patterns, rising sea levels and increased frequency and intensity of extreme weather events. This may cause severe problems for people in regions that are particularly vulnerable to change.

The Council produced a Carbon Management Plan in 2009 with the aim of reducing CO_2 emissions from council operations by 20% from the 2008/09 baseline by March 2014. Total emissions were 3,791 tonnes of CO_2 (NI185) for 2008/09. The figure for 2010-11 was 3,682 TCO_2 only a 2.7% reduction against this baseline. This was mainly due to the very cold winter increasing gas consumption particularly at the Leisure Centre. This masks a credible 8% reduction in electricity use and a 9% reduction in fleet fuel usage. £30,000 has been included in the capital programme for projects during 2011/12. Recent projects include the upgrading of lighting at Armada Court Sheltered Scheme which is predicted to save over 14 TCO_2 per year and £2700 per year, funded through the County Salix fund.

The Carbon Management Plan is currently being refreshed due to changes in the proposed office and other council facilities moves. Energy efficiency measures that would be cost effective within the current Hinckley Leisure Centre are very limited due to the current uncertainties as to its future. Any new facility would significantly reduce the energy consumption, as it would be built to high efficiency standards compared to the current 40 year old building. The proposed move of the main council administration office to the Hinckley Hub with reduced floor space and a high efficiency design will again assist in reduction emissions towards the target.

The Government has required councils to report total Green House Gas emissions this year in a different format with the NI185 indicator being removed. HBBC will continue to report the NI185 figure alongside the GHG figures to report against the original target.

The GHG emission figure for 2010-11 of 3,377 TCO_{2e} is lower than the NI 185 figure due to the council's procurement of Good Quality Combined Heat and Power electricity having lower emissions factors per kWh of electricity. HBBC is looking to procure renewable electricity on the renewal of the supply contract which will reduce total emissions of GHG.

Tighter monitoring of consumption has been introduced to assist in energy expenditure profiling, identify excessive consumption and opportunities for reduction. Automatic metering and reporting already introduced across the main buildings and Leisure Centre have been increased through RIEP funding to assist in identifying usage patterns and verify bills.

Energy costs incurred by the authority for 10/11 were a total of £272,212 and fuel £301,619. Compared to energy costs in 2008/09 this shows a 17.3% (£28k) reduction in gas costs and 8.7% (£13k) reduction in electricity reflecting both better procurement and reduced consumption. Unfortunately despite a reduction in the litres of fuel used there has been a 9% increase in the total costs of fuel.

7. MAIN FINANCIAL PRESSURES AFFECTING HINCKLEY AND BOSWORTH BOROUGH COUNCIL

It is impossible, and indeed would be inappropriate, to try and separate the national, regional and local pressures identified in the previous sections and try and address each separately. Instead, a high level review of the financial pressures facing the council over the term of the MTFS has been undertaken and the following points should be noted:

7.1 Pay & Price Increases

The present level of inflation has been reflected in setting this Strategy. The need to drive continued efficiency savings for the period of the strategy within the cost of supplies and services means that there will be no inflationary increase for supplies and services for the period of this Strategy. In addition, it is envisaged that further efficiencies will be gained through the implementation of an effective procurement strategy which is continuously revised and monitored by the Council's Chief Officer for Procurement.

For contracts, an inflation rate of 3.5% has been used for 2012/13 and 3% for 2013/14 and 2014/15, unless otherwise specified within the terms of the specific contract.

At just over £11.3m (including HRA: £1.5m) for 2011/12 the salaries and wages budget is a significant part of the total budget. No inflationary increase has been allowed for Salaries and Wages in 2012/13 and 1% increase has been allowed in 2013/14 and 2014/15.

Turnover of staff usually results in increased costs with advertising and use of temporary staff to cover key operational roles but inevitable delays in appointment arising from the Council's normal recruitment process will result in savings. In previous years a net saving close to 2% had been included in the salaries and wages estimate. On further consideration the net saving over the last three years has been closer to 4% and therefore a 4% saving has been applied for 2011/12 to 2014/15. In addition, having fewer vacancies will increase this saving, as there will be a smaller number to fill.

The other significant change in the payroll budget is the increase in the employer's contributions for pensions payments. The provision included in the 2012/13 budget and the implications for future years is dealt with in detail in paragraph 7.4 below.

7.2 Investment Income

Relative levels of investment income have in the past been an important source of income for supporting the Council's service expenditure and are heavily dependent on how the Council uses its reserves and interest rates. As stated in the last revision of this Strategy, the Council needs to reduce its reliance on investment income. This has especially been brought into focus as the successive reductions in base rate in the latter part of 2008/09 have had a significant impact on returns from investment.

Investment income is predicted to reduce further in the medium term as a result of the low base rate and planned investment in the Capital Programme, most significantly in leisure, green spaces, housing and economic development projects.

For the purposes of this MTFS, income projections have been calculated assuming an average return of 1% for 2011/12, 1.5% for 2012/13 and 2.5% for 2013/14 (assuming an average base rate of 1%). It has been assumed that no new significant capital receipts will be received within the period other than those already earmarked for projects in the Capital Programme and the £3m capital receipt targeted from the disposal of Argents Mead. Any capital receipts received will be treated as a corporate resource, unless they have been earmarked for specific projects.

A four-year forecast of base bank rate, investment rates and PWLB rates is set out in the table below.

Table 7

Annual Average %	**Bank Rate**	**Money Rates**		**PWLB Rates***		
		3 mnth	1 yr	5 yr	25 yr	50 yr
2011/12	0.5	0.6	1.5	2.6	4.6	4.6
2012/13	0.5	0.7	1.6	2.3	4.3	4.4
2013/14	0.9	1.1	2.1	2.8	4.7	4.8
2014/15	2.1	2.2	3.1	3.4	5.1	5.2

* Borrowing rates

The Council has over time reduced its reliance on investment income for revenue purposes and has allocated this resource to capital investment.

7.3 Finance Settlement

The Council's budgets are highly sensitive to changes in the finance settlement. The outcome of the Spending Review 2010 and its implications are set out in paragraph 4.2. The announcement of the stringent settlements for 2011/12 and 2012/13, plus tough settlements in the light of the overall Spending Review in 2013/14 and 2014/15, have a significant impact on this council. A considerable amount of work has already taken place to identify year on year savings (beyond those already delivered under CSR04 and CSR07) for the period of this Strategy.

A provisional Finance Settlement for 2012/13 was announced alongside the settlement for 2011/12 and for the purposes of this strategy it is assumed that there will be no major departures from these figures in 2012/13. For future years the details have not yet been announced, but for the purposes of the strategy two scenarios will be assumed, a reduction of 5% and a worst case scenario of a reduction of 10%

More work will therefore be required during the period of this Strategy to identify areas for income/revenue generation and invest to save projects in order to meet the funding gap in 2012/13, 2013/14 and 2014/15.

7.4 Pensions

At present the Council pays an employer's contribution of 16.5% of employees' salaries to the Local Government Pension Fund (managed by Leicestershire County Council), to pay the pension liabilities of current and previous employees. The Council also pays a premium of 1.6% of employees' salaries to Legal and General Assurance Company to provide cover in respect of the Actuarial Strain on the Pension Fund for employees who retire early on grounds of permanent ill-health. The 2008 Local Government Pensions Scheme Regulations improved the enhancements to anybody who was forced to retire from work due to permanent ill-health and who was so incapacitated that they would never work again from a maximum of 10 years (more normally 6 2/3) to their potential service to their normal retirement age. Previously, the Actuary had made a provision in his valuation and associated contribution rates for the actuarial costs of any ill-health retirements, which normally were not exceeded.

This rate is made up of a contribution to meet the cost of the Pensions Benefits that employees accrue in the current year and also an adjustment to deal with any deficit or surplus that there may be on the Pension Fund resulting from the accrual of benefits in previous years. The contribution rates are determined by the Fund's Actuary, who values the Fund every three years to assess its solvency level i.e. the ability of the fund to meet all future liabilities.

The Pension Fund was last re-valued as at 31 March 2010 with the revised employer rates coming into effect from 1 April 2011. The next revaluation will be at 31 March 2013 with the new rates coming into effect from 1 April 2014 (i.e. financial year 2014/15). Whilst the liabilities of the fund in respect of future benefit payable remain reasonably constant (subject to any change in the scheme benefits) the value of the assets is far more volatile based, as it is, on equity and other investment valuations, which means that there can be significant changes in the fund deficit/surplus between valuations and hence on the rates employers will be asked to contribute to ensure the funds long-term solvency. Given the current volatility in the market it is very difficult to assess what future contributions will be. It is proposed, therefore, that no additional provision is made for years 2014/15 onwards. The volatility of contribution rates may be eased in future years as the fund has revised its strategy as regards meeting its long term solvency levels in that from the 2010 valuation employers' contribution rates will be adjusted so that they pay more in the "good times" and less than they would otherwise have in the "bad". As regards future contribution rates, the Chancellor of the Exchequer announced in the Emergency Budget in June 2010 that in future index linking of public Sector Pensions would be based on the normally lower Consumer prices Index rather than the Retail prices Index. This will reduce the long term liabilities of the fund which should have a positive impact on employers' contribution rates. This position will be considered again at the next revision of the MTFS.

7.5 <u>Concessionary Travel</u>

From 1 April 2011 the responsibility for administering and funding Concessionary Travel in two tier council areas transferred from the District Council to the County Council. This involved the transfer of all expenditure and grant income (both specific and general) from this Council to Leicestershire County Council and has been fully accounted for in the 2011/12 budget. There are no further financial implications to Hinckley &Bosworth Borough arising from the provision of this service.

7.6 <u>Income Considerations</u>

A significant proportion of the council's expenditure is financed from income from fees and charges. The forecast for the total income from fees and charges in 2011/12 and 2012/13 is just over £3m. The more significant and sensitive changes in income levels are set out below.

7.6.1 <u>Development Control Fees</u>

During 2008/09 and 2009/10 the Council saw a significant reduction (around £200,000) in the income it receives from the following areas due to the decline in the economy and in particular due to the very tight credit conditions experienced during 2008.

- Planning Application Fees
- Building Control Fees

However, during 2010/11 there was a significant improvement in the position regarding Development Control Income, whereby the reduced budget was exceeded by £194,000. This was due in part to the fees being received for a number of major applications which were not expected, but also due to an increase in the number of minor applications, in part arising from the slightly improved economic situation. An increase in income was assumed for 2011/12 when the budget was prepared, to take account of the fee payable when the application for the redevelopment of the MIRA site was received. The future trend of this income source is difficult to predict as it is linked to the economic outlook which at the moment is at best stagnant, at worst heading for a double dip recession.

The Government had announced plans to allow Councils to set their own Planning Fees with the overall objective of recovering cost year on year. It was envisaged that this option would come into effect on 1 October 2011, but the final Regulations are still to be published and given the timescales predicted in the original proposal it is unlikely that this will be implemented prior to October 2012 at the earliest and hence no impact has been included in the financial estimates in this edition of the Strategy.

The projections show that Building Control Fees are likely to grow slowly over the period of this strategy, after showing a decline in 2010/11 and a budgeted decline in 2011/12. Again this income head is closely linked to the economy in general and the Development Sector in particular.

Table 8 – Development Services Income Assumptions

Service	2010/11 Budget	2010/11 Actual	2011/12 Budget	2012/13 Forecast	2013/14 Forecast	2014/15 Forecast
Development Control	390	585	490	500	510	520
Building Control	233	204	163	170	175	180
Total	**623**	**789**	653	670	685	700
Movement		163	(136)	17	15	15

7.6.2 Car Parking Income

Another major source of income for the Council is Car Parking Charges. The Council operates 18 Pay and Display Car Parks within the area of Hinckley Town Centre, 10 of these are Short Stay Car Parks and 8 are Long Stay. Between them they provide 1,150 parking places (638 short stay and 512 long stay) and have in the past generated income of over £600,000.

Over the last three completed financial years the amount of income collected has dropped only slightly in cash terms. In real terms, due to charges being increased in 2010, they have dropped dramatically, with the outturn for 2010/11 being £100,000 below budget. The budget for 2011/12 has been adjusted to take account of this drop which came about as a result of the economic climate at the time. At the current time it is anticipated that the amount of Car Parking Income received will be in line with the budget of £522,000.

However, the proposed developments within the Town Centre will have a significant impact on the provision of car parking within the Borough. Development of the Bus Station site (The Crescent) will result in the closure of three existing car parks at the start of 2013 with the loss of 149 short stay and 123 long stay places. Between them these places generate £100,000 in income. The Council will receive revenue compensation from the developers, the Tin Hat Partnership, for approximately nine months following the closure. What is difficult to assess is the degree of displacement of customers who currently use these car parks to other HBBC car parks. In the short term there is a possibility that current users will continue to use other HBBC car parks with little or no loss of income.

7.6.3 <u>Income Benchmarking</u>

In the main local authorities are free to charge what they like for which services they like (other than those charges e.g. Planning Application fees that are determined by Statute) which means that there is very little consistency between the level of charges and the services charged for by different authorities even in the same area. In the current financial climate authorities need to seek to maximise the receipts from fees and charges to support their Service Expenditure.

Whilst this authority reviews is fees and charges on an annual basis and does undertake bench marking exercises with neighbouring authorities for certain charges, it has never undertaken a comprehensive benching marking exercise to compare existing levels of charges and also identify areas where the Council provides a service but does not charge.

In order to provide bench marking information on fees and charges the Council has collaborated with 9 other district councils in the East Midlands to commission Deloittes to undertake a bench marking exercise to review the current levels of charges levied by the Councils and also to identify areas of service where the councils could charge but are not currently doing so. At the time of writing Deloittes have completed their work and are about to present the results to the Council.

The information obtained from the review will be used to inform the Review of Fees and Charges for 2012/13, which will be considered as part of the budget process and finally considered by Executive in February 2012.

7.7 Benefit Payments

With a total budget for council tax benefit and housing benefit of around £22m a 1% variation can lead to an overspend (or underspend) of around £220,000. It was therefore considered prudent when agreeing the MTFS to set aside some funding as a contingency against an adverse variance. This reserve currently has a balance of £126,000. Because of the financial pressures, no further contributions have been made to this Reserve in 2009/10 or 2010/11 and at present none has been planned for 2011/12. In the recent resource view the Government has indicated that it wishes to make a 10% saving in the cost of Council Tax Benefit (see 4.3.2 for details), whilst protecting vulnerable persons e.g. pensioners. It is envisaged that there will be a loss of subsidy and authorities will be required to create their own benefit schemes. In the light of this it is suggested that £250,000 be transferred to the Benefits Reserve in 2012/13 to in part mitigate against any additional costs or loss of income suffered by this Council. It is considered that the maximum loss of income to the Council could be £740,000 (based on a total budget of £7.4m).

