COUNCIL – 16TH JULY

Hinckley & Bosworth Borough Council
A Borough to be proud of

REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)

RE: MEDIUM TERM FINANCIAL STRATEGY 2012/2013 – 2015/2016

1. PURPOSE OF REPORT

To approve the Medium Term Financial Strategy 2012/2013-2015/2016

2. RECOMMENDATION

That Council approve the Medium Term Financial Strategy (MTFS).

3. BACKGROUND TO THE REPORT

3.1 The Medium Term Financial Strategy sets out clearly the Council's financial position for the four years from 2012/13 to 2015/16. The financial strategy underpins the Council's Corporate Plan and ensures that resources are allocated and used effectively to achieve corporate targets. At the same time, the document is an integral element of the financial planning procedures of the Council and forecasts how the Council will remain financial resilient as an organisation, whilst at the same time not placing an unreasonable burden on local taxpayers.

3.2 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, both internally (ie fee generation) and from external pressures and changes in legislation (e.g. pension reform). Members should note that the changes in Local Government Finance from 2013/2014 mean that many local decisions and the local economic climate will have more of a direct impact on the Council and its finances going forward (e.g. in respect of Business Rates Retention and Local Council Tax schemes)

3.3 Section 11 sets out the Capital Programme of the Council and emphasises that the programme contains a number of major schemes (including the Bus Station Development and the Leisure Centre). Revenue implications of these developments have a major impact on the General Fund revenue budgets in the years of the Strategy and the document details many of these schemes are interlinked in order to make sufficient capital resource available.

3.4 In order to ensure that the outputs of this document are robust, the Council's External Auditors (PricewaterhouseCoopers LLP) have performed a benchmarking exercise which compares the assumptions used in the Strategy against other Council's nationwide. The outputs of this exercise will be reported following the completion of the 2012/2013 audit and will be provided to Scrutiny Commission for information.

3.5 In order to ensure flexibility of the financial position, the MTFS is a rolling document and is refreshed on an annual basis to ensure it reflects any changes to the Council's finances and the wider economic climate.

4. **FINANCIAL IMPLICATIONS (KB)**

Contained within the body of the report

5. **LEGAL IMPLICATIONS (AB)**

The MTFS provides the foundations to allow the Council to meet its statutory obligations in relation to setting a balanced budget by mid-March each year, in accordance with Section 42A of the Local Government Finance Act 1992 and section 25 of the Local Government Act 2003.

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**

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

The Council consulted on all budget priorities in a budget setting survey conducted in August/September 2012.

8. **RISK IMPLICATIONS**

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

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

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

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

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

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

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

10. **CORPORATE IMPLICATIONS**

By submitting this report, the report author has taken the following into account:
- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector

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Hinckley & Bosworth Borough Council

A Borough to be proud of

MEDIUM TERM FINANCIAL STRATEGY 2012/13 to 2015/16

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MEDIUM TERM FINANCIAL STRATEGY 2013 to 2016
FOREWORD

There cannot be any doubt that the future from April 2014 looks fairly bleak. The economy is not recovering at the rate originally predicted by the Coalition Government, and the reductions in financial support to the public sector, particularly local government, will continue to reduce.

The main objective for the Coalition Government is to secure sustainable economic growth to enable national deficit reduction. Its main requirements from local government in support of this objective are efficiency/reduced costs through more coordinated activity and a contribution to the growth priority at local level.

The Council's resources from central government will continue to reduce, our ability to raise income locally will be constrained by forms of central control over council tax increases, increases in debt for our residents and businesses, the pressure locally to keep our fees and charges down, the 'share' of business rate taken by the Treasury and Ministerial statements about our use of council reserves/assets, wastefulness and the perceived 'greed' on car parking fees and so on.

New Homes Bonus, which has supported the budgets for all District Councils, may be threatened by lobbying from County Councils to take larger shares, with weight added to their case by severe pressures on adult and children's services and additional powers created by transfers of community services.

The introduction of retained business rates is not showing the significant increases in revenue to Districts originally showcased by DCLG. The Local Council Tax Support (LCTS) scheme (with transitional grant for 2013/14 only) will mean further gaps in the Council's revenue budget and further increase spending from 2014/15. Debt and its recovery will become more significant; and there remains the prospect of redundancy costs if the Department of Works and Pensions (DWP) continues to drive forward Universal Credit from later this year.

Our ability to fund much-needed capital projects also remains constrained, because of the 'cap' on borrowing against the housing pot, the availability of land and capital receipts and the inevitable reliance on making successful capital bids to the Leicester and Leicestershire Enterprise Partnership (LLEP).

The above are just the direct impacts on District Councils of localism, there will of course be additional pressures on our budgets from our county-wide colleagues in the public sector, particularly the County Council, who are already expecting and needing Districts to assist their own efficiency priorities, as they seek to maintain or change the form and content of their care services for adults and children. Conversely, the decisions we make at District level on residential development which triggers New Homes Bonus, Business Rates growth and the LCTS from 2014/15 will have a direct impact on the finances of the major preceptors and therefore in our decision making we will need to be sensitive to these impacts as inevitably there will be a knock on impact on the delivery of public services.

As well as radical changes to Local Government funding, the landscape in which we operate is also changing dramatically. Community budgeting, health and wellbeing Boards, a raft of newly locally announced economic programmes such as:- City Deals, local growth deals, local enterprise partnerships (business-led, but funded and delivered by local authorities), health and wellbeing boards and enterprise zones, to name but a few of the relatively new initiatives and supported by sub-regional groups. In themselves individually, these different initiatives could operate to some very constructive effect; but the bigger picture of how it all comes together and operates effectively and efficiently is a big challenge for District Council's and partners.

Whilst Community Budgets (Neighbourhood and Whole Place, including Neighbourhood elements) hold one key to more efficient use of public service resources, it is clear that any success in these ventures will be heavily dependent on District input (for example, Housing), which will not be matched by financial reward .

Whilst understanding, accepting and embracing the changes being imposed on Local Government by policy decisions being made in Whitehall and building this into how we as a Council have to change the way we operate with other public bodies to deliver our services, we also, at a local level, must not lose sight of the fact that we exist primarily to serve the citizens of our Borough. It is therefore important that this Council seeks to continually improve its financial management and reporting. It continues to strive to provide financial information in a manner that is 'user friendly' based on the results of public consultations.

Effective planning therefore, although becoming increasingly difficult, is particularly important in this period of national economic instability and local financial uncertainty resulting from unprecedented changes in the Local Government finance structure. By continuing to have well planned services and associated resource allocation, the Authority will be much better equipped to respond appropriately to community needs. Good planning will ensure that short-term solutions are not achieved at the expense of long-term sustainability.

The Council is very well equipped to deal with these challenges as it has become accustomed to sound financial planning linked to effective service delivery and has established a strong financial standing. Senior Management and Elected Members will need to continue to work closely together to strike the right balance in decision making for the long term benefit of the local community and for the future sustainability of the Authority.

Sanjiv Kohli
Deputy Chief Executive
(Corporate Direction)
and S151 Officer

Keith Lynch
Executive Member for Finance

2. INTRODUCTION

The Medium Term Financial Strategy (MTFS - the Strategy) 2013 to 2016 sets out the financial planning framework for Hinckley and Bosworth Borough Council (the Council) and shows how national, regional, sub-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.

Recent changes announced by government in local government financing mean that significant risks of funding of local services have been passed over by central government to local government through the changes to business rates retention (BRR), localisation of council tax support (LCTS) and a greater financial dependency on New Homes Bonus (NHB). This, together with the desire of the Council to minimise increases in council tax and fees and charges (e.g. car parking charges) to assist local residents and businesses means that the Council's budgets are going to come under considerable strain from 2014/15 onwards. The financial modelling and forecasts include sensitivity analyses on these factors and 3 scenarios, "best", "worst" and "forecast" are presented in this MTFS.

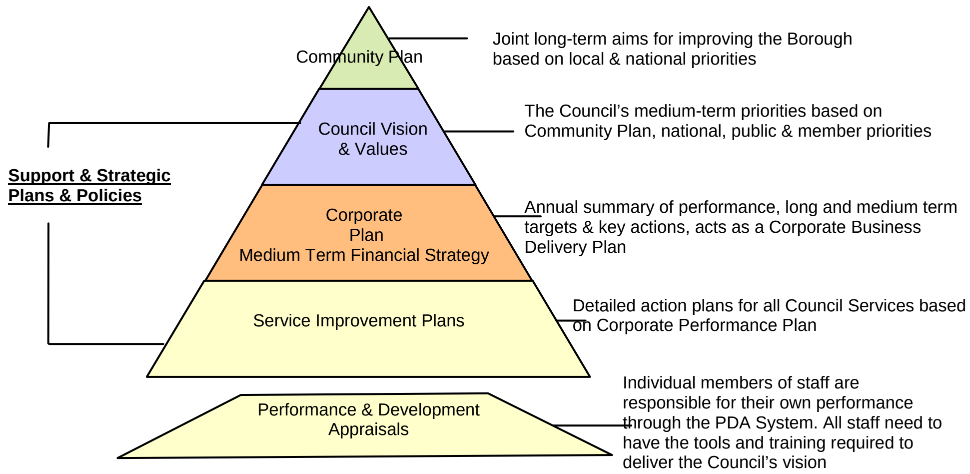
The funding of the Capital Programme over the period of this Strategy will also be challenging as regional funding that this Council benefited from in the past is no longer available and as the capital receipts reserve is drawn down by the end of 2013/14. The medium term funding implications are detailed in section 11 of this strategy.

Future capital funding will be channelled through sub-regional bodies such as Leicester and Leicestershire Economic Partnership (LLEP), Leicester and Leicestershire City Deal, Coventry and Warwickshire City Deal and it will be important for this Council to strengthen its relationship with these sub-regional bodies in order to meet its ambitions for regeneration.

The change in the Housing Financing System that came into effect from April 2012 has provided the Council with a headroom investment sum of around £4.3million. The Council needs to strike a balance between the desire to build new homes and the need to expend some of this headroom on the Council's existing stock of housing in order to maintain the stock at decent homes standard. The HRA business case and Investment Plan that will set out these priorities and the implications of the choices is in the process of being completed and will be presented to Members in the autumn of this year and should be read in conjunction with this Strategy.

The Medium Term Financial Strategy is one of a suite of strategic documents that forms the Corporate Planning Framework and sets out the national, regional and sub-regional factors affecting the financial planning and resource allocation of the Council linked to its corporate objectives.

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 four long term aims have been identified:

- Creating a Vibrant Place to Work and Live
- Empowering Communities
- Supporting Individuals
- Providing Value for Money and Pro-active Services

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.

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.

A "priority survey" was conducted by the Council in summer 2012 to consult on the priorities for residences which could be used to shape and devise policies going forward. The survey revealed the "top 10" priorities of respondents as follows:

1. Continue to provide our regular, reliable waste collection services.

2. Efficient and effective removal of litter, dog fouling, fly tipping, graffiti, fly posters, and abandoned vehicles.

3. Fines for people who continually cause litter, dog fouling, fly tipping, graffiti, fly posters, and abandoned vehicles.

4. Continue to provide our recycling services thus recycling over 50% of household waste and reducing waste going to landfill.

5. Ensure effective systems and procedures are in place to safeguard vulnerable adults, children and young people.

6. Maintain facilities that provide good quality leisure opportunities for young people, aimed at diverting them from misadventure.

7. Meet the needs of older people by implementing the strategy for older people (includes funding facilities, improving access and housing support).