7.8 Local Development Framework (LDF)

The Local Development Framework consists of a series of statutory documents which set out the Council's spatial planning strategy for the local planning authority area. The requirement to produce this documentation is provided by the Planning and Compulsory Purchase Act 2004. This Act changes the approach to developing adopted policies used essentially to outline development plans across the Borough up until 2026 and to assess planning applications submitted to the Authority. Work on the LDF is ongoing and the timetable is laid out in the Local Development Scheme (originally published September 2004), a revised timetable for which was reported to Council in September 2009 and is updated annually. An estimate of expenditure required to produce these documents has now been provided. Qualifying expenditure will be funded from the Local Plan Reserve.

The Core Strategy was subject to a Public Examination in May 2009. The Hinckley Town Centre Area Action Plan was adopted in January 2011. The costs for this were incurred in 2009/10 and 2011/12 respectively. The Site Allocation DPD and the Earl Shilton and Barwell Area Action Plan DPD are being produced for submission with examination in the life of this MTFS There are also commitments to fund evidence bases to support the LDF (Employment Land and Premises Study, Planning Policy Guidance 17 Study Viability Assessments). The total costs of this process will be substantial and, once established, will be met from the Local Plan Reserve, which currently stands at £391,000 (1 April 2011). Additional contributions will be required in order to meet the costs involved and to spread them over the life of the process, to ensure that no one financial year suffers an unduly high level of charge as compared with other years. The movements on the LDF Reserve are estimated to be as follows:

Table 9

	2010/11	**2011/12**	**2012/13**	**2013/14**
Balance in Reserve at 1 April	330,000	391,000	344,000	206,500
Expenditure in Year	75,000	115,000	205,500	203,500
Contribution in Year	136,000	68,000	68,000	0
Balance in Reserve at 31 March	391,000	344,000	206,500	3,000

7.9 Major Projects

The council will be working towards delivering a number of key projects during the period of this MTFS.

7.9.1 Bus Station Redevelopment

The Development Agreement was formally approved on 31 July 2009. Acquisition of the site has commenced and public exhibitions were held during the month of September 2009 to promote the latest scheme. The planning application was granted in January 2011, with completion planned for 2014.

The Council will be working with its development partner, Tin Hat Partnership, to deliver a comprehensive £80 million town centre redevelopment. Although the development stage of the scheme is scheduled to start in January 2013, a great deal of work has been undertaken to secure the landholding interest other than that under council ownership and a CPO Inquiry was heard in November 2011. It is anticipated that the scheme will be completed and open to the public by the last quarter of 2014.

There will be a capital receipt on completion of the development of around £2,750,000. This equates to an equivalent revenue contribution from the scheme of around £150,000 per annum. In addition, there will be a share of the development profit.

7.9.2 Atkins Development - New Cultural Enterprise Centre

This project has been completed to schedule and to budget

The listed building (referred to as Atkins 1722) has been developed by the Council into a mixed use Business Enterprise Centre to complement the new state of the art college next door. The Cultural Enterprise Centre comprises a mixture of quality office accommodation, commercially managed workspace including creative low-rent workspace, , gallery, exhibition area and a café meeting area.

It was anticipated that the Council would take a temporary anchor tenancy as part of the long term plan to relocate to the office provision on the Bus Station site. However, due to the accommodation on the Bus Station site not meting the Council's long term needs, it was decided to remain in the offices at Argents Mead until a suitable development on Rugby Road/Hawley Road was ready (this is now known as the Hinckley Hub). The space that was to have been occupied by the Council is now occupied in part by the Leicestershire Partnership (a Revenues and Benefits Shared Service between Hinckley & Bosworth Borough Council, Harborough District Council and North West Leicestershire District Council) and private tenants.

Demand for units is high and the centre is currently 76% occupied

The income and expenditure projections from the Business Enterprise Centre are as follows:

Table 10

	2011/12	2012/13
Total Income	188,430	220,000
Total Expenditure	100,000	110,000
Surplus	88,430	110,000
Yield	4.9%	6.1%

7.9.3 Flexible Working

The flexible working implementation project has now been completed. The project was an integrated/long term link in addressing the Council's accommodation requirements and the need to drive through further efficiencies through Flexible Working Practices.

There was a target of releasing 80 fixed (office-based) work stations at Argents Mead by the end of November 2010 and the actual reduction was 86. The ultimate aim of the strategy is to reduce the number of workstations at Argents Mead or the replacement offices to around 120.

7.9.4 New Industrial Units (Greenfields Development)

The council has identified the need for future revenue generation and considers the 'Greenfields' project as a key 'invest to save' project. The project has been delivered to time and to budget and the cost of £4.172m was grant supported to the tune of £2.086m by the Leicestershire Economic Partnership (LSEP) with the balance coming from the

Council's own resources. The site is currently fully let generating a net rental income of £187,000 at a net yield of 5%.

7.9.5 Alternative Office Accommodation

The strategy for the relocation of staff from the current offices at Argents Mead and Florence House is developed on the understanding that the long-term solution for delivery of the Council's services is within a shared working environment on the site of the former Flude's hosiery factory on the junction of Rugby Road and Hawley Road. This is a Town Centre Area Action Plan site which was earmarked for mixed use development and, apart from the office provision for the Council and its partners, it will also contain a housing development. From the outset it was envisaged that the office building would not be for the sole use of the Council and the concept of the Hinckley Hub was developed whereby a number of public services for the Hinckley area would be provided from the one site thus taking advantage of efficiency saving and synergies that would be achieved by complementary services operating from the same building. At present only Leicestershire County Council has taken space in the building, but negotiations are on going with other partners to take remaining space. It is anticipated that the refurbished office space will be ready for occupation in the first quarter of 2013.

A summary of the financial impact of the move is set out below:

Table 11

	2012/13 £,000	**2013/14 £'000**	**2014/15 £'000**
Cost of operating the Hub	358	1,087	1,121
Income from the Hub	(71)	(219)	(223)
Net Cost of operating the Hub	287	868	888
Cost of existing Office space	(92)	(301)	(356)
Other savings/income	(41)	(404)	(604)
(Saving)/Additional Cost	154	163	(72)

7.9.6 Leisure Centre

The current Leisure Centre building on Coventry Road was opened in 1975 and is approaching the end of its design life. By the end of 2014/15 the Council will need to make a decision as to whether they wish to refurbish the current site at an estimated cost of £6.5m or build a new centre at an estimated cost of £8 to 12m. The project could be partially or wholly financed by Capital Receipts arising from the redevelopment of the Middlefield Lane Depot site, the capital receipt from the Bus Station Development, the capital receipt from the Argents Mead site (post the office relocation - see below) and, in the case of a potential new build, the sale of the existing Leisure Centre site.

7.9.7 Argents Mead Enhancements

In conjunction with the relocation of the Council offices, careful consideration is required to ensure that the existing council building and site is managed appropriately, when vacated. A vision for the creation of a new Town Park and facilitating development around Argents Mead has been developed in 2011 for public consultation. Demolition of the structure in early 2013 will reduce the risk of likely antisocial behaviour and increasing unnecessary maintenance and security costs of a decaying structure on an ongoing basis (including potentially the need to "net off" the building). This provides an opportunity to enhance the Mead and provide a high quality "Town Park" within the centre of Hinckley, opening new public walkways through the existing site and providing additional links to the Bus Station Development. The Council has resolved that this will be designated a "Jubilee Park".

As well as providing an increased green space in the urban park, it provides an opportunity for high quality developments around the perimeter of the Mead, which will allow for improved public facilities. Any enhancements will be carefully considered and full public consultation will take place, focussing on enhancing the environment and re-invigorating the 'non green' areas on the Mead. It is envisaged that such changes will be supported by appropriate provision of car parking.

It is anticipated that a capital receipt of circa £3m (with demolition costs of around £350,000) could be realised to assist in supporting the immediate and long term capital programme. To maximise the potential of these receipts, the developments should take account of the potential for other future developments from adjacent owners and key development partners.

Any development will be after full public consultation has taken place with the people of Hinckley and Bosworth.

7.10 Travel Review

In 2010/11 the Council spent approximately £275,000 on car allowances for staff who use their own cars for work purposes. The allowances paid were those determined in the NJC for Local Authority Staff national conditions of service. Whilst the rates of allowances were reviewed and revised on an annual basis the principles of the scheme had been set many years ago and it was felt that they did not reflect the current position regarding car ownership in the workforce and were basically too expensive to operate in the current climate. Whilst a set of criteria for the allocation of a Car Allowance to an employee had been developed about five years ago, this was part of the implementation of the Single Status agreement and addressed issues of equal pay, rather than the cost effective way of providing transport to those employees who need to travel in order to effectively discharge the duties of their posts.

As this item is a major element of cost to the Council it was considered that the operation of the travel scheme should be reviewed and a working group comprising representatives of management, trade unions and current car users was created to review

a) the factors to be taken into account in determining an employee's car user status, whether there should be any distinction between groups of users (The NJC scheme provides for Essential Users, who are required to have a car available and whose allowances include a lump sum payment and Casual users for whom it is desirable they have a car available. At Hinckley we only have designated Essential Users, all other employees who use their cars are paid at Casual mileage rates).

b) the rates of compensation to be paid for the use of the car.

The Group was given a target of savings to be achieved in this process of £100,000 per annum.

The conclusion of the group was that there should be two categories of user: Essential Users, who needed to use their car to visit clients in their own homes or to undertake enforcement or inspection work outside the office. These were to be subject to a minimum annual mileage of 900 miles per year. These users would receive a lump sum to compensate for the need to provide a car for work and incurring the fixed costs involved. This would be £850 pa (based on the lowest essential user allowance in the current scheme). They would also receive a mileage payment of 25p per mile (which is based on the AA's assessment of the variable costs of motoring). All other employees would be classed as casual users and receive a mileage allowance of 40p per mile.

It is estimated that this will save £131,000 in a full year.

7.11 Value for Money and Efficiencies

In order to deliver Value for Money Services, councils are required to review their services where:

- There is a need to improve performance on a shared or local priority.
- Authorities are unclear whether a service is still required or whether its contribution is as effective as it could be.
- There is a clear and proven case for a new service or a different way of providing an existing service.
- There is evidence that the costs of a service are significantly out of line with comparable services in other authorities.
- There is a clear opportunity to work with other authorities to deliver common services.

The key actions to address further efficiencies and Value for Money are as follows and progress will be reported through continuous performance management and monitoring.

- Continue to deliver service efficiencies through Service Planning and the Fundamental Budget Review (FBR) process
- Seek joint working with authorities that can deliver mutual benefits
- Setting up of the Transformation Board to join up processes and initiatives across the Council in order to achieve efficiencies
- Continue service reviews through the Quarterly Performance Framework
- Adopt and implement a Value for Money Strategy
- Continue to improve the procurement process
- Apply zero inflation on certain budgets

These requirements are now embedded into the Council's Service Improvement Plan Process. As part of the budget setting process for 2011/12 a budget Overview Panel (BOP) comprising SLB Members, plus the Portfolio Holder for Finance, tasked managers with identifying savings within their service areas based on targets set, following a review of services based on statutory need to provide the service, citizens priorities, members priorities and level of resources available to the service.

Table 12

Managers identified the following savings:

	2011/12	2012/13	2013/14
In Year Savings	725,810	201,290	191,190
Total Cumulative effect on base budget	725,810	927,100	1,118,290

In 2009/10 the Council undertook a staffing restructure which resulted in a reduction in 21 staff effective in that year and three senior officers from 2010/11; further voluntary redundancies have been agreed for 2011/12. The on-going cost savings and related first year costs of redundancy and the pension fund strain are set out in the table below.

Table 13

	2009/ 10	2010/ 11	2011/ 12	2012/ 13	2013/ 14	2014/ 15	2015/ 16	Total
Costs	£	£	£	£	£	£	£	£
Redundancy Pay/Notice Pay	340,450	213,551	81,340	0	0	0	0	635,341
Cost of Pension Fund Strain	121,108	151,580	151,580	151,580	32,140			607,997
Total Costs	461,558	365,131	232,920	151,580	32,140			1,243,338
Annual Savings	230,769	540,105	627,995	753,330	753,330	753,330	753,330	4,412,149
Net (cost)/ savings	**(230,789)**	**174974**	**395,035**	**601,750**	**721,190**	**753,330**	**753,330**	**3,168,811**

The Council has made the decision to fund the net cost of the restructure in 2009/10 and future years from General Fund Balances. This decision was made on the basis that the Council’s General Fund Balances are over £500,000 over the minimum required level with the potential of further savings in the 2009/10 year.

It is therefore considered prudent to finance the restructure cost from revenue balances rather than place a further burden on the Capital Programme by applying for capitalisation of the costs.

The savings listed above have been included in the financial forecast. It is, of course, critical that these savings are realised as failure to do so would further erode General Fund Balances and Reserves. The realisation of these savings is therefore being monitored on a quarterly basis.

In addition:

i) The Asset Management Strategy Group (cross-party member/officer group) will continue to carry out a review of the Council’s registered land assets and identify all under-utilised sites for disposal.

ii) The Asset Management Strategy Group will identify and carry out a review of all unregistered land assets to identify any sites for disposal with the same objective as (i) above.

iii) The Leisure Centre Board will work through and establish the most economically viable option for the Leisure Centre.

The above actions support the Corporate Plan as set out in the Chief Executive’s report to Council on 28 April 2009.

7.12 Priority Neighbourhoods

Whilst the area administered by Hinckley and Bosworth Borough Council does not suffer the same overall levels of deprivation suffered in some other council areas, it is acknowledged that there are relatively small, discrete areas where intervention on a multi agency basis is desirable.
The Hinckley and Bosworth Local Strategic Partnership has identified 6 priority areas, with work rolling out in 4 such areas ("neighbourhoods"), namely:-

- Part of Barwell
- Part of Earl Shilton
- Wykin, Hinckley
- Part of Bagworth and Thornton

Neighbourhood Action Teams have been established for these areas comprising appropriate stakeholders from this Council, Leicestershire County Council, PCT, Police, Parish and Town Councils, Voluntary Sector and others who have developed appropriate Action Plans to address the specific concerns in each area. The success of the Neighbourhood Action Teams will depend, to a great extent, on ensuring that their Action Plans are properly resourced by this Authority and the other stakeholders involved. To this end, whilst there may be no new resources, consideration will need to be given by this Authority to providing adequate funding to these areas in respect of Private and Public Sector housing initiatives, environmental stewardship by the Neighbourhood Warden Service and support from the Crime and Disorder Team, in particular.

7.13 Waste Management

The Borough currently recycles and composts over 50% of household waste that is collected. A number of improvements have been introduced to the recycling service in response to public feedback to enhance the service further. The cost of waste collection per household is now lower than it was in 2004/05.
The Authority continues to look for cost effective and innovative ways to manage waste, in particular:-

- Recycling of Street Waste
- Improved recycling containers
- Commercial Recycling and Waste Services
- Greater choice of recyclable materials collected at the kerbside:

The service currently collects from 46,500 properties in this Authority's area. The continued increase in the number of properties in the Borough puts additional pressure on the service and could, in the relatively near future, require the introduction of an additional collection services. Employees now operate on an 'all and finish' working arrangement, to facilitate the new kerbside recycling services and defer the introduction of a further round until the number of properties reaches 50,000. This is a good example of the Council's commitment to efficiency.

The waste management service has in the past made significant contributions to corporate budgets and a further reduction in net cost of the service through further cost efficiencies and increased income from recycling credits and sale of material of £212,000 has been built into the base forecast from 2012/13 onwards.

7.14 Capital Programme

In addition to the planned use of capital resources, projects included in the capital programme will have a significant impact on revenue and therefore the Council's approved three year capital programme must be read in conjunction with this Strategy. The financial implications are summarised in Section 11.

7.15 Service Budget Requirements

Summarised on the following page are the Council's overall projected service budget requirements compared to estimated resources. Detailed forecasts are provided in Appendix I, Revenue Forecasts.

7.16 Movements in Balances and Reserves

The movements in general fund balances and reserves is set out in table 14 overleaf and is detailed in Appendix II.

Table 14 - Summary of Service Budget Requirements

Projected at different levels of Finance Settlement (F.S.)	**2011/12 Revised**	**2012/13 Standstill**	**2013/14 Standstill**	**2013/14 FS - 5%**	**2013/14 FS – 10%**	**2014/15 Standstill**	**2014/15 FS -5%**	**2014/15 FS -10%**
Net Budget Requirement (NBR) after use of Balances and Reserves	10,289,060	10,441,429	10,640,098	10,371,474	10,102,851	11,068,358	10,544,543	10,047,590
Finance Settlement including NHB and Freeze Grant	6,077,697	6,189,556	6,255,096	5,986,472	5,717,849	6,541,868	6,018,053	5,521,100
Collection Fund Surplus	15,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
TO BE FUNDED FROM COUNCIL TAX	4,196,363	4,231,873	4,365,002	4,365,002	4,365,002	4,506,490	4,506,490	4,506,490
Transfers to/(from) General Fund Balances	242,162	(510,216)	166,434	(102,189)	(370,813)	329,408	(194,408)	(691,361)
Transfers to/(from) General Fund Reserves	320,357	42,450	(685,780)	(685,780)	(685,780)	(550,280)	(550,280)	(550,280)
Total Balance & Reserve Movements	562,519	(467,766)	(519,346)	(787,969)	(1,056,593)	(220,872)	(744,688)	(1,241,641)
Levels of General Fund Reserves **(see below)**	4,439,539	4,481,989	3,796,209	3,796,209	3,796,209	3,245,929	3,245,929	3,245,929
Levels of General Fund Balances	2,175,162	1,664,946	1,831,380	1,562,757	1,294,133	2,160,788	1,368,349	**602,772**
Minimum Level 10% of NBR	1,028,906	1,044,143	1,064,010	1,037,147	1,010,285	1,106,836	1,054,454	1,004,759

Composition of Reserves Balances

Projected at different levels of Finance Settlement (F.S.)	**2011/12 Revised**	**2012/13 Standstill**	**2013/14 Standstill**	**2013/14 FS -5%**	**2013/14 FS -10%**	**2014/15 Standstill**	**2014/15 FS -5%**	**2014/15 FS -10%**
Capital Reserves	1,082,923	990,643	1,015,363	1,015,363	1,015,363	1,040,083	1,040,083	1,040,083
Ring Fenced Reserves	155,671	155,671	155,671	155,671	155,671	155,671	155,671	155,671
Unapplied Contributions Reserves	860,244	860,244	860,244	860,244	860,244	860,244	860,244	860,244
Revenue Reserves	2,337,701	2,472,431	1,761,931	1,761,931	1,761,931	1,186,931	1,186,931	1,186,931
TOTAL	4,439,539	4,481,989	3,796,209	3,796,209	3,796,209	3,245,929	3,245,929	3,245,929

8. STRATEGIC FINANCIAL OBJECTIVES

The following strategic financial objectives serve to deliver the Council's corporate strategic objectives of; "delivering the Council's Medium Term Financial Strategy with a sustained focus on the Council's priorities whilst working to resolve the continuing pressure of service requirements in the context of available resources ………. and to maintain council tax within the bottom quartile".

The preceding chapters provide information on the national, regional and local factors that must be taken account of when developing the Council's financial plans. These in turn provide the basis of key financial objectives that are integral to these financial plans. Each of these objectives is detailed below together with an explanation of why it is relevant and how it is to be achieved.

Objective 1	The Council should allocate resources to services in line with the Corporate Aims and Ambitions

One of the key aims of the MTFS is that resources are directed towards the corporate priorities of the Council. The MTFS outlines where resources are allocated in order to deliver priority services. Targeted resource allocation is going to be particularly important during this recessionary period so that the Council can ensure that it continues to deliver high levels of priority services. Also, through the Performance Management Framework, services will continue to be measured and monitored against their business plan objectives. The annual budget review process will continue to critically analyse service outcomes and budgets, identify efficiency savings and ensure that resources are allocated in line with Corporate Aims and Ambitions.

Objective 2	Ensure regular monitoring of actual spend against budget to assess outcomes and inform the Performance Management Framework

Budgets are monitored against actual spend on a monthly basis and fed into the quarterly performance management cycle. Service managers are required to take a short and medium term view of their service and if necessary bid for the appropriate level of funding during the year. Similarly, service managers are required to identify and "offer up" savings during the year. All underspends are reviewed by the Strategic Leadership Board and resources are reallocated or allocated to areas of priority service improvement.

Value for Money will be achieved through the performance management process that has become embedded into the organisation. Service Mangers have become more aware of their financial and operational responsibilities under the new performance management culture and the links between financial and service planning are more apparent.

Objective 3	The Council must search for new sources of funding to support its activities

Services need to continually review the availability of external resources that may help in delivering services without total reliance on Council resources. Over recent years, the

Planning Delivery Grant, East Midlands Development Agency (EMDA), Leicestershire Economic Partnership (LSEP) and English Heritage Funding are good examples of external service improvements/enhancements. The Council does not pursue funding for funding's sake; any external resources are directed towards services that the Council would hope to provide in priority areas, whether funding was available or not.

It is important that when service managers are securing external funding, they include the funding in service plans and clearly identify the availability, the outputs required and an exit strategy when the funding is no longer available.

Whilst all known grant funding is included in the estimates each year, if the Council were to over-estimate any grant funding to be received from Government then it may be necessary to reduce service budgets and thus service levels. It is therefore important that estimates are set prudently.

Objective 4	To review the scale of fees and charges at least annually

During preparation of the budget each year, the balance between who pays for local services: the user or the taxpayer, needs to be reviewed. Through the MTFS and fundamental budget review, service managers review fees and charges within their service areas at least annually and agree any changes with the relevant Executive Member. If approved by Council, any changes in income are taken into account when planning over the medium term.

As well as annual reviews, service managers will need to identify new sources of finance by using the Powers to Charge and Trade. This will also form the primary responsibility of the Business Development and Street Scene service area.

Objective 5	To optimise the financial return on assets and ensure capital receipts are obtained where appropriate opportunities arise

It is important that the Council continues to review its assets through its Acquisitions and Disposals policy and that clear links are established between this policy and the Capital Strategy (part of the Asset Management Policy), the Capital Programme and the MTFS.

The Acquisitions and Disposals policy identifies those assets that are not fully utilised or are surplus to requirements. These will be reviewed on a regular basis and reported through the Joint Boards and the Executive for decisions to be made as appropriate.

Objective 6	Capital expenditure is properly appraised

The Council seeks to ensure that capital investment proposals are appraised in a structured and consistent manner so as to ascertain whether the plans are affordable, prudent and sustainable and that they contribute to the delivery of the Council's overall aims and objectives. This will include an evaluation of "whole-life" costing. Projects are appraised in this way in order that resource requirements, practical external funding and shortfalls can be identified as soon as possible.

Objective 7	When funding the Capital Programme, all funding options are considered

When considering the Capital Programme, all funding options will be considered e.g. borrowing, capital receipts, Funds and Reserves etc.

Capital Receipts (money received from the sale of the Council's assets) in line with Government policy can only be used to resource the Capital Programme. Therefore, by using capital receipts ahead of Funds and Reserves, the flexibility is maintained for Funds and Reserves to be used to support either Revenue or Capital expenditure. However, if borrowing under the Prudential Code were considered a more favoured option, this would be utilised before capital receipts.

Objective 8	To review levels and purpose of Reserves and Balances

In line with the principle of good financial management, the Council should review the level and purpose of its Funds and Reserves to make sure they continue to be "fit for purpose".

The levels of Funds and Reserves held will continually be reviewed and will be formally reported to Council under Section 25 of the Local Government Act 2003. At present, the Council reviews the levels and purpose of Funds and Reserves during the Corporate Planning Framework, Closure of Accounts in early summer, the Medium Term Financial Strategy and the Budget Setting process.

The objective is to continue to maintain earmarked reserves at appropriate levels for the purpose for which they have been earmarked. This will achieve a financial position whereby non-earmarked balances are only utilised either as a contingency to meet unforeseen in-year expenditure and/or accommodate any shortfalls in planned income over which the Council has no control.

Objective 9	To reduce reliance on investment income to support Council Tax

The Council continues to achieve good investment returns when benchmarked against other similar councils. Investment Income will reduce each year over the medium term as resources are used to deliver the Capital Programme; therefore, the support that Investment Income can give to the revenue account is also reducing. It is the Council's intention, over the medium term, to reduce the reliance on this investment income to support council tax levels. Rather, through a stepped process, it is the intention to redirect these resources to the Capital Programme (as revenue contributions to capital).

The Council will also continue to maximise investment income and minimise borrowing costs within the overall framework set out in the Council's annual Treasury Management Strategy.

Objective 10	To maintain sustainable Council Tax increases

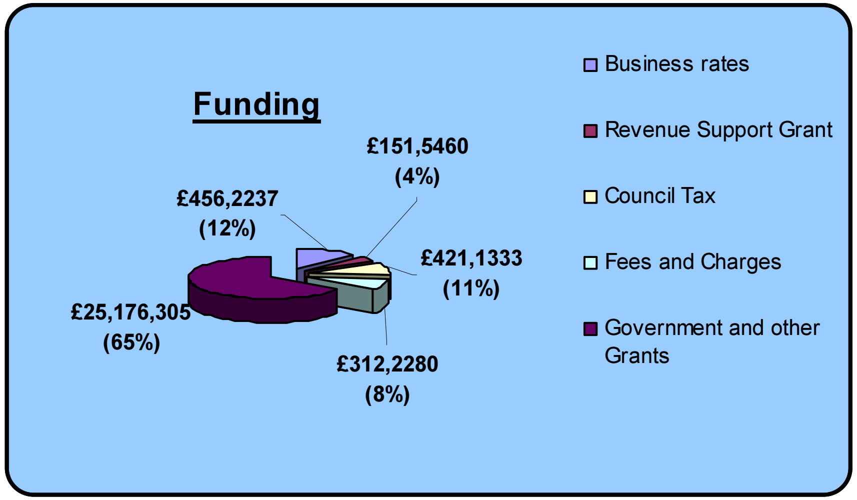
It is relevant for this council to have sustainable council tax increases as Hinckley and Bosworth is a District Council with one of the lowest council tax levels in the country at average Band D. The Council has recently had council tax increases at the going levels of inflation. It is proposed that this is sustained but is reviewed for each future strategy to reflect the expectations and specific funding from Government, the economic climate and its effects on our communities, inflation, the Council's aspirations and the impact of wider Government funding on the Council's resources.

Objective 11	To increase efficiency savings through shared services and collaborative working

The Council will continue to explore ways of doing things differently through shared services and collaborative working in order to deliver increased levels of efficiency savings.

9. REVENUE

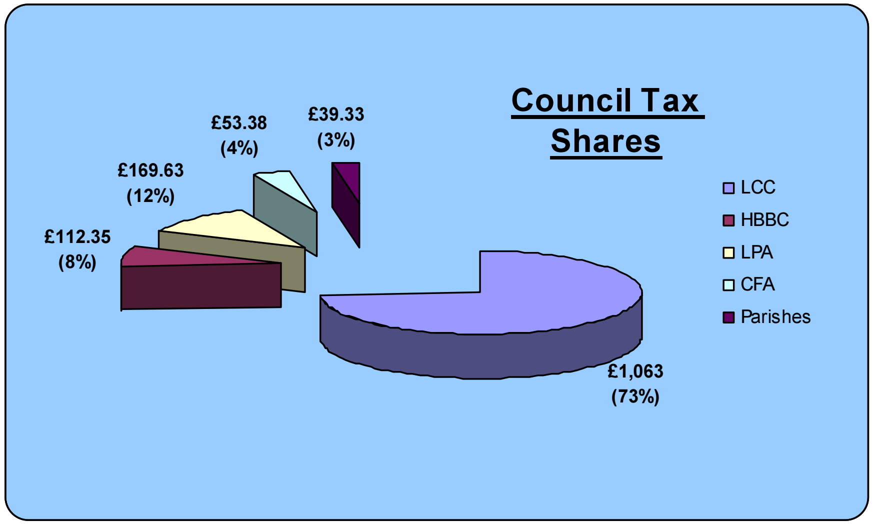
There are a number of sources of revenue income for Hinckley and Bosworth Borough Council. The pie chart below illustrates the estimated sources of revenue income that are forecast for 2011/12. More detailed information regarding these sources is covered in the following pages.



9.1 Council Tax

The source of income that affects most people residing in the Hinckley and Bosworth area is council tax. This is a type of local tax charged to owners or occupiers of houses within the Authority's area. The council tax paid annually depends upon the value of the property. In some cases reductions are available for a number of reasons, for example, single adult occupancy, disability, second home status, etc.

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 chart below shows that the Borough Council, as the collection authority, retains only 8% of the total collected, with the rest being shared with other bodies.



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The balance between the amount of local expenditure financed from Central Government (fixed) and the amount raised locally through council tax does raise a number of serious financial issues for the Council. This is partly in respect of the degree of accountability that the Council has to the taxpayer, but is also in respect of an issue called the 'gearing' problem. This issue arises because about 80% of the Council's funding comes from Central Government. If the Council wishes to increase expenditure by just 1% this increase has to come from an increase in council tax of just under 3%.

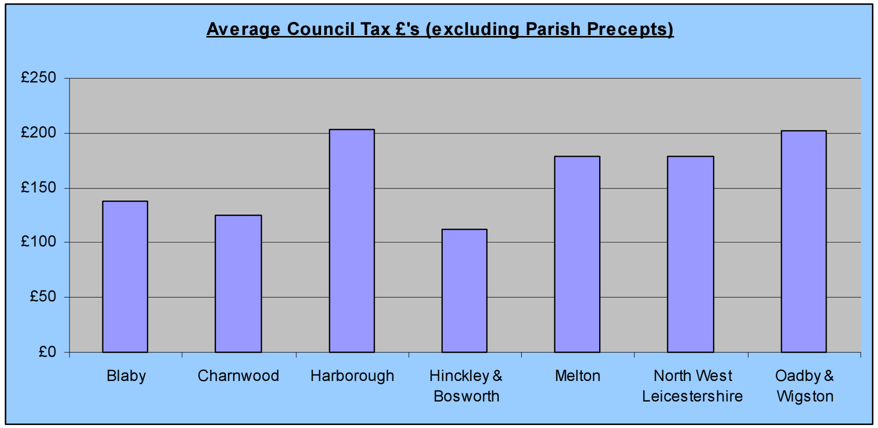
The council tax base is calculated by taking the number of Band D equivalent properties in the district, and multiplying it by the assumed tax base. For the purpose of this document it is assumed that there will be a 0.95% increase in Band D equivalent properties each year. More detailed information as to how council tax is calculated can be obtained from the council tax Leaflet.