8. Work with other agencies such as the police and fire service, in a joint team to address issues of ASB, crime and to improve public confidence.

9. Review the number of privately owned homes that have been empty for a long time and find ways to get them back into use.

10. Support the police in campaigns to promote crime prevention

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. It takes into consideration national and county-wide initiatives together with local pressures facing the Council over the period of the CSR. 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 continued national and local uncertainty and large scales changes in the operation of local government finance. Many aspects of what the Council is striving to achieve during the MTFS period are difficult to quantify and will need to be continually reflected upon to ensure they are operating effectively. 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 three years.

This Strategy has been complied against the backdrop of the Comprehensive Spending Review (CSR10) announced by the Coalition Government in October 2010 and the predictions of what may be announced in further spending decision announcements in 2015/2016. The overriding objective of the CSR10 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 up 28% over the life of the review. Based on current forecasts in this plan, it is estimated the core funding for this Council (i.e. Business Rates and Revenue Support Grant) may reach these significant levels of reduction. 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. On this basis, the aggregate funding provided to local authorities in 2013/2014 was increased by 1%. However, after removing education and public health grants, total funding was in fact reduced by 3.7%.

This Strategy also reflects the impact of the Local Government Finance Act which received royal ascent in November 2012. The Finance Act meant large scale changes to way that Authorities will be financed. From 2013/2014, Councils will have more "control" over local taxation with the introduction of local pooling arrangements for Business Rates and local Council Tax schemes for those individuals previously in receipt of housing benefit. From a funding perspective, this has meant that this Council saw a fall in Council Tax precept in 2013/2014 of £318,617 and in core funding of £389,360.

In terms of local taxation, Central Government called for a Council Tax freeze in 2011/12 and 2012/13 but provided a grant equivalent to a 2.5% increase in Council Tax to compensate. For 2013/14, the Government continued to promote freezing of Council Tax and "capped" Council Tax increases at 2% but reduced incentive grant payment to 1%. This Strategy has assumed Council Tax increases of 2% from 2014/15 onwards and has also "modelled" different caps for Council Tax Support in order to understand the impact on this core funding stream.

New Homes Bonus continues to be a core element of funding for all Councils, including this one. The future of New Homes Bonus is however uncertain after 2016/2017 and the sector continues to speculate over additional changes to funding arrangements going into the next spending review period.

The overall economic state of the country continues to be in a difficult position with the recovery from recession and economic growth both nationally and in Europe very slow. The changes in finance regime mean that, even more, Councils will see the direct impact of declines in the local business economy and socio-economic climate. In order to address this, local government will continue to have to seek efficiencies and transform service delivery. 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.

3.1 Assumptions and Scenario Planning

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

Table 1 - Summary of Assumptions and Scenarios

	Worst Case	Forecast	Best Case
Council Tax	Freeze	2013/14 and 2014/15Freeze 2% thereafter	2013/14 Freeze 2% thereafter
Local Council Tax Scheme Cap	8.5% throughout	8.5% 2013/14 10% thereafter	8.5% 2013/2014 15% thereafter
Business Rates levels	5% decrease 14/15 onwards	No forecast growth	5% growth 14/15 onwards
Borrowing Costs	Current capital programme plus additional £4million borrowing for Bus Station/Leisure Centre	Current capital programme plus additional £1.5 million borrowing for Bus Station/Leisure Centre	Current capital programme and no additional borrowing need for Bus Station/Leisure Centre
Income levels (Car Parking and Waste)	Reduced levels	Assumed levels	Increased levels
New Homes Bonus	50% at Band C	75% at Band C	100% at Band C

In addition, the following assumptions have been used in all scenarios:

	2013/2014	2014/2015	2015/2016
Council Tax Support Grant	£544,764 (actual)	£nil allocation	£nil allocation
Revenue Support Grant	2013/2014 Settlement	2014/2015 Provisional Settlement	Further 10% reduction
Council Tax Base	1% increase before impact of Local Council Tax Scheme	1% increase before impact of Local Council Tax Scheme	1% increase before impact of Local Council Tax Scheme
Pay increases	1% increase	1% increase	2% increase
Vacancy factor	4% of staff costs	4% of staff costs	4% of staff costs
Base Rate	0.5%	0.5% (no increase)	0.5% (no increase)
Retail Price Index	3.2% increase	3% increase	3% increase
New Homes Bonus	50% of Trajectory	75% of Trajectory	100% of Trajectory

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

Table 2 - Summary of Service Budget Requirements

	2012/2013 Revised £000	2013/2014 Estimate £000	2014/2015 Forecast £000	2014/2015 Best Case £000	2014/2015 Worst Case £000	2015/2016 Forecast £000	2015/2016 Best Case £000	2015/2016 Worst Case £000
Net Budget Requirement (NBR) after use of Balances and Reserves	9,825,274	10,016,260	10,035,204	10,504,668	9,584,638	10,519,972	11,349,056	9,793,131
Finance Settlement including New Homes Bonus, Freeze Grant and Retained Business Rates	6,189,548	6,717,862	6,538,305	6,794,366	6,225,342	6,950,409	7,561,815	6,400,543
Total Balance & Reserve Movements	1,162,584	144,755	-386,952	165,657	-953,354	-156,073	802,960	-1,099,002
Levels of General Fund Reserves	6,733,252	5,973,252	4,302,252	4,302,252	4,188,447	4,216,252	4,176,252	4,005,982
Levels of General Fund Balances	1,371,332	1,386,609	1,170,657	1,723,266	718,060	1,060,584	2,059,923	-248,477
Minimum Level 10% of NBR	982,527	1,001,626	1,003,520	1,050,467	958,464	1,051,997	1,134,906	979,313

3.2 Council Tax

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 3 - Council Tax Assumptions

	2012/2013 Actual	2013/2014 Actual	2014/2015 Estimated	2015/2016 Estimated
Hinckley and Bosworth Council Tax at AV Band D	£95.96	£95.96	£97.88	£99.84
Special Expenses Council Tax at AV Band D	£16.21	£16.13	£16.45	£16.78
Borough Wide Council Tax at AV Bank D	£112.17	£112.09	£114.33	£116.62
Percentage increase	0%	0%	2%	2%

The scenario planning contained within the strategy includes various sensitivities for movements in Council Tax. These are outlined in Table 1.

3.3 Efficiency Savings and Additional Income

As part of the budget setting process for 2011/12 a Budget Overview Panel (BOP) was set up to identify savings for the following three years. A further task group comprising of COB and SLB members was set up in 2012/2013 to identify further savings and increased income streams that could be generated for 2013/2014 and built into the base budget for forthcoming years. The level of savings/income identified far exceeded targets set and have ensured ongoing provision of front line services and member priorities.

The following savings have been identified:

Table 4 - Savings

	2011/12	2012/13	2013/14
	£	£	£
Savings/Additional Income	725,810	201,290	754,700
Total Cumulative effect on base budget	725,810	927,100	1,681,800

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 were 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 5 - Restructure Savings

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

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, 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 national factors affecting the Council are detailed below.

4.1 Economic Outlook

Economic Growth

According to the Organisation for Economic Co-operation and Development **(OECD),** (28th March 2013), there are some signs that the Global economic activity is picking up, but the continuing crisis in the euro area is delaying a meaningful recovery. G7 economies are expected to grow at an annualised 2.4 per cent rate in the first quarter of 2013 and at a 1.8 percent rate in the second. It notes that financial markets are out-pacing real activity, which has been held back by weak business and consumer confidence.

Weak growth and low confidence are expected to complicate efforts to bring down high unemployment rates across much of Europe.

The employment situation continues to deteriorate in many countries, making it all the more urgent to implement the labor and product market reforms that can stimulate growth and create jobs.

This global position applies to the UK and is echoed by **Price Waterhouse Coopers LLP** whose economic analyst states that the UK will experience a gradually improving outlook for most UK regions, but the recovery will be slow and bumpy across the country. Consumer spending will benefit from rising employment and a gradual easing of the recent severe squeeze on real incomes, but households generally remain cautious about spending, as do businesses.

The Chancellor, George Osborne announced in his budget speech on 20th March 2013 that Growth forecast halved for 2013/14, due to slower growth as exports fell below Office of Budget Responsibility **(OBR)** forecast. The revised growth expectations are:

Year	Growth (%)
2013/2014	0.6
2014/2015	1.8
2015/2016	2.3
2016/2017	2.7
2017/2018	2.8

One and a quarter million new jobs have been created and the OBR expects 600,000 more jobs to be created in 2013. The Chancellor announced a number of measures to help small businesses to grow by reducing corporation tax and Employer's NIC and by introducing employment allowances.

Economic Debt

In recent years the country has faced unprecedented levels of public sector borrowing which 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. The Chancellor in his March budget announced that this target will not now be met as the debt to GDP ratio is still 7.4% and the reduction of debt as a share of GDP has been delayed by two years. The following level of public sector borrowing is now forecast.

Year	Borrowing (£bn)
2013/2014	108
2014/2015	97
2015/2016	87
2016/2017	61
2017/2018	42

Inflation

Inflation remained high, with the CPI measure rising from 2.7% to 2.8% in February. The latest rises have been driven, mainly, by higher energy prices. This reflected a sharp rise in sterling oil prices as well as the final price rise from a "big six" utility company filtering through.

The Bank of England Monetary Policy Committee **(MPC)** has said that it would "look through" the latest energy driven price rises when setting monetary policy. Indeed, the minutes of February's meeting showed that three members of the MPC, including Governor, Mervyn King, voted for further quantitative easing. The size of the Bank's asset purchase programme has remained at £375bn since November.

In addition, it also raised its forecasts for inflation (peaking at 3.2% in Q3 this year) and pushed back the timing of when inflation would fall back to the 2% target rate by 18 months, to Q1 2016. The Bank has, therefore, continued its trend of correcting its repeated over optimism on the speed and strength of recovery.

Interest rate forecast

The Council's Treasury advisor, Sector undertook a review of its interest rate forecasts following the issue of the latest Bank of England Inflation Report in February 2013. Sector has left unchanged its forecast for the first increase in Bank Rate to be in March 2015. However, forecasts for Public Works Loan Board **(PWLB)** rates have been increased as a result of the marked recovery in confidence in equity markets, anticipating stronger economic recovery in America, supported by growth in the Far East. The rise in equity prices has, conversely, resulted in a sell off in bonds and some diminution of the UK as a safe haven from more risky assets. Sector, provides the following forecast:

	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
Bank rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%
5yr PWLB rate	1.80%	1.80%	1.80%	1.90%	2.00%	2.10%	2.20%	2.40%
10yr PWLB rate	2.90%	2.90%	2.90%	3.00%	3.10%	3.20%	3.30%	3.50%
25yr PWLB rate	4.10%	4.10%	4.10%	4.20%	4.20%	4.30%	4.40%	4.60%
50yr PWLB rate	4.20%	4.20%	4.20%	4.40%	4.40%	4.50%	4.60%	4.70%

In summary, this year's Budget contained many good individual measures, but they were on a small scale and their overall effect was fiscally neutral. The further 1p cut in corporation tax and the "employment allowance", which helps to reduce employers' national insurance contributions, were welcome moves that should help business. But giveaways were matched by further cuts, including a further 1% reduction in departmental spending in the next two fiscal years.

The ramifications of slower than expected reduction in debt and slower than anticipated increase in the rate of growth means a further period of pain for the public sector in general and local government, in particular. The economic recovery and therefore the easing of the funding pressures for local councils that was expected to come into place after the 2011 budget from 2015/16 are now delayed, at best, to 2017/18.