In 2011/12 the Government indicated that it wanted to see no increase in Council Tax levels over 2010/11 and to achieve this it announced that it would pay a grant equivalent to a 2.5% increase in Council Tax to councils who kept their 2011/12 Council Tax rate the same as their 2010/11 rate, this council froze its tax in 2011/12 and received £105,000 in freeze grant.

The Government has announced its intention of repeating the exercise in 2012/13 and it is anticipated that the Council will receive £107,000 in freeze grant.

Traditionally the Government has exercised control over local authorities levying excessive increases in Council Tax by a process of Council Tax capping. This basically involved the Government setting criteria for budget and council tax increases each year and any authority increasing its budget or council tax above this limit was subject to a cap resulting in them having to reduce expenditure and council tax.

In 2011/12 the HBBC council tax amount for an average Band D property (excluding County Council, Police Authority and Parish Council precepts) is £112.35. The graphs below illustrate that HBBC is the lowest in comparison to other Leicestershire Authorities and that it is also the 10th lowest compared to all 201 English Districts (April 2011).



When setting the budget the level of income expected from fees and charges must be prudent, as some service areas are affected by factors not controllable by the Council. For example Building Control and Development Control income are, to some extent, dependent upon the housing market forces at the time which has been adversely affected by the current financial climate.

For the current 2011/12 financial year, the Council's Net Budget Requirement (after income from fees and charges) is £10,289,060. Of this £6,092,697 is to be funded from Central Government Funding through RSG and redistributed National Non Domestic Rates.

The balance of £4,196,363 is funded through Council Tax. The Council's tax base i.e. those households liable to council tax, is 37352.40. This gives total council tax at average band D of £112.35 per annum per household, or £2.16 per week per household.

For this the Council delivers a whole range of services such as Refuse, Recycling, Street Cleansing, Grounds Maintenance, Planning, Environmental Health, Housing Benefit, Leisure and Culture etc.

It should therefore be noted that:-

a) 41% of the Council's funding comes from council tax, and

b) Only £112.35 (or 7.8%) of the total amount of a household's council tax bill goes to Hinckley and Bosworth Borough Council (HBBC). The remaining 92.2% is collected by the Council on behalf of the other precepts i.e. Leicestershire County Council, Leicestershire Police, Combined Fire Authority and the Parishes.

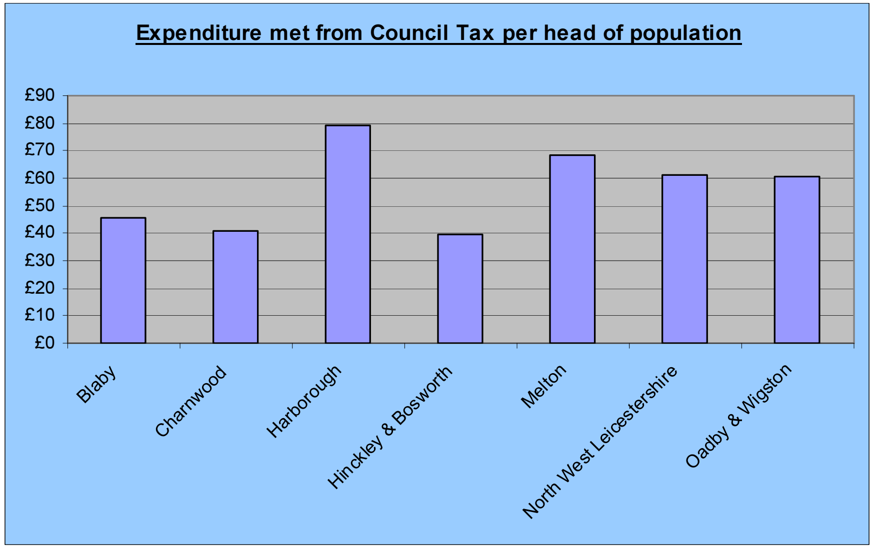
The split of council tax average band D for 2011/12 is as follows:-

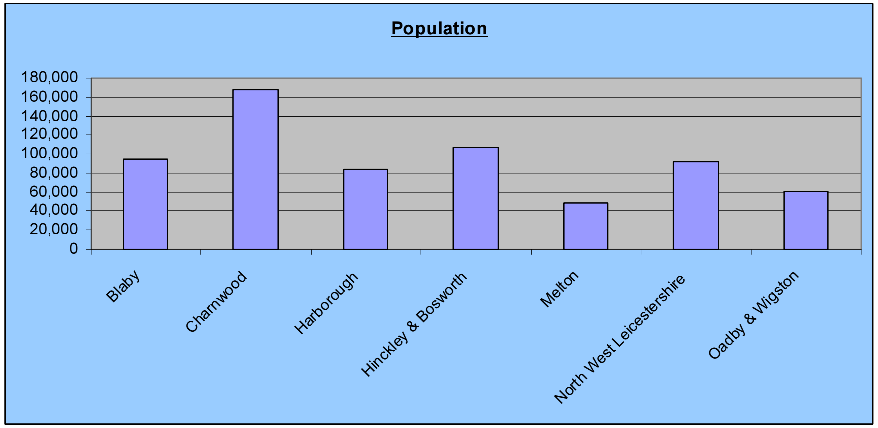
Table 15

	Total Amount £	**Council Tax at Band D £**	**% of Total**
HBBC	4,196,363	112.35	7.8%
Leicestershire County Council	39,705,555	1,063.00	74.0%
Combined Fire Authority	1,993,737	53.38	3.7%
Leicestershire Police Authority	6,336,241	169.63	11.8%
Parishes	1,468,984	39.33	2.7%
	53,700,880	**1,437.69**	

Therefore of the total average band D council tax of £1,437.69 HBBC receives only £112.35 or 7.8%.

This low council tax base (10th lowest nationally) together with reduced central government funding means that allocation of funding has to be prioritised.

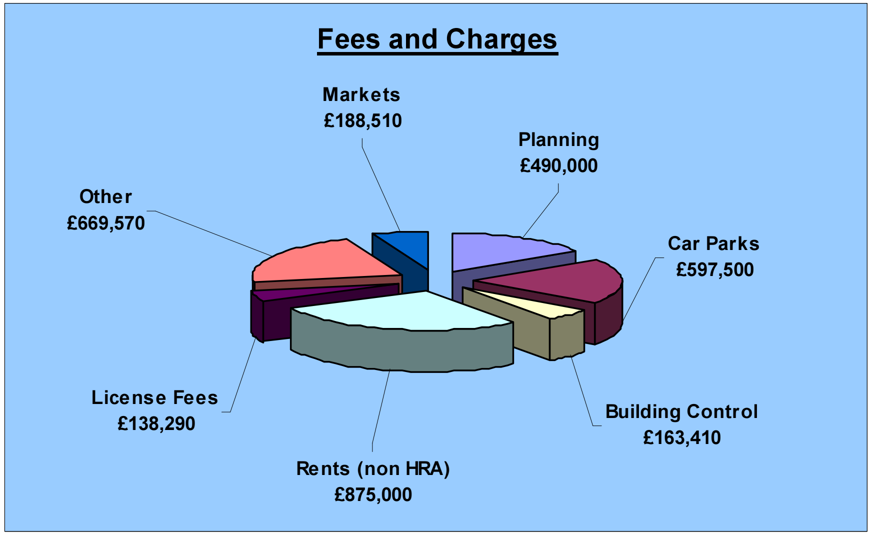

Expenditure met from Council Tax per head of population


Population

9.2 Fees and Charges

Local people and visitors to the area also provide income for Hinckley and Bosworth Borough Council by paying for some of the services they use. These services include planning application fees, car parking and sporting facilities fees, amongst others.

Each year the Council reviews the level of these charges are as part of the Budget Review. For some services the level of charges is determined by Central Government and there is little or no scope to vary this locally. For others the Council can determine the amount, scope and whether any concessions are to be given. Within certain limits Service Managers have delegated responsibility to maximise the income coming into the Council from these services.


Fees and Charges

9.3 Revenue Support Grant and Specific Grants

Sums of money are made available to the Council from central sources such as the Government.

The Local Government Finance Settlement is made up of Revenue Support Grant (RSG) and redistributed Business Rates (see below). It is calculated using a number of complex calculations that are designed to both support local authority spending and compensate for differences in needs between local authorities.

The Government carries out a Spending Review after which it determines the level of grant to be awarded to local authorities for the next three years.

The Government also pays specific grants to the Council. These are grants that are usually allocated to improve specific services or priorities; however, in some cases, the money can be used for alternative service areas if necessary. These grants are not linked to the formula grant process used to allocate RSG.

One of the main areas of specific grants received by Hinckley and Bosworth Borough Council is in the area of housing and council tax benefit payments and the administration of the benefits system. This is a complex and costly system and a major function and area of the Council's expenditure.

As mentioned, there are a number of new initiatives which have been introduced by Central Government. Some of these initiatives, for example Local Area Agreements (LAA) and Local Public Service Agreements (LPSA), had some financial implications. However, the establishment of LAAs, for example, did not bring any new funding. Rather it required authorities to look at doing things differently to get better outcomes. So for example this may involve the co-location of staff, pooling of budgets, changing of staff roles, etc. The most recent initiative – Community Budgets – will emphasise these ways of working more starkly.

9.4 Business Rates (or National Non-Domestic Rate (NNDR))

The Government determines business rates for non domestic properties, which are then collected on their behalf by Hinckley and Bosworth Borough Council. A proportion of these business rates are then distributed back to the Authority. The proportion to be returned to the Authority is calculated by the Government as a fixed amount per adult, after deducting certain expenses, on the basis of the relevant population.

9.5 Investment Income

The council uses the money it receives to invest wisely in the financial markets. Through careful investment, interest is received which is used to improve and support services. The council's income from investment has been severely depleted since October 2008 and the estimate for net investment income (after interest on borrowing) has reduced from £710,000 in 2008/09 to £24,000 in 2009/10 and £52,010 net interest paid in 2011/12. This dramatic decease has had a significant impact on the council's budget and service delivery plans.

Although the forecasted position is a significant improvement in investment income from 2013/14 and 2014/15, it has been stated in the previously approved MTFS that it is the Council's intention to reduce the amount of investment income used to support revenue and redirect it to capital investment in order to reduce the reliance on investment income for revenue issues in the future. The Council will therefore continue to reduce its base expenditure so as not to rely on investment income in the future.

9.6 Fund Contributions

Funds and Reserves are resources maintained by the council to support spending on services and specific initiatives. Funds and Reserves are covered in further detail in section 13 of this document.

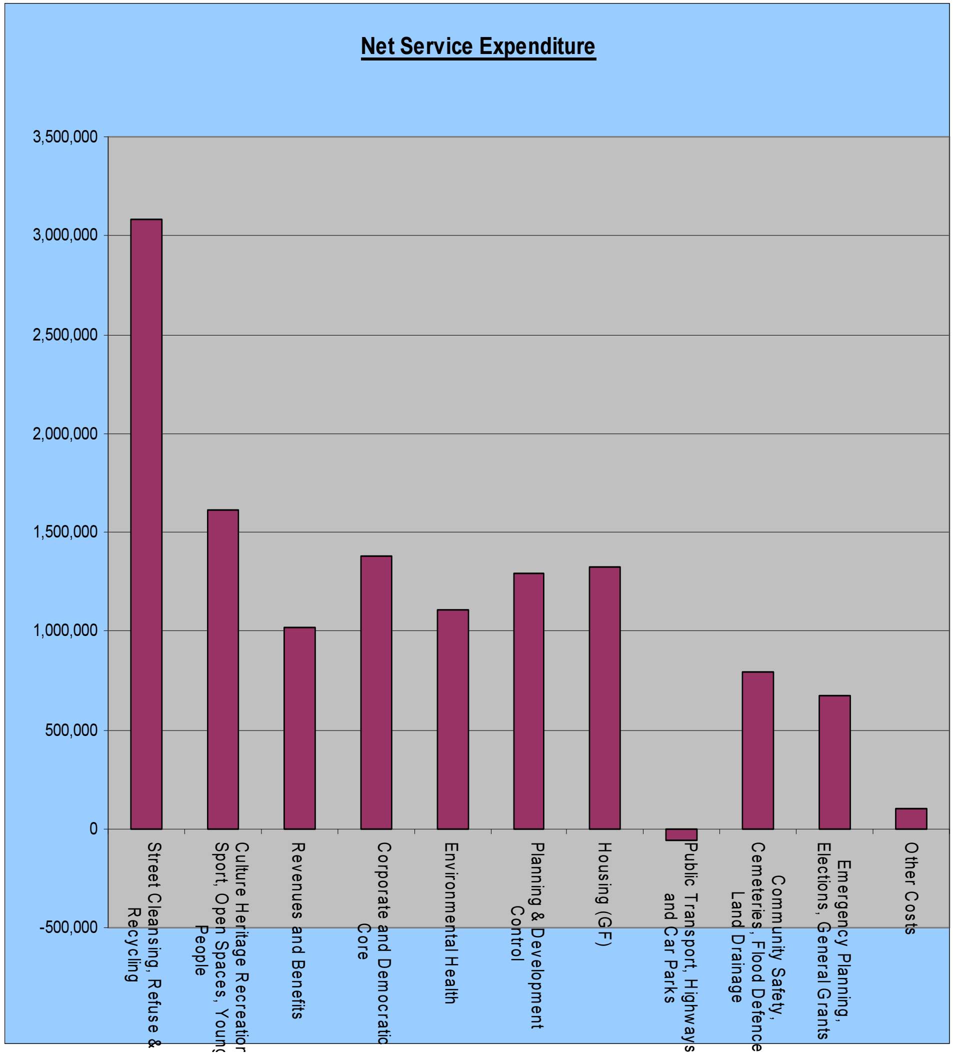
10. EXPENDITURE

10.1 How the money is spent

Revenue expenditure is essentially resource spent on the 'day to day' activities of the council. Each year, it is necessary for the council to distribute its available resources to services in such a way that it will help achieve the Corporate Plan and meet statutory requirements.

It enables resources to be distributed to where they will be most effective in delivering the Corporate Plan and, in conjunction with the Service Plans, ensures that the Council will continue to achieve high levels of performance and service satisfaction.

The allocation of resources for 2011/12 is summarised opposite.



11. CAPITAL

11.1 Definition

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. In addition, the council has the option to determine a level at which expenditure becomes capital rather than revenue in order to avoid a large number of small value items being classed as capital rather than revenue. This limit for Hinckley and Bosworth Borough Council is £5,000.