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 four years following. The spending targets set in this review were significantly influenced by the Coalition Government's desire to remove the deficit within the term of this current Parliament (2010 - 2015).

Based on current forecasts in this plan, it is estimated the core funding for this Council (i.e. Business Rates and Revenue Support Grant) may reduce by up to 28%. These "cuts" reduce the base budgets for all Councils in material terms and means that cost base must be reviewed to mitigate for the reduction in income.

The 2013/2014 Finance Settlement covered the revised funding arrangements for 2013/2014 and also the provisional allocation for 2014/2015 as shown below.

Table 6 - Forecast Settlement

	2013/2014	2014/2015	Variance
	Actual Settlement	**Provisional Settlement**	
	£	**£**	**£**
Revenue Support Grant	2,992,354	2,517,319	-475,035
2011/2012 Council Tax Freeze	104,914	104,914	0
Council Tax Support Funding	544,764	0	-544,764[1]
NNDR Baseline	1,990,731	2,276,096	285,365
	5,632,763	**4,898,329**	**-734,434**

For the purposes of this Strategy, the provisional figures for 2014/2015 have been incorporated, with a further reduction in RSG of 8% in 2015/2016. NNDR funding has been adjusted based on the sensitivity analysis highlighted in Table 1.

4.3 Local Government Resource Review

[1] Of this amount £143,000 has been transferred to parish councils and special expense areas

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 was concluded in 2012/2013 and was presented in the Local Government Finance Act which received royal ascent in November 2012. 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

One of the main components of Local Government financing is National Non-Domestic Rates (NNDR), commonly known as business rates. Before 1st April 2013, business rates were collected by local authorities from businesses, before being paid into a central pool to be redistributed as part of grant funding. This system meant that local authorities did not have any financial incentive to promote business growth in their area, as they did not receive any of the business rates receipts from new development.

The Local Government Resource Review removed this centralised scheme and instead introduced a system of business rates retention. From 2013/14, billing authorities will pay over 50% of collected business rates to the DCLG to be returned as Revenue Support Grant (RSG). The remaining 50% will split between the billing authority (80%) and the precepting authorities (20%).

Following these payments the retained business rates of billing authorities will be subject to a tariff set out in the respective Local Government Finance Settlement. Any growth in business rates over the set baseline will be subject to a "levy" payment of 50%, with the remaining half retained by the host Council. Correspondingly, if a Council loses 7.5% of their set threshold, a "safety net" payment will be triggered to compensate for the loss.

The purpose of the changes are to ensure that growth is retained at a local level and therefore there is an incentive for local Council's to promote business growth. For this Council, the baseline funding level has been set at £2,270,251 for 2013/2014 following a tariff payment of £8,630,987. Limited growth has been forecast for the year but implications of various movements have been modelled in the strategy as outlined in Table 1.

The NNDR reforms also allowed local authorities to form pools for the purposes of business rate retention. Practically, pooling means that any levy payments (50% of growth) are made into a local pool rather then paid to central government. Correspondingly, losses will be funded from the pool. Under pooling, levy and safety net thresholds are then set at the pool level (i.e. the total of all individual thresholds).

10 Leicestershire local authorities including all the District and Borough Councils, the City and County and Fire Authority have committed to participating in a Leicester and Leicestershire business rates pool from 1st April 2013. Based on current forecasts for business rates in 2013/14, it is expected that surpluses of over £400k will be achieved in the pool in its first year of operation which will fund any safety net payments before being transferred to the Leicestershire and Leicester Local Enterprise Partnership (LLEP) for distribution back to the local area. For the purpose of this strategy, a prudent approach has been adopted and funds flow back from the pool have not been budgeted for as arrangements will become clearer following the first year of the pools operation.

4.3.2 Council Tax Benefit Changes

From 2013/2014 the Council Tax Benefit system, has been replaced by a system of Council Tax support which is determined locally by each Council. These proposals contained within the Finance Act seek to achieve:

- o A 10% reduction in the cost of paying Council Tax Benefit worth £500m nationally. For this Council as a billing authority this equated to a total loss of £664,414, of which 10.5% is directly attributable to HBBC's General Fund.

- o More financial autonomy and ownership for Councils.
- o A charging regime which is reflective of the needs of the local area.
- o Localised support for Council Tax for poorer households.
- o Ensure support for the most vulnerable in our communities, in particular pensioners.
- o Provide positive incentives to work linked to the new Universal Credit system.

	Forecast saving	**HBBC Share (10.5%)[2]**
	£	**£**
8.5% Cap	244,626	25,686
Removal of 2nd adult rebate	11,934	1,253
Class A exemption - 50% for 12 months	56,597	5,943
Class C exemption - 100% for 1 month	398,694	41,863
Removal of 2nd home discount	28,068	2,947
	739,919	77,691

In addition to the changes to Council Tax Benefit, variations in legislation allowed Councils to review their charges and exemptions for those who in are in empty or second homes. In the majority of cases, Councils looked to reduce the level of exemptions in these areas in order to generate additional income and also to bring empty homes back into use.

The local scheme for this Council for 2013/2014 was approved in January 2013 and contained the following core elements:

- o An 8.5% "cap" for all non pensioners now liable for Council Tax. This means that all individuals in this position would be required to pay 8.5% of their Council Tax liability.

- o Removal of the 2nd adult rebate.

- o Those properties classified under "Class A" (vacant dwellings where major repair work is being performed) will now only receive a 50% exemption for 12 months.

- o Those properties classified under "Class C" (vacant dwellings) will now only receive a 100% exemption for only 1 month.

- o Removal in full of any discount for those in 2nd homes.

The forecast savings (i.e. additional income) arising from these changes are detailed below. It should be noted that these figures are quoted before any allowance for non-recovery which is expected to rise following the introduction of charges.

[2] Savings are split between the Council and preceptors based on their proportion of the precept payment

In order to protect the most vulnerable who are impacted by the changes in Council Tax, a discretionary discount budget of £58,320 has been set up, funded by the Council and the major preceptors. This will make funding available for those who enter hardship because of the charges. However, there are signs already that this fund may be insufficient to meet demand.

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. Community Budgets are a new way for local public service providers to work together to meet local needs. Community Budgets allow providers of public services to share budgets, improving outcomes for local people and reducing duplication and waste.

It is hoped that following introduction, Community Budgets will help organisations that provide local public services to:

- Make better use of their resources by establishing joint budgets and sharing local knowledge, community assets and voluntary effort.
- Remove central rules and regulations so local professionals can provide better services that suit their area.
- Give people greater control over their local public services.
- Establish local partnership and governance arrangements to create a unified approach for a given area.

A more detailed report on the second phase of the review is expected in early 2013/2014, however Members should note that although Community budgets will bring savings to the Public purse as a whole, it is more than likely to add further costs to District Council budgets. The Chief Executive of this Council, as Chair of District Chief Executives' Network (DCEN) has already made representations to DCLG officials and stressed that this position needs to be reflected in the next Comprehensive Spending Review (CSR).

4.4 New Homes Bonus

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

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

The scheme applies to new housing and empty properties brought back into use. In addition a £350 enhancement is granted 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. Hinckley & Bosworth Borough Council continues to be the only district in Leicestershire which passports New Homes Bonus in this way. It has been agreed that this arrangement will be reviewed from 2014/2015 pending the financial position of the Council.

To date this Council has been awarded over £2million of funding through New Homes Bonus. This funding has not been used for specific projects but rather to support the General Fund and sustain discretionary services.

Financial Year	Total Allocation (80%) (£)	Transfer to Parishes (£)	Retained NHB (£)
2011/2012	349,760	87,440	262,320
2012/13	711,292	177,823	533,469
2013/14[3]	1,042,501	255,815	786,687
Total	**2,103,553**	**521,078**	**1,582,476**

The award is made for each house that is <u>built and occupied,</u> 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. As outlined in Table 1 therefore, three scenarios have been forecast for the MTFS based on the current planned housing trajectory for the remaining years of the MTFS. These contain the income streams that will be received as a result of the Sustainable Urban Extensions (SUE) at Barwell and Earl Shilton.

Total (80%) NHB - Before Parish Allocation			
	Worst Case (£)	**Forecast (£)**	**Best Case (£)**
2014/15	1,440,818	1,639,976	1,839,135
2015/16	1,907,796	2,340,443	2,773,090

[3] In 2013/2014, an additional New Homes Bonus adjustment of £19,243 will be awarded to the Council. This element will not be apportioned to the parishes for administration reasons.

Future arrangements for New Homes Bonus are currently unknown past 2017/2018. It is yet to be confirmed whether the funding stream will cease in its entirety from this date or rather if no future developments will be honoured. On this basis, the Council must consider substitute funding streams that would compensate for any loss of income.

4.5 Community Infrastructure Levy (CIL) and S106 agreements

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.

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.

The Community Infrastructure Levy Regulations 2010 enable Local Authorities to set a charging schedule to raise monies for agreed infrastructure. At present this authority, as with many other Leicestershire Districts, is continuing to assess the benefits and ongoing impact of introducing a charging regime. On this basis, no impact has been factored into this strategy.

4.6 Welfare Reform

On 8 March 2012 the Welfare Reform Act received Royal Assent. The Act legislates for the biggest change to the welfare system for over 60 years and introduced a wide range of reforms impacting upon benefit recipients in the Borough. These changes, outlined in more detail in section 7.5 will have a significant impact, both the structure and operation of the Council as a welfare partner and also income received.

5. REGIONAL AND SUB REGIONAL 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:

- Leicestershire Together (and its associated Commissioning Boards).
- West Leicestershire and North Warwickshire Cross Border Delivery Partnership.
- Leicester & Leicestershire Economic Partnership.
- MIRA Enterprise Zone.
- City Deals.

5.1 Leicestershire Together

Leicestershire Together is a partnership made up of the county's major public service budget holders such as local councils, the police and the health service. The partnership works together to improve local schools, colleges, businesses, shops, hospitals, roads, parks, homes, villages and towns and help people in Leicestershire feel included, richer, safer, better trained, healthier and happier.

The Police, NHS and local councils in Leicestershire spend about £2 billion on educating, protecting, curing, treating, looking after, transporting and entertaining roughly 630,000 people.

The partnership works across administrative boundaries and with the business and voluntary sectors to ensure that this £2bn is spent according to the actual and most pressing need of the county.

All public services need assistance from other organisations to meet their objectives and tough financial times mean it is more important than ever to demonstrate to the public that duplication is being avoided and that all public bodies can work well together to deliver efficient and effective services. The Leicestershire Together partnership is organised in the following way:

- The Board (political) oversees and agrees how the Partnership can work together to improve services, tackle persistent problems and save money.
- The Executive (chief officers) manages how the work can be most effectively co-ordinated.
- In Leicestershire, six commissioning boards have been established which will manage the design and delivery of the work required to achieve the aims of Leicestershire Together;
  - Health and Wellbeing Board (from April 2013)
  - Safer Communities
  - Children and Young Peoples' Commissioning Board (CYPS)
  - Environment Board
  - Local Enterprise Partnership
  - Supporting Leicestershire Families Board & Executive

- The work of these partnerships are supported by a number of specialist groups such as the Housing Services Partnership. and Leicestershire Rural Partnership.
- Seven locality executives, co-terminus with the county's seven district councils, are established to ensure that the design, delivery and co-ordination of services in our communities is managed effectively.