Capital expenditure may be used to generate assets for the Council's own use or to provide support for third party capital enhancements.

11.2 Capital Resources

Capital resources to fund capital expenditure have to date followed two main types:

1. External funding that is usually specific to an individual scheme or type of capital expenditure;

    - Grants provided by Central Government
    - Grant funding and contributions from other external agencies such as Leicestershire County Council, Development agencies and other public and private sector partners.
    - Developer Contributions

2. The Council's own resources are generated from capital receipts (e.g. land sales) and revenue sources. These resources are used to fund the Capital Programme in total and as such are not usually assigned to a specific project

Based on the current proposed four year Capital Programme, unallocated capital resources will be depleted by the end of 2011/12. The Council will actively seek to generate new and additional capital resources from both of the above sources in order to generate future capital capacity. The Council has in principal (subject to public consultation) agreed to the partial disposal of the Argents Mead council offices site and set a target level of capital receipt from this disposal of £3.0 million. It is also pursuing the relocation and eventual disposal of the current depot site at Middlefield Lane. Additionally a net receipt of £2.75 million is expected from the development of the current Bus Station site. Receipts from these sites will be earmarked for the development of a Leisure facility either on the current or new site. Currently the estimated cost for a refurbishment on the current site is c£6.6 million. The estimated for a build on a new site is currently c£8 million to £12 million. Other receipts from smaller sales and receipts from Right to Buy Sales will be used to fund the remainder of the programme. If these plans are not followed and the disposals do not take effect there will be a greater pressure on revenue budgets to fund the cost of capital. Additionally the Council will not have resources to either wholly or partly fund the Leisure Facility. Timing of the disposals is therefore critical in order to maximise return whilst providing timely funding support to future capital projects.

In the future the Council will also consider and evaluate alternative funding and or delivery mechanisms in addition to those traditionally used. This will include:

- Borrowing
- Private Sector Partnership
- Charitable Trusts/ Not for Profit Organisations
- Invest to Save
- Strategic Asset Procurement

The significant and almost unprecedented drop in land values, together with previous council decisions not to sell sites identified for disposal has and will continue to place pressures on the deliverability of the current approved Capital Programme.

11.3 Capital Expenditure Plans

The Council's Capital Programme is reviewed annually and new estimates are approved at the same time as the Revenue Budget. The Council's Corporate Plan defines the Council's ambitions and aims. The delivery of these ambitions will, in some cases, require capital investment. These ambitions and aims are then translated into annual service and financial plans that are used to assess and prioritise capital projects. This Strategy needs to be read in conjunction with the Council's current three year Capital programme.

Over the past three years the Council has been very successful in implementing key projects with the assistance of public sector funding.

These successes include:-

- The development of the old Atkins factory site which now houses a college on the site and the redevelopment of an old listed building into a creative incubator and office site, part funded (£3.7m) by EMDA with HBBC contribution of £3m.
- Creation of new Greenfields Commercial units part funded by LSEP (£2m) with HBBC contribution of £2m.
- Financial assistance and officer support that assisted Hinckley Club for young people build a new award winning community and leisure facility, part funded by MyPlace (£4.5m) with HBBC contribution of £2m.

Contained within this document is a summary of the total planned capital expenditure through to 2014/15) and the anticipated use of capital resources. (At present no capital expenditure beyond 2013/14 is approved). The council also produces a separate Capital Strategy document that provides more information and detail on the council's intentions with regard to the way it manages its capital assets. This should be read alongside the Asset Management Plan, Capital Strategy and the Council's Acquisitions and Disposals Policy.

The council's current approved programme contains a number of major schemes, most notably proposed park and open space improvements, purchasing of Waste Receptacles (funded from ongoing revenue savings) and relocation and fit out costs associated with the move to the new Public Hub. In addition to the planned use of capital resources, these developments will have an impact on revenue in three main ways:-

- The use of capital resources will result in a corresponding reduction in investment income.

- Increased use of cash balances and levels in borrowing will mean increased interest payments and minimum revenue provision.

- The creation of these new assets will require running costs that will have to be funded from revenue sources.

These “whole life” financial implications are taken account of when appraising any new capital development and the revenue implications, when quantified, are included within this MTFS.

The impact that the current Capital Programme will have on current capital resources is set out below in 11.4. This projection makes limited assumptions about future capital resources which the council may be able to generate, and does not at present account for the new financial objective of trying to reallocate investment income to the capital programme.

It is the Council’s intention to phase this in but this will also have to be linked to new proposals about how the Council will reduce its reliance on investment income to support council tax levels.

11.4 Current Capital Programme

The delivery of the Council’s Capital Programme is closely monitored by project managers and a Capital Forum Officers Group. Council have approved the current programme until financial year 2013/14. The current programme excludes the proposed Leisure Centre development. This scheme will be included once development proposals and funding have been finalised.

Expenditure

Table 16 details the current approved Capital Programme broken down into the three categories identified below.

Table 16

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Committed	70,294*	3,325	2,439	2,052
Grant Aided	1,094	622	332	333
Pre-Commitment to Invest	0	140	280	666
Total	**71,388**	**4,087**	**3,051**	**3,051**

* Includes £65.1m in respect of the payment to CLG re HRA Subsidy Reform

Committed Schemes

These are those projects that the council has in progress or for which the council has given commitment through formal approval to deliver.

Grant Aid

These are third party schemes to which the Council is providing grant funding. A large element of this budget is for housing grants (Disabled Facilities Grants and Renovation Grants). Other examples are grants to Parishes (Parish and

Community Initiative Fund) to assist them with capital projects. Whilst the council will actively work to offer grants to the level identified, the incurring of expenditure is not within the Council's immediate direct control.

Pre Commitment to Invest

Projects supported by the Council in principle, which are actively being developed, but that are not sufficiently advanced to be committed. Budgets are indicative estimates at this stage.

(At the time of preparing this MTFS the Council has not agreed any future Capital Programme beyond 2013/14).

Funding

Table 17 below summaries the funding of the current Capital Programme (excluding the Leisure Centre). The Councils current capital receipts reserve will be depleted in financial year 2013/14. The programme to 2014/15 assumes additional receipts of £1.10 million from right to buy and miscellaneous land sales.

Table 17

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Gants and Contributions	890	265	165	165
Major Repairs Reserve	2,052	2,052	2,052	2,052
Capital Receipts	1,517	1,575	466	0
Earmarked Reserves	85	0	0	0
Borrowing	66,840*	195	388	834
Total	**71,388**	**4,087**	**3,051**	**3,051**
Cost of Borrowing				
Minimum Revenue Provision	70	8	16	34
Interest	70	8	16	34

* Includes £65.1m in respect of the payment to CLG re HRA Subsidy Reform on which no MRP will be payable.

Table 18

The position on the Capital Receipts Reserve is estimated to be:

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Opening Balance	1,260	1,226	172	0
Receipts Generated in the year	2,484	520	274	144
Receipts applied to Expenditure in Year	1,517	1,574	466	0
Receipts Applied to reduce debt in year	1,000	0	0	0
Closing Balance	1,226	172	0	144

The Capital Receipts Reserve will therefore be fully used up during 2013/14. Any future funding will therefore have to come from:

- Future land disposals
- Contributions from revenue
- Community Infrastructure Levy or Section 106 contributions
- Prudential borrowing

12. FUNDS AND RESERVES

Funds and Reserves are maintained by the council to support spending on specific projects or services, with the General Fund being utilised for any imbalance within the council's 'day to day' budgets.

The level of Funds and Reserves held by Hinckley and Bosworth Borough Council determines how much is available to support future pressures and budget requirement and thus in return assists in reducing the demand on council tax.

The Chief Financial Officer (Deputy Chief Executive, Corporate Direction) has a legal duty to carry out a review, and report on, the level of the reserves and balances of the Authority. The Council has the following policies:-

- Maintain general balances at a minimum 10% of Hinckley and Bosworth Borough Council's budget requirement (a minimum of £1,028,906 for 2011/12).

- All actual service underspends be transferred to general fund balances and not earmarked reserves. Where there is a specific critical need for an earmarked reserve a report will be prepared for Council approval by the Director of Finance.

As budgets are tightened the need for adequate levels of Funds and Reserves becomes more critical as a contingency for investment in services. The holding of sufficient funds is also important strategically to provide a cushion against unusual circumstances. Appendix II illustrates the current level of Funds and Reserves that have been established to fund specific known expenditure pressures and to provide a cushion against tight settlements over the CSR07 period. As part of the annual budget setting process, members will consider and approve a policy on the level and nature of reserves and balances that it needs and the minimum and maximum levels within which they will operate.

12.1 Housing and Planning Delivery Grant (HPDG)

HPDG was abolished in 2010 and, although the Council received significant sums over the life of the grant, it did not include a provision in respect of HPDG in its base budget and any receipts were transferred to Reserves in order to fund in the main one off items of expenditure designed to facilitate the improvement of the Planning Service. At 31 March 2011 the HPDG Reserve stood at £247,000.

12.2 Local Authority Business Growth Incentive (LABGI)

At present, income received from business rates generated by local authorities is returned to Central Government and then redistributed to Councils on the basis of population. This method does not recognise or reward authorities for their contribution to economic growth and it was therefore decided that an incentive would be given in the form of LABGI.

The main LABGI scheme operated from 2005/06 to 2007/08 and over the period this Council received just under £1.5m in grant. Again this income was not treated as part of the base budget and was in the main used to add to balances and reserves to ensure that they met the criteria set for the minimum levels of balances and reserves set by the Council. A revised LABGI scheme was created in the CSR07 review which aimed to distribute a much smaller pot of £150m between authorities. This Council received £46,000 of the £50m available in 2009/10 but the scheme was abolished in 2010 and no further amounts have been received.

12.3 New Homes Bonus

The country is currently suffering from a severe shortage of housing and the number of housing starts is the lowest it has been since the inter war years. The Government is looking to provide incentives to Local Planning Authorities to grant planning consents for new developments and to local people to accept development in their neighbourhood. To achieve this incentive the Government has introduced the New Homes Bonus which will provide Councils with the equivalent of the average Council Tax per net additional dwelling built or returned to use for a period of six years. In two tier areas 20% of the grant will be paid to the County Council and 80% to the District. The Government has allocated £950m nationwide to the scheme over the life of the spending review. Any amounts payable above this would come from top slicing RSG. It is the Government's view that the additional resource should benefit the areas and neighbourhoods that have seen the development in their areas. The Council is minded to allocate 25% of this 'bonus' to parishes/communities experiencing development, allocated pro rata to the size of the developments

In 2011/12 the Council received £349,762 in new homes bonus which it will continue to receive for the next five years. Future amounts of bonus will be based on the growth reported on the CTB1 return to CLG in October each year. It is intended that the allocations will be announced as part of the Finance Settlement in December of each year.

A provisional estimate of the incremental New Homes Bonus for 2012/13 has been made on the basis of the information contained in the CTB1 form that has been submitted to CLG and this would indicate that an additional amount of £345,000 will be received in 2012/13 and for the following five years.

13. RISK MANAGEMENT

In line with the Council's 2009 Strategy for the Management of Risk, potential risks to the MTFS are identified alongside the probability of their occurrence, the impact they would have and ways to avoid them. Risk management is not a one off activity and is embedded at strategic and tactical levels with recognition that failure to implement and embed effective risk management practices would disrupt operations and potentially have a financial and reputational impact on the Council as a whole.

This is particularly true with respect to large and therefore high-risk projects currently being undertaken by the Council and events which have the potential to have a substantial and prolonged impact on the Council's finances, for example the development of the Atkins/Goddard site.

The primary risk of this Medium Term Financial Strategy is that it is forecast based on assumptions and, as such, there is a risk that these assumptions may prove to be unfounded or incorrect. There are also further risks that either cannot be fully predicted or lie outside the control of the Council (e.g. recent movements in interest rates and drop in demand resulting in decrease in Development Control and Land Charges income).

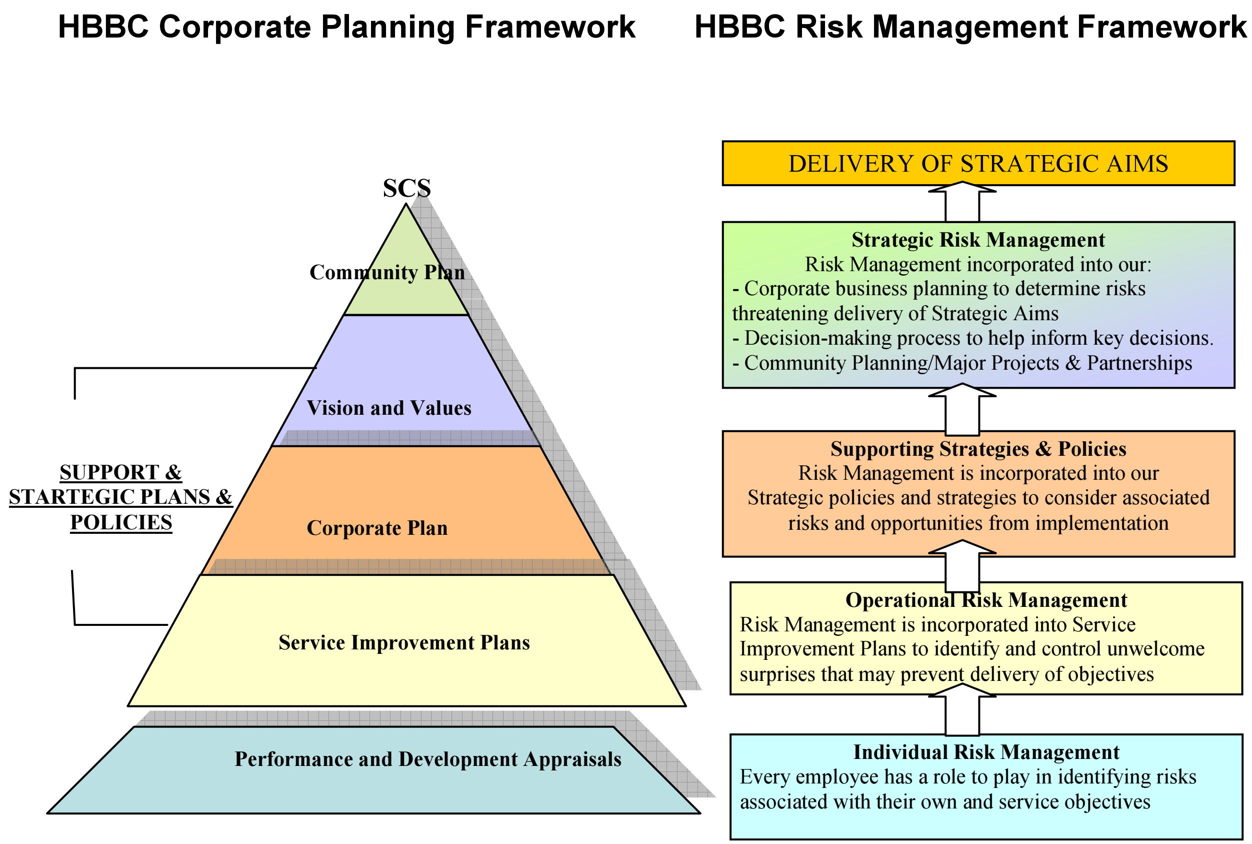
The Risk Management Strategy is reviewed annually to ensure it represents current best practice. The Council considers financial planning, performance and risk in unison to provide comprehensive management information. At a strategic level, the Medium Term Financial Strategy is managed in association with the Strategic Risk Register by the Strategic Leadership Board.

13.1 Embedding the Risk Management Process

Risk Management at Hinckley and Bosworth Borough Council is integrated and managed as part of the Corporate Planning and Performance Frameworks. The following diagram provides an overview of how risk management is incorporated into all business activities in the context of the Corporate Planning Framework to help inform and ensure delivery of the Council's strategies and processes.

The Council manages Performance, Finance and Risk together via dedicated quarterly Performance meetings of the Strategic Leadership Board and Corporate Operations Board.

HBBC Risk Management Framework



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MEDIUM TERM FINANCIAL STRATEGY		Appendix I Revenue Forecasts : FG -10%		
2011/12 TO 2014/15				
FINANCIAL FORECAST				
	2011/12	2012/13	2013/14	2014/15
	Revised			
		Forecast	Forecast	Forecast
Net Service Expenditure	10,245,470			
Net Budget Requirement		8,959,528	9,794,410	10,506,941
Movements identified in Budget Monitoring				
Zero pay award 2011and increments not paid	-213,060			
Carry Forwards from 2010/11	125880	-125880		
NHB	-349,760	349,740		
Elections	-25,000	25,000		
Reduced Council Tax Subsidy	10,000	-10,000		
Additional Recovery of overpaid HB	-170,000			
Countryside management reduced income	10,000			
Waste Business Improvement additional Income	-20,000	20,000		
Recycling Savings	-170,000	170,000		
Refuse Savings	-15,000	15,000		
Planning Fee income greater than anticipated	-90,000	90,000		
Florence House Rent - 6 months	-22,500			
ICT Savings	-31,500	31,500		
Ill health Retirement insurance Saving	-26,880			
Employees	-254,480	134,270		
Additiomnal Employee Savings	-40,000			
Subscriptions (Prospect Leics)	-23,000	23,000		
Grounds Maintenance Additional Income	-16,000	16,000		
Building Control Income	-34,000	34,000		
Earl Shilton & Barwell SUE	-195,000	195,000		
Other under £10k	-49,982	49,982		
Approved Supplementary Budgets	86,900			
New Homes Bonus to Parishes	87,440			
Travel Review	-35,000	35,000		
Travel Review buy out payment	60,000	-60,000		
Increase to low paid	42,000	-42,000		
MRP Adjustment	73,000			
	8,959,528	9,910,140	9,794,410	10,506,941
Inflationary increases (see attached) Costs		205,034	193,887	297,310

Inflationary increases (see attached) Fees and Charges		-86,410	-51,106	-52,128
Pensions Increase		70,000	70,000	
Impact of 2012/13 Savings		-201,290		
Impact of 2013/14 Savings			-191,190	
Additional savings identified in budget process 2012/13 net of growth		-187,021		
Hinckley Hub		172,780	301,770	-19860
Greenfields		-12,000		
Atkins		-32,000	-5,000	-11000
Car parks			38,000	10000
Refuse and recycling		-212,460		
Florence House rent		-22500	22500	
Planning & Building Control Income		-17,000	-15,000	-15000
New Homes Bonus to Parishes 2012/13		90,388	42,840	71694
Travel Review		-147,950		
LDF		194,000	-2,000	
Loss of Council Tax Benefit subsidy			370,000	
DC Secondment		22,770	-22,770	
Capital Financing - MRP		45,000	1,600	23640
Capital Financing - Interest - payable net		17,990	-41,000	-122580
Capital Financing - Interest - receivable receipts		-15,060	0	-34940
NET Borough Budget Requirement	8,959,528	9,794,410	10,506,941	10,654,078
Transfer to Pension Reserve	115,470	119,030	28,830	0
Contribution to Reserves	687000	592720	137720	69720
Contribution from Reserves	-534,730	-228,270	-823,500	-620000
Contribution to/(from) Balances	449,762	-452,616	-371,228	-691,776
NET BUDGET/FORECAST EXPENDITURE	9,677,030	9,825,274	9,478,764	9,412,022
% Increase in Net Budget Forecast/Expenditure	-12.19%	1.53%	-3.53%	-0.70%
	2011/12	**2012/13**	**2013/14**	**2014/15**
	Revised	Forecast	Forecast	Forecast
	£	£	£	£
	9,677,030	9,825,274	9,478,764	9,412,022
Formula Grant	6077697	5372466	4835219	4351697
Freeze Grant		105820		
New Homes Bonus 2011/12		349740	349740	349740
New Homes Bonus 2012/13		361530	361530	361530
New Homes Bonus 2013/14			342720	342720
New Homes Bonus 2014/15				573552
Discount for uncertainty @50%			-171360	-458140

Collection Fund Surplus	15,000	20,000	20,000	20000
Council Tax Income	3,584,333	3,615,718	3,740,914	3,870,922
Estimated Tax base	37352	37671	38029	38391
Estimated Band D Council Tax	£95.97	£95.97	£98.37	£100.83
Year on Year Increase in Council Tax				
(i) Amount	£0.01	£0.00	£2.40	£2.46
('ii) Percentage	0.01%	0.00%	2.50%	2.50%
SPECIAL EXPENSES				
Net Budget Requrement B/Fwd	530970	549500	616600	624087
Inflationary increase		0	7487	11481
Contribution to from Reserves	55160	118560		
Contribution to/(from) Balances	25900	-57600		
NET BUDGET/FORECAST EXPENDITURE-Special Expenses	612030	610460	624087	635568
Estimated Taxbase	37352.4	37671	38029	38391
Special Expenses Council Tax	16.39	16.21	16.41	16.56
Year on year increase in Special Expenses Council Tax				
(I) Amount	0.00	-0.18	0.21	0.01
(ii) Percentage	-0.03%	-1.10%	1.27%	0.88%
Total Net Budget Requirement	10289060	10435734	10102851	10047590
% increase in Total Net Budget Requirement	*-5.89%*	*1.43%*	*-3.19%*	-0.55%
Taxbase	37352	37671	38029	38391
Council Wide Increase in Council Tax	£112.35	£112.19	£114.78	£117.38
Percentage Increase	0.00%	-0.14%	2.31%	2.27%
	Assumptions			
		Inflation rate (separate calculation)		
			Increase in Formula Grant	
			2013/14	-10.00%
			2014/15	-10.00%
			% increase in tax base	
			All years	0.95%

MEDIUM TERM FINANCIAL STRATEGY		Appendix I Revenue Forecasts : FG -5%		
2011/12 TO 2014/15				
FINANCIAL FORECAST				
	2011/12	**2012/13**	**2013/14**	**2014/15**
	Revised			
		Forecast	**Forecast**	**Forecast**
Net Service Expenditure	10,245,470			
Net Budget Requirement		8,959,528	9,794,410	10,506,941
Movements identified in Budget Monitoring				
Zero pay award 2011and increments not paid	-213,060			
Carry Forwards from 2010/11	125880	-125880		
NHB	-349,760	349,740		
Elections	-25,000	25,000		
Reduced Council Tax Subsidy	10,000	-10,000		
Additional Recovery of overpaid HB	-170,000			
Countryside management reduced income	10,000			
Waste Business Improvement additional Income	-20,000	20,000		
Recycling Savings	-170,000	170,000		
Refuse Savings	-15,000	15,000		
Planning Fee income greater than anticipated	-90,000	90,000		
Florence House Rent - 6 months	-22,500			
ICT Savings	-31,500	31,500		
Ill health Retirement insurance Saving	-26,880			
Employees	-254,480	134,270		
Additiomnal Employee Savings	-40,000			
Subscriptions (Prospect Leics)	-23,000	23,000		
Grounds Maintenance Additional Income	-16,000	16,000		
Building Control Income	-34,000	34,000		
Earl Shilton & Barwell SUE	-195,000	195,000		
Other under £10k	-49,982	49,982		
Approved Supplementary Budgets	86,900			
New Homes Bonus to Parishes	87,440			
Travel Review	-35,000	35,000		
Travel Review buy out payment	60,000	-60,000		
Increase to low paid	42,000	-42,000		
MRP Adjustment	73,000			
	8,959,528	9,910,140	9,794,410	10,506,941
Inflationary increases (see attached) Costs		205,034	193,887	297,310

Inflationary increases (see attached) Fees and Charges		-86,410	-51,106	-52,128
Pensions Increase		70,000	70,000	
Impact of 2012/13 Savings		-201,290		
Impact of 2013/14 Savings			-191,190	
Additional savings identified in budget process 2012/13 net of growth		-187,021		
Hinckley Hub		172,780	301,770	-19860
Greenfields		-12,000		
Atkins		-32,000	-5,000	-11000
Car parks			38,000	10000
Refuse and recycling		-212,460		
Florence House rent		-22500	22500	
Planning & Building Control Income		-17,000	-15,000	-15000
New Homes Bonus to Parishes 2012/13		90,388	42,840	71694
Travel Review		-147,950		
LDF		194,000	-2,000	
Loss of Council Tax Benefit subsidy			370,000	
DC Secondment		22,770	-22,770	
Capital Financing - MRP		45,000	1,600	23640
Capital Financing - Interest - payable net		17,990	-41,000	-122580
Capital Financing - Interest - receivable receipts		-15,060	0	-34940
NET Borough Budget Requirement	8,959,528	9,794,410	10,506,941	10,654,078
Transfer to Pension Reserve	115,470	119,030	28,830	0
Contribution to Reserves	687000	592720	137720	69720
Contribution from Reserves	-534,730	-228,270	-823,500	-620000
Contribution to/(from) Balances	449,762	-452,616	-102,604	-194,823
NET BUDGET/FORECAST EXPENDITURE	9,677,030	9,825,274	9,747,387	9,908,975
% Increase in Net Budget Forecast/Expenditure	-12.19%	1.53%	-0.79%	1.66%
	2011/12	**2012/13**	**2013/14**	**2014/15**
	Revised	Forecast	Forecast	Forecast
	£	£	£	£
	9,677,030	9,825,274	9,747,387	9,908,975
Formula Grant	6077697	5372466	5103843	4848651
Freeze Grant		105820		
New Homes Bonus 2011/12		349740	349740	349740
New Homes Bonus 2012/13		361530	361530	361530
New Homes Bonus 2013/14			342720	342720
New Homes Bonus 2014/15				573552
Discount for uncertainty @50%			-171360	-458140

Collection Fund Surplus	15,000	20,000	20,000	20000
Council Tax Income	3,584,333	3,615,718	3,740,914	3,870,922
Estimated Tax base	37352	37671	38029	38391
Estimated Band D Council Tax	£95.97	£95.97	£98.37	£100.83
Year on Year Increase in Council Tax				
(i) Amount	£0.01	£0.00	£2.40	£2.46
('ii) Percentage	0.01%	0.00%	2.50%	2.50%
SPECIAL EXPENSES				
Net Budget Requrement B/Fwd	530970	549500	616600	624087
Inflationary increase		0	7487	11481
Contribution to from Reserves	55160	118560		
Contribution to/(from) Balances	25900	-57600		
NET BUDGET/FORECAST EXPENDITURE-Special Expenses	612030	610460	624087	635568
Estimated Taxbase	37352.4	37671	38029	38391
Special Expenses Council Tax	16.39	16.21	16.41	16.56
Year on year increase in Special Expenses Council Tax				
(I) Amount	0.00	-0.18	0.21	0.01
(ii) Percentage	-0.03%	-1.10%	1.27%	0.88%
Total Net Budget Requirement	10289060	10435734	10371474	10544543
% increase in Total Net Budget Requirement	*-5.89%*	*1.43%*	*-0.62%*	1.67%
Taxbase	37352	37671	38029	38391
Council Wide Increase in Council Tax	£112.35	£112.19	£114.78	£117.38
Percentage Increase	0.00%	-0.14%	2.31%	2.27%
	Assumptions			
		Inflation rate (separate calculation)		
			Increase in Formula Grant	
			2013/14	-5.00%
			2014/15	-5.00%
			% increase in tax base	
			All years	0.95%

MEDIUM TERM FINANCIAL STRATEGY		Appendix I Revenue Forecasts : Standstill		
2011/12 TO 2014/15				
FINANCIAL FORECAST				
	2011/12	2012/13	2013/14	2014/15
	Revised			
		Forecast	Forecast	Forecast
Net Service Expenditure	10,245,470			
Net Budget Requirement		8,959,528	9,794,410	10,506,941
Movements identified in Budget Monitoring				
Zero pay award 2011and increments not paid	-213,060			
Carry Forwards from 2010/11	125880	-125880		
NHB	-349,760	349,740		
Elections	-25,000	25,000		
Reduced Council Tax Subsidy	10,000	-10,000		
Additional Recovery of overpaid HB	-170,000			
Countryside management reduced income	10,000			
Waste Business Improvement additional Income	-20,000	20,000		
Recycling Savings	-170,000	170,000		
Refuse Savings	-15,000	15,000		
Planning Fee income greater than anticipated	-90,000	90,000		
Florence House Rent - 6 months	-22,500			
ICT Savings	-31,500	31,500		
Ill health Retirement insurance Saving	-26,880			
Employees	-254,480	134,270		
Additiomnal Employee Savings	-40,000			
Subscriptions (Prospect Leics)	-23,000	23,000		
Grounds Maintenance Additional Income	-16,000	16,000		
Building Control Income	-34,000	34,000		
Earl Shilton & Barwell SUE	-195,000	195,000		
Other under £10k	-49,982	49,982		
Approved Supplementary Budgets	86,900			
New Homes Bonus to Parishes	87,440			
Travel Review	-35,000	35,000		
Travel Review buy out payment	60,000	-60,000		
Increase to low paid	42,000	-42,000		
MRP Adjustment	73,000			