5.2 Leicester and Leicestershire Enterprise Partnership

In September 2010 the local authorities, business community, universities and other partners agreed to form the Leicester & Leicestershire Enterprise Partnership (LLEP). The LLEP was then approved by HM Government in October 2010.

The LLEP provides local government, the business community and other partners the opportunity to come together to lead economic development and regeneration activities and to drive forward economic growth.

The LLEP aims to make Leicester and Leicestershire a destination of choice by promoting the area as a place to do business, work and live. The LLEP provides strategic leadership to deliver sustainable economic growth through investment in enterprise and innovation, employment and skills and infrastructure including transport and housing. The LLEPs "Economic Growth Plan" outlines the following key "ambitions" that will be achieved through the arrangement:

- o Create 25,000 additional private sector jobs
- o Attract £2billion of private sector investment
- o Increase gross value added by £4bn to £23bn

As set out in paragraph 4.3.1 of this strategy, 10 Leicestershire local authorities including all the District and Borough Councils, the City and County and Fire Authority have committed to participating in a Leicester and Leicestershire business rates pool from 1st April 2013. Based on current forecasts for business rates in 2013/14, it is expected that surpluses of over £400k will be achieved in the pool in its first year of operation which will be transferred to the Leicestershire and Leicester Local Enterprise Partnership (LLEP) for distribution back to the local area. In addition, any Business Rates receipts from the Enterprise Zone, which are exempt from BRR will be passported based on an agreed amount to the LLEP as outlined in 5.3 below.

5.3 The West Leicestershire & North Warwickshire Cross Border Delivery Partnership

This partnership was established in September 2010 and comprises Hinckley & Bosworth Borough Council, Nuneaton & Bedworth Borough Council and North Warwickshire Borough Council. Its key aims are to:-

- o exploit the advantageous position of each partner, using the A5 corridor as the arterial route and main communication and commuting link;
- o seek to unlock key infrastructure projects to enable the regeneration of the market towns;
- o market the area as a cohesive single produce i.e. a Unique Selling Point;
- o complement initiatives proposed through the LLEP and the CWLEP;
- o help to obtain funding for regeneration projects, both revenue and capital, particularly to act as a conduit for funding from Central Government.

This is one of only three Cross Border Partnerships recognised by Government when it announced the national list of LEP's, which would assist LEP's in delivering economic initiatives that transcended county boundaries.

The key focus of this Partnership has been on promoting employment and skills initiatives within the Cross Border area, including:-

- establishment of an Employment and Skills Agency;
- supporting infrastructure project bids to Government;
- contributing to the MIRA Enterprise Zone Employment and Skills Plan;
- promoting apprenticeship opportunities;
- researching travel to work initiatives.

This Partnership is expected to play a key role in helping deliver the aspirations of the Coventry and Warwickshire and Leicester and Leicestershire City Deals.

5.4 MIRA Enterprise Zone and Regional Growth Funding

In August 2011, MIRA Technology Park, located in the Borough on the A5, was awarded Enterprise Zone Status by the Government. The business rate growth arising from this zone, for a period of at least 25 years, will be collected by the local billing authority, being Hinckley & Bosworth BC and then passed over to the LLEP after retention of an agreed (still to be determined) amount that leaves this Council no worse off.

With this money, the LLEP and the Council are to put in place local arrangements to ensure that this revenue is spent in line with economic priorities, as supported by the LLEP Board.

These priorities are as follows:

- Matching skills supply with demand.
- Increasing availability of employment level and infrastructure.
- Supporting enterprise growth and investment.
- Match available capital to enterprise growth.

The Borough Council have compiled a list of potential projects that could be developed with this extra revenue and in 2021 a new Green Business Centre comprising a 40,000 sq ft scheme has been envisaged.

During 2012/2013, the Secretary for State for Business Innovation and Skills (BIS) confirmed that Hinckley and Bosworth Borough Council would receive £19,474,000 in Regional Growth Funding (RGF) to support the development of the MIRA Enterprise Zone and wider economy. The funding will be spent in conjunction with MIRA and the Highways Agency and Highways Authorities to provide enhanced highway capacity on the A5 around the zone and other sustainable transport initiatives. In addition, elements of the funding have been provided to fund the relocation of a substation on the current site and also to support sustainable transport links for the zone. The funding will be passported over the next three financial years:

	£000's
Highways Infrastructure	10,159
Sub Station	5,704
Sustainable Transport	3,611
Total funding	**19,474**

The target number of direct jobs forecast for the MIRA Enterprise Zone is 2,500 direct jobs created and 2,500 indirect (supply chain) jobs. As part of the funding arrangement for RGF, the new Enterprise Zone is committed to creating 131 full time direct jobs and safeguard 354 jobs by the end of 2016/2017.

5.5 City Deals

The Leicester and Leicestershire City Deal and the Coventry and Warwickshire City Deal have been accepted, as have all other 18 Wave 2 Expressions of Interest. Prior to accepting all 20 Expressions of Interest, the Government set out five criteria which it planned to use to determine the bids that were strong enough to proceed.

The Government first set out its agenda on City Deal governance in Unlocking Growth in Cities [4] which established the criteria for and the expectations of Wave 1 Core City Deals. The paper addressed governance requirements from five perspectives:

- Leadership and effectiveness;
- Accountability and openness;
- Democratic accountability;
- Governance scale; and
- Ambition.

The governance requirement is for: "Strong governance across the functional economic area, so that decisions necessary for the growth of the area as a whole can be taken quickly and effectively."[5]

This is directly linked to a separate requirement for "Political commitment and readiness to put resources into delivering the deal." The details under this heading demonstrate that Ministers expect political commitment to result from effective governance arrangements that can deliver:

- strong engagement with, and commitment from, senior leadership on the deal;
- collaborative efforts across local policy functions, administrative or geographical boundaries;
- commitment to invest identified local resources, and evidence of sharing risk alongside reward."[6]

[4] HM Government (2012) *Unlocking Growth in Cities: City Deals – Wave 1*
[5] http://www.dpm.cabinetoffice.gov.uk/content/wave-2-city-deals
[6] *ibid*

The Heseltine growth review has reinforced the need for strong collaboration between local authorities across boundaries, enabling them to plan for their functional economic areas. The Government's response to the Heseltine review has brought proposals to create a Single Local Growth Fund (or 'Single Pot') together with the parallel City Deal process. This has upped the stakes for local governance proposals, meaning that Wave 2 cities are not only putting arrangements in place for a one-off deal but also to bid for a five year funding pot on transport, housing and skills which will start in 2015.

Every LEP is expected to receive some funding from the bidding process, which will take the form of a deal, but the amount allocated will be determined through competition.

However, while LEPs will be expected to put forward a strategic plan to show how they would invest their allocation, local authorities will deliver or take responsibility for the delivery of projects. This provides a clearer line of accountability for spending public funds than if strategy and delivery were both channelled through the LEP. However, new working arrangements between the LEP and its member authorities may well be required, and the LEP still remains accountable for significant decisions over where funds will be allocated and, potentially, for making politically divisive choices. Whilst the premise of these arrangements is to ensure future savings, it is envisaged that up front costs for set up of City Deals will be incurred by individual partners and have therefore been included within the strategy.

5.6 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/ income and/or additional expenditure not incurred of at least 15% of cost.

Service	**Partners**	**Savings/ Additional Income**
Legal Services	Blaby District Council	30,000
Internal Audit	Oadby & Wigston Borough Council	30,000
Revenues and Benefits	Harborough DC and NW Leicestershire DC	221,000
ICT	Oadby & Wigston BC, Blaby DC, Melton BC, Harborough District Council and Steria	477,000
Building Control Manager	Oadby & Wigston BC	21,000
Town Centre Manager	Oadby & Wigston BC	24,000
Waste Manager	Nuneaton & Bedworth BC	24,700
Regeneration Team	Oadby and Wigston	Retention of expertise

In addition to these arrangements, the Council continues to pursue opportunities for joint procurement exercises to maximise economies of scale and also the most economic method of operation. Examples of joint procurement include Internal Audit and the current Leisure Centre project.

5.7 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 £479,631 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. It is already recognised that our own weather patterns have changed with wetter periods and increased flooding.

The Council produced a Carbon Management Plan in 2009 refreshed in 2012 with the aim of reducing CO_2 emissions from council operations by 20% from the 2008/09 baseline by March 2016. Total emissions were 3,791 tonnes of CO_2 (NI185) for 2008/09.

The Carbon Management Plan was refreshed due to proposed relocations in the proposed office and other council facilities. Unfortunately delays in moving to the Hinckley Hub and Jubilee Building have not allowed the positive reductions to occur within 12-13 as originally envisaged. The proposal to move the Hinckley Leisure Centre to a new location within an energy efficient building and heating system will significantly reduce consumption at the Council's single biggest emitter of CO_2 (31% of total)

The figure for 2011-12 was 3,226 TCO_2 a reduction of 14.9 % against the 2008-09 baseline. Projects included the upgrading of lighting at Armada Court Sheltered Scheme funded through the County Salix fund contributed to reducing electricity by 17% in 11-12 saving over 14 TCO_2,.

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The DECC Green House Gas emission figure for 2011-12 of 2,793 TCO_{2e} is lower than the NI 185 figure due to the council's procurement of renewable electricity which allows a carbon reduction to be applied. Tighter monitoring of consumption has been introduced to assist in energy expenditure profiling, identify excessive consumption and opportunities for reduction.

Energy costs incurred by the authority for 11/12 were a total of £265,962 (-2.3% from 2010-11) and fuel £302,199 compared to energy costs in 2008/09. This shows a 15% reduction in costs reflecting both better procurement and reduced consumption against increases in costs. Unfortunately despite a reduction in the litres of fuel used to 264,630 (a reduction of 10.8%), there has been a 0.2% increase in the total cost 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. This will automatically avoid £250,000 of growth for each year.

For contracts, an inflation rate of 3.2% has been used for 2013/14 and 3% for 2014/15 and 2015/16, unless otherwise specified within the terms of the specific contract.

At just over £10.7m (including HRA: £1.5m) the salaries and wages budget is a significant part of the total budget. In accordance with national pay deal projections which are currently being negotiated, a 1% increase have been applied for 2013/14 and 2014/15 with a prudent 2% increase applied for 2015/2016.

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 4% had been included in the salaries and wages estimate and this has been applied throughout the strategy to embed these savings into the base budget.

The other significant change in the payroll budget is the increase in the employer's contributions for pension 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 0.5% based on the current baseline. 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. Any capital receipts received have been earmarked for specific projects.

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

Table 7 - Forecast Rates

	Jun-13	Dec-13	Mar-14	Jun-14	Dec-14	Mar-15
Bank rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%
5yr PWLB rate	1.80%	1.80%	1.90%	2.00%	2.20%	2.40%
10yr PWLB rate	2.90%	2.90%	3.00%	3.10%	3.30%	3.50%
25yr PWLB rate	4.10%	4.10%	4.20%	4.20%	4.40%	4.60%
50yr PWLB rate	4.20%	4.20%	4.40%	4.40%	4.60%	4.70%

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 the previous three years and the forecasted position from 2014/15 has a significant impact on this council. A considerable amount of work has already taken place to identify year on year savings for the period of this strategy.

A provisional Finance Settlement for 2014/15 was announced alongside the settlement for 2013/14 and for the purposes of this strategy it is assumed that there will be no major departures from these figures announced. For future years the details have not yet been announced, but for the purposes of the strategy a further decrease of 10% in RSG has been assumed, along with differing scenarios for business rates retention (see Table 1). For the purpose of prudence, it has been assumed that no additional support from within the settlement (e.g. Council Tax Support Grant) will be provided beyond 2013/2014.