	8,959,528	9,910,140	9,794,410	10,506,941
Inflationary increases (see attached) Costs		205,034	193,887	297,310
Inflationary increases (see attached) Fees and Charges		-86,410	-51,106	-52,128
Pensions Increase 1%		70,000	70,000	
Impact of 2012/13 Savings(BOP for 2011/12)		-201,290		
Impact of 2013/14 Savings(BOP 2011/12)			-191,190	
Additional savings identified in budget process 2012/13 net of growth		-187,021		
Hinckley Hub		172,780	301,770	-19860
Greenfields		-12,000		
Atkins		-32,000	-5,000	-11000
Car parks			38,000	10000
Refuse and recycling		-212,460		
Florence House rent (second 6 months)		-22500	22500	
Planning & Building Control Income		-17,000	-15,000	-15000
New Homes Bonus to Parishes 2012/13		90,388	42,840	71694
travel review		-147,950		
LDF		194,000	-2,000	
Loss of Council Tax Benefit subsidy (50% of £740,000)			370,000	
DC Secondment		22,770	-22,770	
Capital Financing - MRP		45,000	1,600	23640
Capital Financing - Interest - payable net		17,990	-41,000	-122580
Capital Financing - Interest - receivable receipts		-15,060	0	-34940
NET Borough Budget Requirement	8,959,528	9,794,410	10,506,941	10,654,078
Transfer to Pension Reserve	115,470	119,030	28,830	0
Contribution to Reserves	803500	592720	137720	69720
Contribution from Reserves	-417,730	-228,270	-823,500	-620000
Contribution to/(from) Balances	216,262	-452,616	166,019	328,993
NET BUDGET/FORECAST EXPENDITURE	9,677,030	9,825,274	10,016,010	10,432,790
% Increase in Net Budget Forecast/Expenditure	-12.19%	1.53%	1.94%	4.16%
	2011/12	**2012/13**	**2013/14**	**2014/15**

	Revised	Forecast	Forecast	Forecast
	£	£	£	£
	9,677,030	9,825,274	10,016,010	10,432,790
Formula Grant	6077697	5372466	5372466	5372466
Freeze Grant		105820		
New Homes Bonus 2011/12		349740	349740	349740
New Homes Bonus 2012/13		361530	361530	361530
New Homes Bonus 2013/14			342720	342720
New Homes Bonus 2014/15				573552
Discount for uncertainty @50%			**-171360**	**-458140**
Collection Fund Surplus	15,000	20,000	20,000	20000
Council Tax Income	3,584,333	3,615,718	3,740,914	3,870,922
Estimated Tax base	37352	37671	38029	38391
Estimated Band D Council Tax	£95.97	£95.97	£98.37	£100.83
Year on Year Increase in Council Tax				
(i) Amount	£0.01	£0.00	£2.40	£2.46
('ii) Percentage	0.01%	0.00%	2.50%	2.50%
SPECIAL EXPENSES				
Net Budget Requrement B/Fwd	530970	549500	616600	624087
Inflationary increase		0	7487	11481
Contribution to from Reserves	55160	118560		
Contribution to/(from) Balances	25900	-57600		
NET BUDGET/FORECAST EXPENDITURE-Special Exp	612030	610460	624087	635568
Estimated Taxbase	37352.4	37671	38029	38391
Special Expenses Council Tax	16.39	16.21	16.41	16.56
Year on year increase in Special Expenses Council Tax				
(I) Amount	0.00	-0.18	0.21	0.01
(ii) Percentage	-0.03%	-1.10%	1.27%	0.88%
Total Net Budget Requirement	10289060	10435734	10640098	11068358
% increase in Total Net Budget Requirement	*-5.89%*	*1.43%*	*1.96%*	4.02%
Taxbase	37352	37671	38029	38391

Council Wide Increase in Council Tax	£112.35	£112.19	£114.78	£117.38
Percentage Increase	0.00%	-0.14%	2.31%	2.27%
	Assumptions			
			Inflation rate (separate calculation)	
			Increase in Formula Grant	
			2013/14	0.00%
			2014/15	0.00%
			% increase in tax base	
			All years	0.95%

MEDIUM TERM FINANCIAL STRATEGY
2011/12 TO 2014/15
GENERAL FUND BALANCES AND RESERVES

	2011/12 Revised £000	2012/13 RSG at Standstill	2013/14 RSG at Standstill	2013/14 RSG at -5%	2013/14 RSG at -10%	2014/15 RSG at Standstill	2014/15 RSG at -5%	2014/15 RSG at -10%
Working Balances Position:								
Opening Balances General Fund Balances 31st March 2011	1,933,000	2,175,162	1,664,946	1,664,946	1,664,946	1,830,965	1,562,342	1,293,718
Transfer to /(from)from Balances	242,162	-510,216	166,019	-102,604	-371,228	328,993	-194,823	-691,776
Closing General Fund Balance 31st March	**2,175,162**	**1,664,946**	**1,830,965**	**1,562,342**	**1,293,718**	**2,159,958**	**1,367,519**	**601,942**
Opening Balance Earmarked G F Reserves 31st March 2011	4,119,182	4,439,539	4,481,989	4,481,989	4,481,989	3,796,209	3,796,209	3,796,209
Additions to Reserves	858,660	711,280	137,720	137,720	137,720	69,720	69,720	69,720
Use of Reserves (from Appendix I)	-417,730	-228,270	-823,500	-823,500	-823,500	-620,000	-620,000	-620,000
Other	-120,573	-440,560						
Closing Balance Earmarked GF Reserves 31st March	**4,439,539**	**4,481,989**	**3,796,209**	**3,796,209**	**3,796,209**	**3,245,929**	**3,245,929**	**3,245,929**
TOTAL G F BALANCES AND RESERVES	6,614,701	6,146,935	5,627,174	5,358,551	5,089,927	5,405,887	4,613,448	3,847,871
Balances and reserves movement	562,519	-467,766	-519,761	-788,384	-1,057,008	-221,287	-745,103	-1,242,056
Reserves	320,357	42,450	-685,780	-685,780	-685,780	-550,280	-550,280	-550,280

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COUNCIL – 23 FEBURARY 2012

THE PRUDENTIAL CODE FOR CAPITAL FINANCE IN LOCAL AUTHORITIES – SETTING OF PRUDENTIAL INDICATORS 2011/12 – 2014/15 AND TREASURY MANAGEMENT STRATEGY 2012/13-14/15

Hinckley & Bosworth Borough Council
A Borough to be proud of

REPORT OF THE DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)

WARDS AFFECTED: ALL WARDS

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1. Purpose of Report

This report outlines the Council's prudential indicators for 2011/12 - 2013/14 and sets out the expected treasury operations for this period. It fulfils four key legislative requirements:

- The reporting of the **prudential indicators,** setting out the expected capital activities (as required by the CIPFA Prudential Code for Capital Finance in Local Authorities - Section A). The treasury management prudential indicators are now included as treasury indicators in the CIPFA Treasury Management Code of Practice;

- The Council's **Minimum Revenue Provision (MRP) Policy**, which sets out how the Council will pay for capital assets through revenue each year (as required by Regulation under the Local Government and Public Involvement in Health Act 2007 – Also Section A);

- The **treasury management strategy statement** which sets out how the Council's treasury service will support the capital decisions taken above, the day to day treasury management and the limitations on activity through treasury prudential indicators. The key indicator is the **Authorised Limit**, the maximum amount of debt the Council could afford in the short term, but which would not be sustainable in the longer term. This is the Affordable Borrowing Limit required by s3 of the Local Government Act 2003. This is in accordance with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code and shown at Section B;

- The **investment strategy** which sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss. This strategy is in accordance with the CLG Investment Guidance. And also shown in Section B.

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

2. Recommendations

Members note the key elements of these reports:

1. The Prudential Indicators and Limits for 2011/12 to 2014/15 contained within Section 3 Part A of the report, including the Authorised Limit Prudential Indicator.

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

3. The Treasury Management Strategy 2011/12 to 2014/15, and the treasury Prudential Indicators contained within Section 3 Part B.

4. The Investment Strategy contained in the treasury management strategy Part 3 Section B and the detailed strategy in Appendix 1.

3. Background

A) The Capital Prudential Indicators 2011/12 - 2014/15

Introduction

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

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

2. Within this overall prudential framework there is an impact on the Council's treasury management activity – as it will directly impact on borrowing or investment activity. As a consequence the treasury management strategy for 2012/13 to 2014/15 is included as Appendix B to complement these indicators. Some of the prudential indicators are shown in the treasury management strategy to aid understanding.

   A key issue facing the Council is the impact of planned HRA reform. This would essentially end the impact of the housing subsidy system and will see the HRA as a stand alone business. The Council will need to approve revised limits in advance of the reform being put into operation.

   The Council currently pays into the HRA housing subsidy system, and in order to stop future payments from 1 April 2012 the Council is required to pay the CLG £67.652m. This payment is effectively HRA debt, so the prudential indicators have been adjusted to reflect this change. The actual payment will be made on the 26 March 2012 and so the indicators will take immediate effect from the approval of these limits by Council. The change is expected to be beneficial to the Council.

The Capital Expenditure Plans

3. The Council's capital expenditure plans are summarised below and this forms the first of the prudential indicators. A certain level of capital expenditure is grant supported by the Government; any decisions by the Council to spend above this level will be considered unsupported capital expenditure. This unsupported capital expenditure needs to have regard to:

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

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

5. This capital expenditure can be paid for immediately (by applying capital resources such as capital receipts, capital grants etc., or revenue resources), but if these resources are insufficient any residual capital expenditure will add to the Council's borrowing need.

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

7. The Council is asked to approve the summary capital expenditure projections below. This forms the first prudential indicator:

Table 1

Capital Expenditure £'000	Actual 2010/11	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Non-HRA	9,786	3,497	3,477	886	876
HRA	2,711	3,014	2,123	2,123	2,123
HRA Settlement		67,652			
Total	12,497	74,163	5,600	3,009	2,999
Financed by:					
Capital receipts	2,733	1,517	1,569	404	0
Capital grants	3,005	930	265	165	165
Capital reserves	243	95	0	0	0
Revenue	2,052	2,052	2,052	2,052	2,052
Net financing need for the year	**4,464**	**69,569**	**1,714**	**388**	**782**

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

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

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

Table 2

£'000	Actual 2010/11	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Capital Financing Requirement					
CFR - Non Housing	14,547	14,934	15,882	15,497	15,574
CFR - Housing	2,004	70,500	68,331	66,162	63,993
Total CFR	**16,551**	**85,434**	**84,213**	**81,659**	**79,567**
Movement in CFR	**3,787**	**68,883**	**-1,221**	**-2,554**	**-2,092**

Movement in CFR represented by					
Net financing need for the year (above)	4,464	69,568	1,714	388	882
Less MRP/ VRP and other financing movements	677	685	-2,935	-2,942	-2,974
Movement in CFR	**3,787**	**68,883**	**-1,221**	**-2,554**	**-2,092**

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

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

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

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

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

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

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

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

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

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

Table 3

£'000	Actual 2010/11	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Fund balances	3,968	4,004	3,961	3,781	3,510
Capital receipts	1,260	1,227	178	49	193
Earmarked reserves	3,382	4,296	4,371	3,695	3,125
Provisions	505	440	376	312	248
Contributions unapplied	867	200	0	0	0
Total Core Funds	**9,982**	**10,167**	**8,886**	**7,837**	**7,076**
Working Capital*	1,000	1,000	1,000	1,000	1,000
Under borrowing	6,751	11,164	10,443	7,289	4,297
Expected Investments	**0**	**0**	**0**	**0**	**0**

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

Affordability Prudential Indicators

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

16. **Actual and Estimates of the ratio of financing costs to net revenue stream –** This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

Table 4

%	Actual 2010/11	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Non-HRA	6.9	7.4	7.9	7.6	7.0
HRA	40.3	40.5	40.3	40.1	40.0

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

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

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

Table 5

£	Actual 2010/11	Proposed Budget 2011/12	Forward Projection 2012/13	Forward Projection 2013/14	Forward Projection 2014/15
Council Tax - Band D	1.83	0.94	-1.53	0.72	1.71

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

21. **Incremental impact of capital investment decisions Housing Rent levels.**

Table 6

£	Actual 2010/11	Proposed Budget 2011/12	Forward Projection 2012/13	Forward Projection 2013/14	Forward Projection 2014/15
Weekly Housing Rent levels	0.00	0.00	0.00	0.00	0.00

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

B) Treasury Management Strategy 2011/12 - 2012/13

1. The treasury management service is an important part of the overall financial management of the Council's affairs. The prudential indicators in Appendix A consider the affordability and impact of capital expenditure decisions, and set out the Council's overall capital framework. The treasury service considers the effective funding of these decisions. Together they form part of the process which ensures the Council meets its balanced budget requirement under the Local Government Finance Act 1992.

2. The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management). This Council adopted the Code of Practice on Treasury Management on 30 June 2003.

3. As a result of adopting the Code the Council also adopted a Treasury Management Policy Statement (30 June 2003). This adoption is the requirements of one of the prudential indicators.

4. The Constitution require an annual strategy to be reported to Council outlining the expected treasury activity for the forthcoming 3 years. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service. A further treasury report is produced after the year-end to report on actual activity for the year, and a new requirement of the revision of the Code of Practice is that there is a mid-year monitoring report.

5. This strategy covers:

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

Debt and Investment Projections 2011/12 - 2014/15

6. The borrowing requirement comprises the expected movement in the CFR and any maturing debt which will need to be re-financed. The table below shows this effect on the treasury position over the next three years. The expected maximum debt position during each year represents the Operational Boundary prudential indicator, and so may be different from the year end position. The table also highlights the expected change in investment balances.

Table 7

£'000	2011/12 Revised	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
External Debt				
Debt at 1 April	16,551	85,5434	84,213	81,659
Expected change in debt	68,883	-1,221	-2,554	-2,092
Debt at 31 March	85,434	84,213	81,659	79,567
Operational Boundary	85,434	84,213	81,569	79,567
Investments				
Total Investments at 31 March	**0**	**0**	**0**	**0**
Investment change	**0**	**0**	**0**	**0**

7. The related impact of the above movements on the revenue budget are:

Table 8

£'000	2011/12 Revised	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Revenue Budgets				
Interest on Borrowing	**2,207**	**-31**	**-85**	**-66**
Related HRA Charge	2,192	-69	-69	-69
Net General Fund Borrowing Cost	15	38	-15	3
Investment income	**0**	**0**	**0**	**0**

Limits to Borrowing Activity

8. Within the prudential indicators there are a number of key indicators to ensure the Council operates its activities within well defined limits.

9. For the first of these the Council needs to ensure that its total borrowing net of any investments, 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 2011/12 and the following two financial years (the relevant comparative figures are highlighted). This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

Table 9

£'000	2011/12 Revised	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Gross Borrowing	85,434	84,213	81,569	79,567
Less Investments	0	0	0	0
Net Borrowing	85,434	84,213	81,659	79,567
CFR*	85,434	84,213	81,659	79,567

* - Under the Prudential Code revision any falls in the CFR are ignored.

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

11. The Authorised Limit for External Debt – A further key prudential indicator represents a control on the overall level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by 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.

12. 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 no control has yet been exercised.

13. The Council is asked to approve the following Authorised Limits:

Table 10

Authorised limit £'000	2011/12 Revised	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Borrowing	85,834	84,667	82,059	79,967
Other long term liabilities	0	0	0	0
Total	85,834	84,667	82,059	79,967

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	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Total	72.0	72.0	72.0	72.0

14. Borrowing in advance of need – The Council has some flexibility to borrow funds this year for use in future years. The Deputy Chief Executive (Corporate Direction) may do this under delegated power where, for instance, a sharp rise in interest rates is expected, and so borrowing early at fixed interest rates will be economically beneficial or meet budgetary constraints. Whilst the Deputy Chief Executive (Corporate Direction) will adopt a cautious approach to any such borrowing, where there is a clear business case for doing so borrowing may be undertaken to fund the approved capital programme or to fund future debt maturities. Borrowing in advance will be made within the constraints that:

    - It will be limited to no more than 20% of the expected increase in borrowing need (CFR) over the three year planning period; and
    - Would not look to borrow more than 12 months in advance of need.

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

Expected Movement in Interest Rates

Table 11

Medium-Term Rate Estimates (averages)

Annual Average %	Bank Rate	Money Rates		PWLB Rates*		
		3 month	1 year	5 year	25 year	50 year
2010/11	0.5	0.7	1.5	3.6	5.3	5.25
2011/12	0.5	0.7	1.5	2.3	4.2	4.3
2012/13	0.5	0.8	1.7	2.5	4.4	4.5
2013/14	1.3	1.4	2.4	2.9	4.8	4.9
2014/15	2.5	2.6	3.3	3.7	5.2	5.3
2015/16	3.5	3.7	4.0	4.8	5.7	5.8

- Borrowing Rates

Growth in the UK economy is expected to be weak in the next two years and there is a risk of a technical recession (i.e. two quarters of negative growth). Bank Rate, currently 0.5%, underpins investment returns and is not expected to start increasing until quarter 3 of 2013 despite inflation currently being well above the Monetary Policy

Committee inflation target. Hopes for an export led recovery appear likely to be disappointed due to the Eurozone sovereign debt crisis depressing growth in the UK's biggest export market. The Comprehensive Spending Review, which seeks to reduce the UK's annual fiscal deficit, will also depress growth during the next few years.

Fixed interest borrowing rates are based on UK gilt yields. The outlook for borrowing rates is currently much more difficult to predict. The UK total national debt is forecast to continue rising until 2015/16; the consequent increase in gilt issuance is therefore expected to be reflected in an increase in gilt yields over this period. However, gilt yields are currently at historically low levels due to investor concerns over Eurozone sovereign debt and have been subject to exceptionally high levels of volatility as events in the Eurozone debt crisis have evolved.

This challenging and uncertain economic outlook has a several key treasury mangement implications:

- The Eurozone sovereign debt difficulties, most evident in Greece, provide a clear indication of much higher counterparty risk. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2012/13;
- Borrowing interest rates are currently attractive, but may remain low for some time. The timing of any borrowing will need to be monitored carefully;
- There will remain a cost of capital – any borrowing undertaken that results in an increase in investments will incur a revenue loss between borrowing costs and investment returns.

Borrowing Strategy 2012/13 - 2014/15

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 has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is high and will be maintained for the borrowing excluding the HRA reform settlement.

    Against this background and the risks within the economic forecast, caution will be adopted with the 2012/13 treasury operations. The Deputy Chief Executive (Corporate Direction) will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

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

    The requirement for the HRA reform settlement to be made to the CLG on 28 March 2012 will require a separate consideration of a borrowing strategy. The Council will need to have the cash settlement amount of £69.993m available by the 28th March 2012, so separate borrowing solely for this purpose is anticipated. The PWLB are providing loans at interest rates 0.85% lower than the usual

PWLB interest rates solely for the settlement requirements. This provides a compelling reason to utilise this borrowing availability. The exact structure of debt to be drawn is curently being considered by officers to ensure it meets the requirements of the HRA business plan and the overall requirements of the Council. Whilst the debt can be drawn earlier than needed, this may incur a revenue cost, and will be considered when a review of the structure of actual prevailing borrowing and investment interest rates is undertaken nearer to the time.

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

Borrowing In Advance

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

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

Debt Restructuring

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

The reasons for any rescheduling to take place will include:

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

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

Investment Strategy 2012/13 – 2014/15

19. **Key Objectives -** The Council’s investment strategy primary objectives are safeguarding the re-payment of the principal and interest of its investments on time, then ensuring adequate liquidity, with the investment return being the final objective. Following the economic background above, the current investment climate has one over-riding risk, counterparty security risk. As a result of these underlying concerns officers are implementing an operational investment strategy which tightens the controls already in place in the approved investment strategy.

20. **Risk Benchmarking –** A development in the revised Codes and the CLG Investment Guidance is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance. Discrete security and liquidity benchmarks are new requirements

to the Member reporting, although the application of these is more subjective in nature. Additional background in the approach taken is attached at Annex B2.

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

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

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

23. Liquidity – In respect of this area the Council seeks to maintain:

- Bank overdraft - £0.6m
- Liquid short term deposits of at least £1m available with a week's notice.
- Weighted Average Life benchmark is expected to be 0.75 years, with a maximum of 1 year.

24. Yield - Local measures of yield benchmarks are:

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

Table 12

	1 year	2 years	3 years	4 years	5 years
Maximum	0.24%	0.78%	1.48%	2.24%	3.11%

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

25. **Investment Counterparty Selection Criteria -** 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:

- 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.

- 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.

26. The Deputy Chief Executive (Corporate Direction) will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. This criteria is separate to that which chooses Specified and Non-Specified investments as it provides an overall pool of counterparties considered high quality the Council may use rather than defining what its investments are.

27. The rating criteria use the **lowest common denominator** method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance if an institution is rated by two agencies, one meets the Council's criteria, the other does not, the institution will fall outside the lending criteria. This is in compliance with a CIPFA Treasury Management Panel recommendation in March 2009 and the CIPFA Treasury Management Code of Practice.

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

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

- **Banks 1 - Good Credit Quality –** the Council will only use banks which:

  i) Are UK banks; and/or
  ii) Are non-UK and domiciled in a country which has a minimum Sovereign long term rating of AAA.

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

  i) **Short Term** – F1
  ii) **Long Term** – A
  iii) **Individual / Financial Strength** – C (Fitch / Moody's only)
  iv) **Support –** 3 (Fitch only)

- **Banks 2 – Guaranteed Banks with suitable Sovereign Support –** In addition, the Council will use banks whose ratings fall below the criteria specified above if all of the following conditions are met:

  - (a) wholesale deposits in the bank are covered by a government guarantee;
  - (b) the government providing the guarantee is rated "AAA" by all three major rating agencies (Fitch, Moody's and Standard & Poors); and
  - (c) the Council's investments with the bank are limited to amounts and maturities within the terms of the stipulated guarantee.

- **Banks 3 - Eligible Institutions** - the organisation was considered an Eligible Institution for the HM Treasury Credit Guarantee Scheme initially announced on 13 October 2008, with the necessary short and long term ratings required in Banks 1 above. These institutions were subject to suitability checks before inclusion.

- **Banks 4** - The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.

- **Bank Subsidiary and Treasury Operations –** the Council will use these where the parent bank has the necessary ratings outlined above.

- **Building Societies –** the Council will use all Societies which:

  i) meet the ratings for banks outlined above
  Or are both:
  ii) Eligible Institutions; and
  iii) Have assets in excess of £500m.

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

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

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

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

31. **Use of additional information other than credit ratings** – Additional requirements under the Code of Practice 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.

32. **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):

Table 13

	Fitch (or equivalent)	**Money Limit**	**Time Limit**
Limit 1 Category	AAA	£5m	3yrs
Limit 2 Category	AA	£5m	3yrs
Limit 3 Category	A	£3m	2yrs
Other Institution Limits	-	£2m	1yr
Guaranteed Organisations	-	£2m	6mths

33. The proposed criteria for Specified and Non-Specified investments are shown in Annex B1 for approval.

34. In the normal course of the council's cash flow operations it is expected that both Specified and Non-specified investments will be utilised for the control of liquidity as both categories allow for short term investments.

35. The use of longer term instruments (greater than one year from inception to repayment) will fall in the Non-specified investment category. These instruments will only be used where the Council's liquidity requirements are safeguarded. This will also be limited by the longer term investment limits.

36. **Economic Investment Considerations** - Expectations on shorter-term interest rates, on which investment decisions are based, show likelihood of the current 0.5% Bank Rate remaining flat but with the possibility of a rise in mid/late-2013. The Council's investment decisions are based on comparisons between the rises priced into market rates against the Council's and advisers own forecasts.

37. **The criteria for choosing counterparties set out above provide a sound approach to investment in "normal" market circumstances. Whilst Members are asked to approve this base criteria above, under the exceptional current market conditions the Deputy Chief Executive (Corporate Direction) may temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to "normal" conditions. Similarly the time periods for investments will be restricted.**

38. Examples of these restrictions would be the greater use of the Debt Management Deposit Account Facility (DMADF – a Government body which accepts local authority deposits), Money Market Funds, and strongly rated institutions. The credit criteria have been amended to reflect these facilities.

Sensitivity to Interest Rate Movements

39. Future Council accounts will be required to disclose the impact of risks on the Council's treasury management activity. Whilst most of the risks facing the treasury management service are addressed elsewhere in this report (credit risk, liquidity risk, market risk, maturity profile risk), the impact of interest rate risk is discussed but not quantified. The table below highlights the estimated impact of a 1% increase/decrease in all interest rates to the estimated treasury management costs/income for next year. That element of the debt and investment portfolios which are of a longer term, fixed interest rate nature will not be affected by interest rate changes.

Table 14

£m	**2012/13 Estimated + 1%**	**2012/13 Estimated - 1%**
Revenue Budgets		
Interest on Borrowing	0	0
Net General Fund Borrowing Cost	0	0
Investment income	0	0

Treasury Management Limits on Activity

40. There are four further treasury activity limits, which were previously prudential indicators. The purpose of these are to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However if these are set to be too restrictive

they will impair the opportunities to reduce costs/improve performance. The indicators are:

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

41. The Council is asked to approve the limits:

Table 15

£m	2011/12	2012/13	2013/14
Interest rate Exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	16	16	16
Limits on variable interest rates based on net debt	4	4	4
Maturity Structure of fixed interest rate borrowing 2011/12			
		Lower	**Upper**
Under 12 months		0%	100%
12 months to 2 years		0%	100%
2 years to 5 years		0%	100%
5 years to 10 years		0%	100%
10 years and above		0%	100%
Maximum principal sums invested > 364 days			
Principal sums invested > 364 days	£5m	£5m	£5m

Performance Indicators

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

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

Treasury Management Advisers

43. The Council uses Sector as its treasury management consultants. The company provides a range of services which include:

- Technical support on treasury matters, capital finance issues and the drafting of Member reports;
- Economic and interest rate analysis;
- Debt services which includes advice on the timing of borrowing;
- Debt rescheduling advice surrounding the existing portfolio;
- Generic investment advice on interest rates, timing and investment instruments;
- Credit ratings/market information service comprising the three main credit rating agencies;

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

4. Financial Implications (IB)

These are contained in the body of the report.

5. Legal Implications

There are none arising directly from this report.

6. Corporate Plan Implications

Delivery of the Prudential Indicators contributes to the achievement of Strategic Objective 3: "Deliver the Councils Medium Term Financial with a sustained focus on the Council's priorities whilst working to resolve the continuing pressure of service requirements in the context of available resources".

7. Consultation

None

8. Risk Implications

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

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

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

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

9. **Knowing your Community- Equality and Rural Implications**

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

10. **Corporate Implications**

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

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

Background Papers
Capital Programme 2010/11 to 2013/14
The CIPFA Prudential Code
Treasury Management Policy
Revenue Budget 2012/13

Contact Officer: David Bunker, Accountancy Manager ext 5609

Executive Member: Cllr KWP Lynch

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

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

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

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

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

The investment policy proposed for the Council is:

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

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

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

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

	Non Specified Investment Category	Limit (£)
a.	**Supranational Bonds greater than 1 year to maturity** **(a) Multilateral development bank bonds** - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.). **(b) A financial institution that is guaranteed by the United Kingdom Government** (e.g. The Guaranteed Export Finance Company {GEFCO}) The security of interest and principal on maturity is on a par with the Government and so very secure, and these bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	AAA long term ratings £3m £3m
b.	**Gilt edged securities** with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	£3m
c.	**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.**	£3m
d.	**Building societies not meeting the basic security requirements under the specified investments**. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use such building societies which were originally considered Eligible Institutions and have a minimum asset size of £500m, but will restrict these type of investments to £2m	£2m
e.	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).	£5m
f.	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 Sector as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Deputy Chief Executive (Corporate Direction), and if required new counterparties which meet the criteria will be added to the list.

Security, Liquidity and Yield Benchmarking

Benchmarking and Monitoring Security, Liquidity and Yield in the Investment Service - A proposed development for Member reporting is the consideration and approval of security and liquidity benchmarks.

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

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

- Investments - Internal returns above the 7 day LIBID rate

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

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

- Bank overdraft - £0.6m
- Liquid short term deposits of at least £1m available with a week's notice.

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

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

Security of the investments - In context of benchmarking, assessing security is a much more subjective area to assess. Security is currently evidenced by the application of minimum credit quality criteria to investment counterparties, primarily through the use of credit ratings supplied by the three main credit rating agencies (Fitch, Moody's and Standard and Poors). Whilst this approach embodies security considerations, benchmarking levels of risk is more problematic. One method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the Council's investment strategy. The table beneath shows average defaults for differing periods of investment grade products for each Fitch/Moody's Standard and Poors long term rating category over the period 1990 to 2009.

Years	1	2	3	4	5
AAA	0.00%	0.01%	0.05%	0.10%	0.17%
AA	0.03%	0.06%	0.08%	0.14%	0.20%
A	0.08%	0.22%	0.37%	0.52%	0.70%
BBB	0.24%	0.68%	1.19%	1.79%	2.42%

BB	1.22%	3.24%	5.34%	7.31%	9.14%
B	4.06%	8.82%	12.72%	16.25%	19.16%
CCC	24.03%	31.91%	37.73%	41.54%	45.22%

The Council's minimum long term rating criteria is currently "A", meaning the average expectation of default for a one year investment in a counterparty with a "A" long term rating would be 0.08% of the total investment (e.g. for a £1m investment the average loss would be £800). This is only an average - any specific counterparty loss is likely to be higher - but these figures do act as a proxy benchmark for risk across the portfolio.

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

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

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

	1 year	2 years	3 years	4 years	5 years
Maximum	0.24%	0.68%	1.19%	1.79%	2.42%

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

SCHEDULE OF MEETINGS

1 May 2012 - 30 June 2013

		MAY '12	JUN '12	JUL '12	AUG '12	SEP '12	OCT '12	NOV '12	DEC '12	JAN '13	FEB '13	MAR '13	APR '13	MAY '13	JUN '13
Council	Tuesday	15		17		18		13		8	28	12		14	25
Executive	Wednesday	23		18		12		7		9		6		1	26
Finance, Audit & Performance Committee	Monday		11	23		10	29		10	21		4	15		3
Hinckley Area Committee	Monday									31					
Member Development Steering Group	Wednesday		20		15		10		5	30		27		22	
Personnel Committee	Wednesday				8			14			13			8	
Planning Committee	Tuesday	1, 29	26	24	21	25	23	20	18	22	19	19	16	21	11
Scrutiny Commission	Thursday	24		5	16	27		8	20	31		14	25		6
Standards Committee	Friday			27			26			25			26		

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