7.4 Pensions

At present the Council pays an employer's contribution of 18.6% of employees' salaries to the Local Government Pension Fund (managed by Leicestershire County Council), to pay the pension liabilities of current and previous employees.

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 Council also pays a premium of 1.5% 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. This Council's total rate (20.1%) is currently 3% lower then the rate set at the 2010 valuation by the actuary.

Following recommendations made by the Public Service Pension Commission headed up by Lord Hutton, the Government has published a Heads of Agreement for reform of the Local Government Pension Scheme (LGPS). These changes, which will come into effect on 1st April 2014, are expected to change the basis of the scheme design to career average related earnings (CARE) rather then final pensionable pay, The impact of these changes, along with the associated impact on the valuation of the fund, will be known during 2013/2014. That said, it is prudent to assume that there will be an increase in contribution rates because of the relative position of this Councils current contribution and because the cost of future service is likely to be higher at this valuation than it was in 2010. The MTFS will be updated once further details are provided but initially a proposed increase of 1% in 2014/15 and again in 2015/16 has been included.

7.5 Welfare Reform

The forecast changes to welfare provision are significant and are outlined below:

7.5.1 Under Occupancy in the Social Rented Sector - Effective April 2013

Those who are of working age and assessed to be under occupying for housing benefit purposes will have their housing benefit reduced by a percentage rate of their eligible rent depending on the number of bedrooms they are deemed to be under occupying:

- 14% for one extra bedroom
- 25% for two or more bedrooms

The number of restrictions on all social housing within the Borough amounted to 604 restrictions with 506 households seeing a 14% reduction in benefit entitlement and 98 households facing a 25% cut in entitlement.

The changes to under occupancy will have a net nil impact on the Council's financial position. This is on the basis that whilst less benefit will be awarded for those individuals impacted, correspondingly less subsidy will be received by the Authority

7.5.2 Benefit Cap – Effective Summer 2013

The government is introducing a £26,000 cap on the total amount of benefits that working-age people in the UK can receive (including job seeker's allowance, housing benefit, child benefit and carer's allowance), limiting it to £500 a week for families, or £350 for childless single-adult households.

National rollout will take place over the summer and as such all households identified as being appropriate to be capped will, in line with existing plans, have been capped by the end of September 2013.

Housing Benefit is the only benefit affected by the cap so if other benefits add up to more than the cap then only housing benefit can be cut. The DWP will be writing to all those households affected by the cap.

7.5.3 Universal Credit

UC will simplify the benefits system by bringing together a range of working-age benefits into a single streamlined payment. It is designed to promote digital and financial inclusion and smooth the transition between welfare and work.

The total level of annual funding will be determined with reference to the estimate of total service cost. DWP is working with local authorities and local authority associations to estimate the cost of local support services. LAs will be expected to continue to provide welfare advice and support, housing advice and solutions to their residents from existing funding arrangements. This strategy will be updated for any impact when clarification is received.

In addition to these specific welfare reforms, the Finance Act also legislated for the abolition of council tax benefit, the impact of which is outlined in section 7.7

7.6 Income Considerations

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 is around £3million. The more significant and sensitive changes in income levels are set out below.

7.6.1 Development Control Fees

Development Control income refers to the charges the Council receives for planning application and building control fees. Income received can fluctuate significantly depending on the state of the market and the level of development that is taking place within the District.

Since 2010/11, the Council has seen large increases in Development Control Income, in part due to an improvement in the local economic situation as seen with the large developments such as the MIRA site on the A5 and on the Sketchley Brook site in Hinckley. In 2012/2013, the Council again received over £260,000 more income then budgeted, namely due to a number of large planning applications including Barwell and Earl Shilton SUE. In addition, this Council's Executive introduced in July 2012 a pre application charging regime for the following types of development which has generated over £13,000 of additional income in 2012/2013.

- o Provision of 10 more residential units
- o Provision of over 1,000 metres squared of commercial floor space
- o Developments involving a site over 0.5 hectares in area
- o Developments requiring an environmental impact statement

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. Whilst some growth is expected based on current trajectories in 2014/2015, significant increases in income not forecast beyond this.

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 in both 2010/11 and 2011/12, but the final Regulations are still to be published and there is some doubt that the Government will proceed with these plans in the near future. On this basis, 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 be maintained over the period of this strategy, growing only by RPI which will be reflected in the fees charged.

Table 8 - Development Services Income Assumptions

	2012/ 2013 Actual	2013/ 2014 Forecast	2014/ 2015 Forecast	2015/ 2016 Forecast
	£000's	£000's	£000's	£000's
Development Control	808	550	582	585
Building Control	170	160	162	167
Total	**978**	**710**	**744**	**752**

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 eight 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. However forecast increases in income failed to materialise due to the economic climate and the budget has been adjusted accordingly. In addition short stay pay and display charges are being reduced from April 2013 to support Hinckley Town Centre businesses. The anticipated reduction in income is £65,000 and this is being off set by £50,000 from the Hinckley Special Expenses budgets).

At the current time it is anticipated that the amount of Car Parking Income received during 2013/14 will be £531,000. However, the proposed developments within the Town Centre when they occur will have a significant impact on the provision of car parking within the Borough. The development of the Bus Station site (The Crescent) will result in the closure of three existing car parks during 2013/14 with the loss of 149 short stay and 123 long stay places. Between them these places generate £120,000 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 Refuse and Recycling Income

The Environmental Protection Act 1990 places a duty on the Council to arrange for the collection of domestic waste. This service is provided by the Councils "in house" service. In addition to domestic waste, the "in house" team operates an alternate week service for garden waste (Brown Bin) and residual waste (Black Bin). The disposal of domestic waste is the responsibility of Leicestershire County Council as the "Waste Disposal Authority" who provide tipping facilities and meets all disposal costs and arrangements

The main income stream for the Refuse and Recycling Service comes from the payment of Recycling Credits by the County Council, provision of commercial waste collection services and the collection of Bulky Waste items from residential premises. The payment of recycling credits are for household waste items that are recycled, re-used or composted which diverts waste from landfill that would otherwise attract high disposal and treatment costs. The payments made are increased annually in accordance with inflation and are set to continue for the foreseeable future in view of landfill tax continuing to rise.

The most variable income stream relates to income received for recycled material. Income received for recyclate can vary rapidly as was seen in 2012 when the paper price per tonne dropped by 50% due to a lesser demand of material within the UK and overseas. Ongoing price fluctuations are expected and future income projections are based on estimates of current market conditions only.

The Council's recycling service is one of the top five priority services provided by the Council. All households throughout the Borough receive an alternate week recycling collection. A new wheeled bin service was introduced in April 2012 to help residents recycle more easily. The service is partly financed by income from the sale of recycled materials by the Council. In addition, the Council also receives a recycling "credit" from Leicestershire County Council which reflects the saving on landfill costs that is realised. In 2012/2013, the Council exceeded its target of household waste sent for reuse, recycling & composting.

In addition to these "free" services, the Council also operates a chargeable service for the separate collection of bulky domestic items and white goods. This service generates around £20,000 of income annually. Proposals are being prepared for consideration by the Council regarding the roll out of an additional charging scheme for Green Waste collection. It is forecast that this could generate over £1million of income in the first three years of operation before the costs of gate fees, vehicles and salary costs. As a decision on the operation of this scheme is currently being scoped, no allowance has been made in the MTFS for this income at present.

Table 9 - Waste Income Assumptions

	2012/2013 Budget £000's	2012/2013 Actual £000's	2013/2014 Budget £000's	2014/2015 Budget £000's	2015/2016 Budget £000's
Recycling Credits	934	1,000	934	966	966
Second Brown Bin rental	10	14	10	14	14
Bulky Waste	20	18	20	20	20
Tipping Away	10	15	10	10	10
Trade Waste	23	53	33	64	71
Sales of plastic cans and glass	2	13	2	14	14
Sales of Paper & Card	15	29	15	15	15
Total	**1,014**	**1,142**	**1,024**	**1,103**	**1,110**
Best case [7]				**1,136**	**1,143**
Worst case[8]				**1,066**	**1,072**

7.6.4 Rental Income

The Council owns and manages 67 industrial starter units ranging in size from 500 to 3,200 sq. ft and 23 plots of industrial land, which are leased to small/medium enterprises. The objective of providing these units is to ensure an adequate supply of accommodation for businesses seeking to establish and expand in the Borough. The Council has also recently developed Greenfields Business Park, a project featuring 18 units ranging in size from 1,000 square feet through to 3,000 square feet.

[7] Best case is based on 21,200 tonnes which represents the highest moving annual totals that the Council has achieved since 2010

[8] Worst case is based on 19,800 tonnes which represents the lowest moving annual totals that the Council has achieved since 2010. In addition, a 30% reduction in Trade Waste activity has been modeled

The Council's newly redeveloped Atkins Building is a 40,000 square foot building features office space, studios, a gallery, café and meeting rooms. The building became fully utilised in 2012/2013 and generates over £200,000 of income for the Council.

The Council's rental streams, whilst valuable, are extremely volatile and are significantly impacted by the state of local businesses and the wider economic climate. The changes in Business Rates retention in 2013/2014 place an added pressure on the Council to attract and retain tenants in the Borough in order to ensure that Business Rate levels are also maintained.

On the basis of the above, this strategy includes prudent assumptions on future rental streams and has assumed relatively constant levels of income. That said, if all rental units were to be utilised, income levels could increase by £180,000 over the period 2013/2014 - 2015/2016.

Table 10 - Waste Income Assumptions

	2012/2013 Budget £000's	2012/2013 Actual £000's	2013/2014 Budget £000's	2014/2015 Budget £000's	2015/2016 Budget £000's
Industrial Units	655	646	646	648	650
Miscellaneous Properties	67	63	56	60	60
Atkins	213	224	220	225	228
Total	935	933	922	933	938
Best Case			985	994	994
Worst Case			867	886	891

7.7 Benefit Payments

Before 2013/2014, the Council held a budget for council tax and housing benefit of around £22million. From 2013/14, council tax benefit for non pensioners has been removed and instead, all individuals will be required to pay an element of council tax based on an agreed local scheme. From a budget perspective, this has resulted in the removal of council tax subsidy (£5,842,570 2012/13) and also council tax benefit payments from the Collection Fund (£5,800,470 in 2012/13). The challenges faced from designing and implementing the new scheme have resulted in additional resource and ICT costs for the Authority. A local agreement has been reached that elements of these costs will be met by the major preceptors and the 2013/14 budget includes £20,664 of funding for this purpose. In addition, this Council has been granted £50,898 in New Burdens monies to fund the cost of implementing these changes.

From a financing perspective, the LCTS has the result of reducing the Council's council tax base as income will only be received for a proportion of those properties previously in receipt of council tax benefit. In 2013/2014, the council tax base was impacted by -3,532.7 Band D equivalent properties and, consequently, council tax financing was reduced by £318,617 and the base by -3,319.9 properties from 2012/2013. The added complexity going forward is that the level of collection and income received by the District will also immediately impact the financial arrangements and position of the major preceptors. Any decisions taken therefore on the nature of the scheme will be taken following full and proper consultation with the County Council, Fire and Police Authorities.

In order to compensate for this loss, the Finance Settlement included £544,764 of Council Tax Support Grant for this Council in 2013/14. £143,000 of this amount was passed to parish councils to reduce the impact on their council tax bases. In addition, the Council received a grant of £14,000 from the DCLG as an incentive to restrict the council tax cap to 8.5%. The future of these funding streams is currently unknown and therefore this strategy has assumed that income will not be received for this purpose from 2014/2015.

Going forward, the local council tax scheme will be a core budgeting decision for the Council as the impact of any changes will significantly impact the available funding. Coupled with this, the Council will need to consider how best to balance the demand on numerous citizens who will now be required to pay Council Tax for the first time. For the purpose of this strategy, the council tax base for various schemes has been calculated based on movement in 2013/2014 and modelled as outlined in Table 1. Based on these projections and the current council tax charge, a 15% cap and 2% council tax increase could generate £330,375 of additional financing for the Council. In addition, the increased levels of Council Tax now collected will increase the levels of collection fund surplus allocated to this Council and the major preceptors. The forecast levels assumed in the strategy are following heavily prudent assumptions on the level of bad debt that may arise from the numerous "new" and smaller debts that will be raised for citizens who have not previously been liable for council tax charges.

Table 11 - Movement in Council Tax Base by Scheme

	No cap	8.50%	10%	15%
Council Tax Base [9]	37,883.8	34,351.1	34,974.5	37,052.6

[9] For the purpose of the strategy an additional 1% increase in base has been forecast each year to reflect new homes and empty properties being brought back into use

7.8 Local Plan

The Local Plan 2006-2026 (formerly LDF) 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 changed the approach to preparing the planning policies that are used to shape development plans across the Borough up until 2026 through the assessment of planning applications submitted to the Authority. Work on the Local Plan is ongoing and the timetable is laid out in the Local Development Scheme, the current version of which is dated July 2012.

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 adopted in December 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 and Development Management Policies 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 Local Plan, several of which were funded during 2012/13.

The total costs of this process will be substantial and, once established, will be met from the Local Plan Reserve, which currently stands at £437,990 (31st March 2013). 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 12 - Movement in LDF Reserve

	2012/2013 (£)	2013/2014 (£)	2014/2015 (£)	2015/2016 (£)
Balance in Reserve at 1 April	440,490	479,631	389,631	106,631
Expenditure in Year	(33,859)	(90,000)	(283,000)	0
Contribution in Year	73,000	0	0	0
Balance in Reserve at 31 March	479,631	389,631	106,631	106,631

7.9 Major Projects

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

7.9.1 Bus Station Redevelopment

The scheme includes for the redevelopment of the bus station site, including a new supermarket, Bus Station, 560 space car park, new shops, family restaurants and cinema. Outline planning permission for the development was granted on 18 January 2011. As it was not possible to acquire the entirety of the site through private negotiation, on 18 January 2011, the Council approved a Compulsory Purchase Order for the site. A Public Inquiry was heard in November 2011 and on 2 April 2012, the Hinckley and Bosworth Borough Council (Hinckley Bus Station) Compulsory Purchase Order 2011 was confirmed by the Secretary of State.

Council, at its meeting on 13 November, agreed to a Dead of Variation to the Development agreed on the basis of difficulties Tin Hat Regeneration Partnership were experiencing with securing early sign up of all the retail tenants due to the current depressed economic climate. As a result, it was agreed that the most effective way to carry out the development would be in two stages, with the initial stage being the food store, the cinema, the family restaurants, the Bus Station and public realm improvements, with the remainder of the retail units coming forward as a second stage.

Discussions have since been ongoing with Tin Hat Regeneration Partnership and Sainsbury's since November to determine phasing and delivery timescales.

The original Development Agreement entitled the Council to a Capital Receipt on the completion of the development of £2.75m and a share of 7.44% of the development profit. This profit share was estimated in November 2012 at around £450,000. Recent discussions with the Tin Hat Partnership regarding phasing of the development has meant that there is a real likelihood of the capital sum and the profit share being significantly eroded. As the £2.75m was earmarked to partially fund the new Leisure Centre, a further amount of £1m has been transferred to an earmarked Leisure Centre reserve from Balances in order to mitigate against the risk of this likely shortfall in receipts.

7.9.2 MIRA and the Regional Growth Fund (RGF)

MIRA Transport Technology Park on the A5 was awarded Enterprise Zone Status in 2011. Planning permission was granted in November 2011. This will involve investment of £350M over a ten year period, creating 2,500 new direct jobs and 2,500 indirect jobs. To facilitate early delivery of this scheme, Officers were successful in securing a Regional Growth Fund bid of £19.4M towards the upgrade of the A5, the provision of a new regional electricity sub-station and sustainable transport improvements. Funding is now secured and initial payments have been received by the Council from DCLG.

Detailed design work is currently underway. Initial works are expected to start in July 2013 with main A5 works commencing in November 2013 and be completed by autumn 2015. All costs incurred by staff in supporting this project are reclaimed by the Council from the RGF.

7.9.3 The Hinckley Hub

The Hinckley Hub is the refurbishment of a former hosiery factory to form a new public sector hub for Hinckley and Bosworth Borough Council, Leicestershire County Council, Job Centre Plus and other partners from the public sector. The development is part of the wider regeneration of Hinckley town centre and includes an adjacent new development of 46 affordable residential units.

The Hub is located close to Hinckley town centre at the junction of Rugby Road and Hawley Road, 300m from the proposed major bus station re-development and a five minute walk from the town centre and pedestrianised shopping area. The Rugby Road links directly to the A5/M69 junction (2.5 kilometres) and the Hub is also served by the nearby train station & adjacent supermarket (250m) and local bus services.

Construction began in January 2012 and is scheduled to complete by 2nd May 2013. The developer is Nottingham-based architect & developer MRP supported by Aviva who are forward funding the project.

The refurbishment provides modern, open plan office accommodation extending to circa 42,000sqft of net lettable area, including a joint reception area, HBBC conference rooms, in-house café facility and associated car parking.

The new civic suite will be designed as multi-functional conference and meeting space for use by third party organisations when not in use for HBBC civic functions. Negotiations are taking place with the Papworth Trust to provide a café / catering facility within the hub which will provide the opportunity for young adults with learning and physical difficulties to gain work experience and provide a valued service to staff within the building with any profits made supporting the Papworth Trusts charitable objectives.

The project is contracted to achieve a prestigious BREEAM Excellent environmental rating and the Hub scores highly on energy efficiency and the use of renewables, sustainable transport, ecological regeneration and the use of sustainable materials.

A member board meets on a monthly basis. The composition of this Board is as follows:

- Executive Member for Finance, ICT and Assets
- Executive Member for Corporate Services and Equalities
- Deputy Chief Executive (Corporate Direction)
- Estates and Assets Manager
- Representatives from MRP Development Limited

The above Board meets with a wider Partnership Board once a quarter. This Board has officer and in the case of Leicestershire County Council Member representation from:

- Leicestershire County Council
- Leicestershire Probation Service
- Job Centre Plus
- Citizen Advice Bureau

It anticipated that there will be a phased relocation of Council Services into the Hub following a period of initialisation after practical completion. This period will see the installation of the reception, conference equipment, IT services and office furniture. Leicestershire County Council will follow the Hinckley and Bosworth Borough Council move with Job Centre Plus relocating late October early November 2013.

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

Table 13 - Finances of the Move to the Hub

	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)

7.9.4 Leisure Centre

The current Leisure Centre building on Coventry Road was opened in 1975 and will be at the end of its design life by the end of 2014/15.

Council approved the decision in November 2012 to proceed with the procurement of a Partner (or Partners) to develop a new Leisure Centre and deliver the on-going management of the Centre, through an OJEU procurement process.

A number of alternative options were fully considered, including refurbishment of the existing centre and relocation to an out of town site. Having considered all of the alternatives, Council agreed to relocate the Leisure Centre to the current Council Offices location on Argents Mead. Secondary spend within Hinckley Town Centre from users who visit the Leisure Centre is considerable. Retaining the Leisure Centre within the town centre would support the economic growth and sustainability of the town centre.

The development on the Argents Mead site (the current Council Offices) should maintain and enhance the green space ensuring the facility is sensitively designed to fit and add value to the park.

The aim is that the new wet and dry facility will be operational from summer 2015 at the end of the existing contract with SLM.

The facility would be expected to include as a minimum:

- 25 metre, 6 lane swimming pool and learner pool
- 6 court sports hall
- Health and fitness facilities, including studios
- Ancillary supporting facilities

In addition, the Council is seeking a mix which will deliver an improved revenue position and leisure experience for its customers.

The project could be partially or wholly financed by Capital Receipts arising from the redevelopment of the Middlefield Lane, the sale of the current Leisure Centre site, the capital receipt from the Bus Station Redevelopment and other sites identified for disposal by the cross-party Asset Management Strategy Group as well as a transfer from earmarked reserves of £2.3m. It is estimated that this would provide a capital pot of around

£6.5m. The balance would need to be funded by securing private sector funding and/or through Prudential borrowing. The latter would require considerations of affordability and sustainability. Contributions are also expected from the Barwell and Earl Shilton Sue's to accommodate the impact on usage of the new centre arising from these developments.

Short listing of Bidders is underway, with the aim to appoint a Partner prior to December 2013 followed by planning application process completed by April 2014.

Users of the existing Leisure Centre have been consulted and their requirements will be fed into the procurement process.

7.9.5 The Jubilee Building (New Depot)

In December 2011 Council agreed to relocate the Middlefield Lane Depot to new premises, committing a project budget of £1,772,500

In March 2012 the Council purchased a suitable plot of land on the Harrowbrook Industrial Estate for the new works depot premises for £472,220.

Following public consultation exercises, with local residents and resident groups adjacent to the Harrowbrook site, the Estate Team submitted a planning application for the new site, The Jubilee Building, which received planning consent on 29th May, 2012.

A full design and build construction contract was negotiated with Ashe Construction to the value of £1,127,074.00.

Construction work commenced on site in September 2012 and the development was completed at the end of March 2013. The contract was delivered on time and on budget at a total cost of £1.6m. The premises are now fully occupied and operational.

The new Depot will deliver additional revenue savings as running costs will be lower than the former depot site on Middlefield Lane.

The Middlefield Lane site will marketed for sale.

7.9.6 Atkins Cultural Enterprise Centre

Although this project was completed in 2010/11, it continues to be an on-going project requiring continuous review and improvements in order to ensure full occupancy and financial revenue sustainability. In the last financial year the Council secured the Hinckley Times as an additional tenant and re-located the CCTV Control room from the Police Station to the top floor of the Atkins building.

Since opening in July 2010, the Atkins Cultural Enterprise Centre has become a focal point for serviced office accommodation with the Borough, with presently 25 offices on site, which are fully let. In addition to this, strong ties have been established with Creative Hinckley, a not for profit organisation featuring local creative industry practitioners, who let studio and gallery space off the Council. These studios have proved extremely successful, whilst the gallery has hosted numerous wonderful exhibitions from both national and international exhibitors.

In addition to this space, the building features an on site café and further dedicated office space taken by The Hinckley Times, Leicestershire County Council, the Revenue and Benefits Partnership and a renewable energy company '2OC'.

Regular events are held at the Atkins Building such as weekly Pilates and slimming classes and the building has become the new home of the local ‘over 50’s’ group. The meeting room space provided within the building has also proved extremely popular, generating an income of £16,000.

The new North Warwickshire and Hinckley College opened its doors in September 2011, which completed the regeneration of the former hosiery factory site. The College is proving very popular for students from Hinckley and Nuneaton.

The Atkins Cultural Enterprise Centre is on course to meet the Revenue provision of over £230,000 with an additional £17,000 surplus arising from the increased activity and additional tenancy outlined above.

7.10 Value for Money and Efficiencies

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

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

- o Continue to deliver service efficiencies through Service Planning and the budget setting process
- o Seek joint working with authorities that can deliver mutual benefits
- o Continue service reviews through the Quarterly Performance Framework
- o Adopt and implement an annual review of reserves
- o Continue to improve the procurement process
- o Apply zero inflation on certain budgets

As part of the budget setting process for 2011/12 a Budget Overview Panel (BOP) was set up to identify savings for the following 3 years. A further task group comprising of COB and SLB members was set up in 2012/2013 to identify further savings and increased income streams that could be generated for 2013/2014 and built into the base budget for forthcoming years. The level of savings/income identified far exceeded targets set and have ensured ongoing provision of front line services and member priorities.

The following savings have been identified:

Table 14 - Cumulative savings

	2011/12	2012/13	2013/14
	£	£	£
Savings/Additional Income	725,810	201,290	754,700
Total Cumulative effect on base budget	725,810	927,100	1,681,800

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:

- o 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.
- o The Asset Management Strategy Group will identify and carry out a review of all unregistered land assets to identify any sites for disposal.
- o Automatic savings will continue to be included in the Annual Budget Strategy (e.g. vacancy provision and 0% increase in supplies and services) to ensure the base budget continues to be founded on an efficient cost base.
- o The Councils Procurement Strategy will continue to be refreshed to ensure that cost effective methods of procurement and cost plans will achieved where possible.
- o The Councils Corporate Operations Board will scrutinise all vacancies and recruitment to ensure that there is a clear business case for additional salary budgets.
- o The financial regulations will remain stringent at ensuring high levels of scrutiny for any additional "supplementary budgets" in year.

7.11 Discretionary Services

One way that the Council is able to make savings and reduce costs is to review the continuation of those "discretionary" services which are not required by statute. The cost of these services has been detailed below and will be considered by COB on a periodic basis in order to challenge ongoing operation and financial resilience:

Table 15 - Cost of Discretionary Services

Service Area	2013/14 Original Gross Budget	2013/14 Income	2013/14 Original Net Budget
	£	£	£
Allotments	12,350	(2,700)	9,650
Car Parks	368,820	(588,740)	(219,920)
Children & Young People	560,610	(506,730)	53,880
Community Planning	64,330	0	64,330
Corporate Management	699,050	(96,540)	602,510
Corporate Management (Civic)	28,110	0	28,110
Countryside Management	122,480	(15,300)	107,180
Creative Communities	63,120	(5,000)	58,120
Dog Warden	41,630	(6,700)	34,930
Economic Development	362,160	(197,000)	165,160
Environmental Initiatives	0	0	0
Forest Road Garages	1,200	(6,500)	(5,300)
General Grants	590,100	(16,410)	573,690
Housing Strategy	44,370	0	44,370
Industrial Estates	50,580	(669,200)	(618,620)
Leisure Centre	82,050	(64,600)	17,450
Leisure Promotion	43,360	(6,720)	36,640
Markets	194,220	(203,960)	(9,740)
Miscellaneous Properties	233,000	(346,950)	(113,950)
Parks & Open Spaces	621,870	(29,175)	592,695
Public Conveniences	18,890	(200)	18,690
Sports Development	200,600	(108,575)	92,025
Sustainable Development	39,790	0	39,790
Total	**4,442,690**	**(2,871,000)**	**1,571,690**

In addition to these discretionary services, the Council will also continue to review the operation and cost of its support services, the cost of which are detailed below:

Table 16 - Cost of Support Services

Service Area	2013/14 Original Gross Budget £	2013/14 Income £	2013/14 Original Net Budget £
Asset Management	324,920	0	324,920
Communications & Promotion	176,740	(12,500)	164,240
Corporate Management	660,630	(22,310)	638,320
Council Offices	2,140,340	(1,230,900)	909,440
Finance Support	632,000	(30,700)	601,300
I.T. Support	1,889,670	(818,660)	1,071,010
Legal & Administration	1,278,500	(63,820)	1,214,680
Performance & Scrutiny	44,770	0	44,770
Total	**7,147,570**	**(2,178,890)**	**4,968,680**

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 Council has identified 6 priority areas, with work rolling out in 4 such areas ("neighbourhoods"), namely:-

- o Part of Barwell
- o Part of Earl Shilton
- o Wykin, Hinckley
- o 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 Community Safety team, in particular.

In January 2013 the Authority commissioned two lead Voluntary and Community Sector (VCS) organisations to establish a new VCS Hub for Hinckley & Bosworth. The arrangements will include, from June 2013, a VCS Forum representing all VCS organisations within the Borough, providing a vehicle for the continued mapping of VCS activity, pooling expertise, knowledge and resources, identifying gaps in provision, and collaborative working. In addition a VCS Commissioning Board will be established to provide a fair and robust mechanism for commissioning VCS service delivery in the locality, informed by a sound and representative evidence base via the Forum. The ambition overtime is to secure mainstream funding from all key statutory agencies, with a clear demonstration of impact and value for money, aligned to Borough wide priorities.

In addition, as part of these arrangements, a VCS Hub has been created within Hinckley Town Centre, offering both a physical location for VCS organisations to collaborate and deliver provision from, as well as Borough wide advice and support to enable much needed VCS capacity building. This provision will directly support work in our priority neighbourhoods, particularly in building community capacity to respond to the priorities identified in neighbourhood action plans.

7.13 <u>Sustainable Urban Extensions (SUE)</u>

The Council's adopted Core Strategy has identified two major SUE's to help accommodate projected housing and employment growth in the Borough. These are planned for land west of Barwell and land south/east of Earl Shilton. These are forecast to deliver up to 4,500 dwellings with associated employment land and community facilities.

A key strategic aim of the SUE's is to secure the regeneration of Barwell and Earl Shilton. A planning application for Barwell SUE was approved by Planning Committee on 23 April 2013, subject to conditions and a S106 Agreement. An application for Earl Shilton is expected late summer 2013. The forecast amount of New Homes Bonus arising from these major schemes is identified elsewhere in this Strategy.

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 accordance with Council priorities. 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 service improvement 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 now become embedded into the organisation. Service Mangers have become more aware of their financial and operational responsibilities under the 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 and maximise opportunities from emerging economic initiatives such as City Deals and Local Growth Funds

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), Regional Growth Funding and English Heritage Funding are good examples of external service improvements / enhancements. The Council does not pursue funding for fundings 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, the revenue as well as capital implications 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. external or LLEP funding, 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.

Increasingly there will be a need to enter a bid process for funding with the LLEP and the single Pot" which is likely to reside with the new City Deals.

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 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 ('freeze' grants), 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.

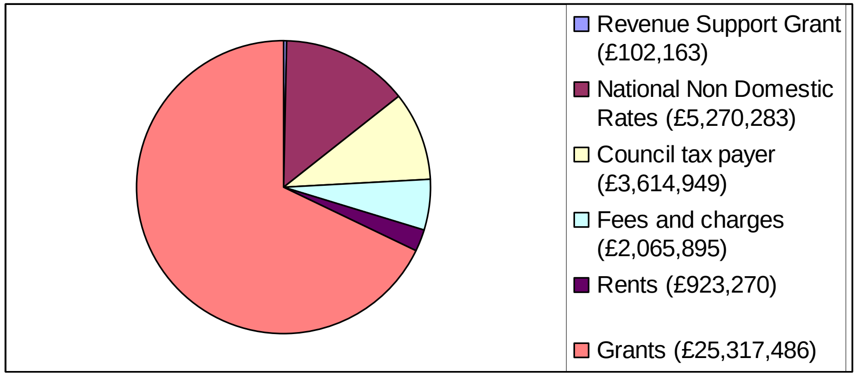
Objective 10	To increase efficiency savings and generate funding through shared services and collaborative working

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 and/or income.

The Council will continue to work with other agencies such as the Leicester and Leicestershire Economic Partnership and the City Deals (once these have been established and the governance has been agreed) to secure funding for continued regeneration of the Borough.

9. REVENUE

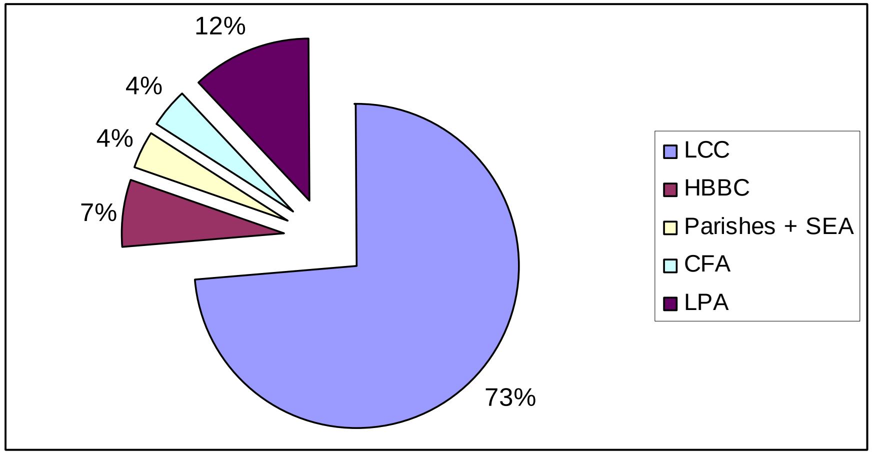
There are a number of sources of revenue income for Hinckley and Bosworth Borough Council. The pie chart below illustrates the estimated sources of revenue income that are forecast for 2012/13. More detailed information regarding these sources is covered in the following pages.



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 and disability. In 2013/2014, the Council reduced the level of reductions available for council tax on empty properties or those undergoing refurbishment.

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 7% of the total collected, with the rest being shared with other bodies.



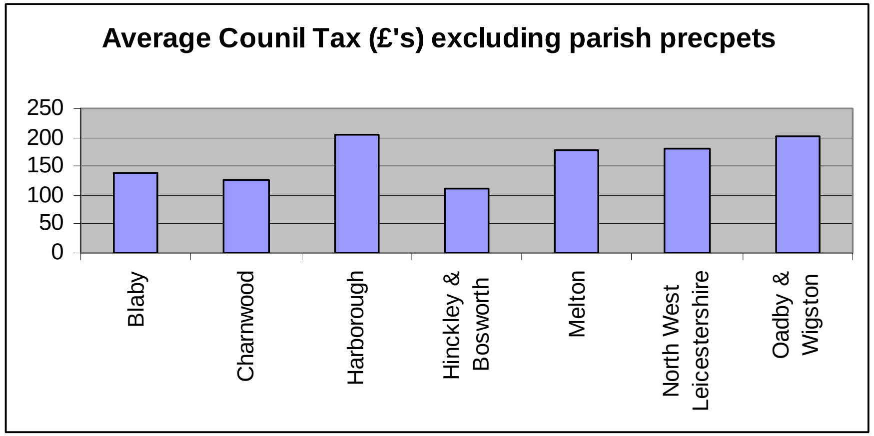
The council tax base is calculated by taking the number of Band D equivalent properties in the district, and multiplying it by the assumed tax base. As outlined in 7.7, this base is impacted by the terms of the council tax charging scheme and any cap that is included. For the purpose of this document it is assumed that there will be a 1% increase in Band D equivalent properties each year after the impact of the LCTS scheme. More detailed information as to how council tax is calculated can be obtained from the council tax leaflet.

One of the directions of the Comprehensive Spending Review was that Council's should seek to set a zero increase in council tax where possible for the years of the spending review. 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 froze their charge. This council froze its tax in 2011/12 and 2012/2013 and received £105,000 and £105,810 in freeze grant in the respective years.

For 2013/14, the Government has announced a 1% council tax freeze grant for those Councils who continue to achieve this objective. This is in addition to the previous 2.5% grants offered in previous years and equates to £147,511 in funding.

In order to curb excessive increases in council tax, the Secretary of State for Communities and Local Government announced that for 2013/14 Councils setting council tax increases of over 2% would need to carry out a referendum. This is a reduction from the 3.5% threshold set in prior years. The estimated cost of carrying out a referendum for this Borough would be between £110,000 and £120,000.

In 2012/13 the HBBC council tax amount for an average Band D property (excluding County Council, Police Authority and Parish Council precepts) is £112.17. The graphs below illustrate that HBBC is the lowest in comparison to other Leicestershire Authorities.



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 2013/14 financial year, the Council's Net Budget Requirement (after income from fees and charges) is £10,570,271. Of this £6,719,928 is to be funded from Central Government Funding through retained Business Rates and grant funding such as the New Homes Bonus and Council Tax grants.

The balance of £3,850,343 is funded through Council Tax. The Council's tax base i.e. those households liable to council tax, is 34,351.1. This gives total council tax at average band D of £112.09 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:-

- 36% of the Council's funding comes from council tax,
- Only £112.09 (or 7.7%) 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:-

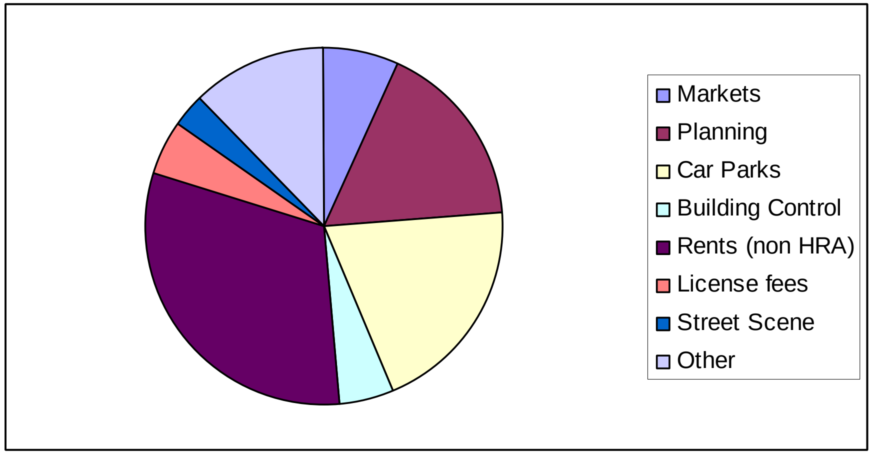
Table 17 - Breakdown of Council Tax

	Total Amount (£)	Council Tax at Band D (£)	% of Total
Hinckley & Bosworth	3,850,343	112.09	7.74%
Leicestershire County Council	36,515,178	1,063.00	73.37%
Combined Fire Authority	2,005,294	58.38	4.03%
Leicestershire Police	5,972,798	173.88	12.00%
Parishes	1,426,132	41.52	12.09%
	49,769,745	**1,448.87**	

9.2 Fees and Charges

Local people and visitors to the area also provide income for the 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. The breakdown of fees for 2012/2013 is shown below.



Clearly the level of income received from fees and charges is dependant on a number of wider factors including the economic climate, competition and product need. On this basis a wide range of sensitivity analyses have been applied in this strategy for a number of key income streams, details of which have been provided in section 7.6

9.3 Government Funding and the Local Government Settlement

Sums of money are made available to the Council from central sources such as the Government. The Council's main "block funding" is announced every year in the Local Government Finance Settlement and is made up of the following key elements:

- o Revenue Support Grant (RSG)
- o Business Rates
- o Any additional grants identified by the Government for inclusion in year

From 2013/2014, the method of allocating funding in the settlement has changed. Whereas before this year, the settlement clearly split out the different funding streams, the Council now receives a single "block" of funding for RSG and is required to apportion its retained business rates to make up the remaining baseline. Going forward, it is expected that the Local Government settlement will contain little or no detail of the make up of funding and instead Councils will be allocated a block amount to factor into their budget.

By means of providing a comparison, the differing elements of the Council's government funding have been detailed below from 2011/12 to 2014/2015 (provisional settlement). Over this period, this Council's settlement funding is expected to reduce by £1,179,368 or 19.40%. This places considerable pressure on expenditure budgets and savings targets.

Table 18 - Finance Settlement

	2011/2012	2012/2013	2013/2014	2014/2015
	£	£	£	£
Revenue Support Grant	1,410,200	102,163	2,992,354	2,517,319
National Non Domestic Rates	4,562,237	5,270,283	1,990,732	2,276,096
Council Tax Freeze Grant	105,260	105,810	147,511	104,914
Council Tax Support Grant	0	0	544,764	0
	6,077,697	5,478,256	5,675,361	4,898,329

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. Key specific grants received by the Council in 2012/2013 include:

- o Council Tax Benefit Subsidy - £5.8million. This payment will not be made from 2013/2014
- o Rent Rebates Subsidy - £6.0million
- o Homelessness Grant - £0.05million
- o Department for Transport Funding - £0.124million
- o Regional Growth Funding - £19.474million (to be received over 3 year period)

9.4 Investment Income

The Council uses the money it receives to invest in the financial markets to gain return. 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 £98,620 net interest paid in 2012/2013. This dramatic decease has had a significant impact on the council's budget and service delivery plans.

The Council will continue to invest surplus cash, where possible, though it can no longer rely on this as a core income stream to support services. For the basis of prudence, a base rate of 0.5% has been assumed for the duration of this strategy when considering interest. The Council adopts the advice of specialist Treasury Management experts for all investment and borrowing activity. This allows the best rates to be sourced but also to ensure that money is invested in with viable and safe counterparties. The details of the Council's investment policies are contained in the Treasury Management Policy, approved by Council each year.

9.5 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.

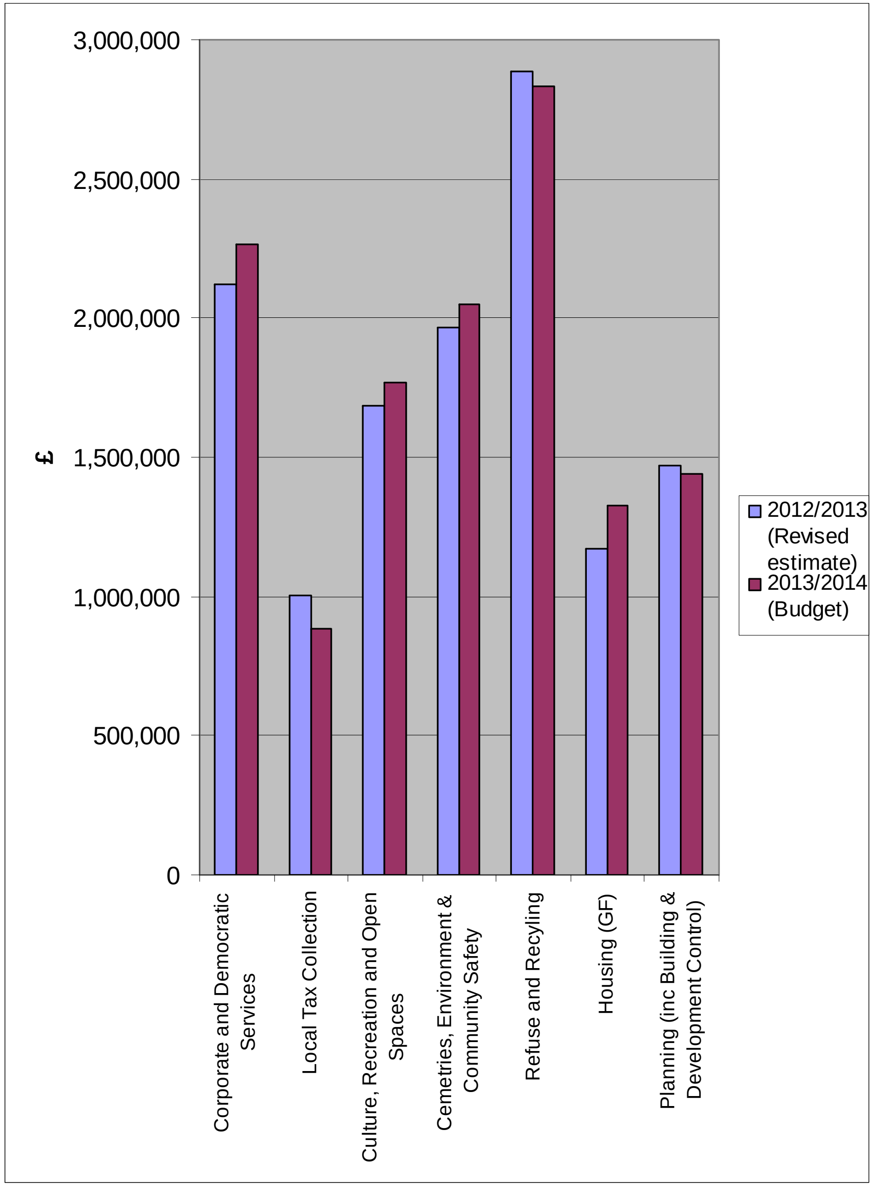
10. EXPENDITURE

10.1 How the money is spent

Revenue expenditure is essentially resource spent on the ‘day to day’ activities of the council and relates to any expenditure that is not paying towards an “asset”. 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. The Council must achieve a “balanced budget” and therefore cannot spend any more than is available through income earned, funding received and internal resources available (e.g. reserves and balances).

The Council’s annual budget process therefore enables resources to be distributed to where they are both needed and also to areas that will ensure delivery of the Corporate Plan objectives. This ensures that the Council continues to achieve value for money, meets its vision and continues to achieve high levels of performance and service satisfaction.

The allocation of resources (net of income) for 2012/2013 and 2013/2014 is summarised opposite. In all cases, support services have been allocated per recharges to individual departments.



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;

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

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:

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

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.

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.

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

- Creation of new Greenfields Commercial units part funded by LSEP.

- Financial assistance and officer support that assisted Hinckley Club for young people build a new award winning community and leisure facility.

- Refurbishment of a new Council depot at the Harrowbrook Industrial Estate.

The Council's current approved programme contains a number of major schemes which are currently forecast to commence during the term of this strategy. These include:

- Practical completion of the Hinckley Hub
- A new Hinckley Leisure Centre
- Funding works to the A5
- Town Centre Redevelopment

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. The table below details the currently approved Capital Programme, along with the associated funding arrangements:

Table 19 - Current Capital Programme

	2012/2013	2013/2014	2014/2015	2015/2016
	£	**£**	**£**	**£**
Expenditure				
Leisure & Environment	611,627	2,275,160	5,611,160	217,160
Planning	1,746,860	153,245	43,943	66,052
Central Services	1,037,501	595,450	40,000	10,000
Housing (General Fund)	361,261	782,350	462,350	462,350
	3,757,249	**3,806,205**	**6,157,453**	**755,562**
Funding				
Capital Receipts	2,062,500	1,326,802	500,000	0
Borrowing	974,318	464,403	231,453	723,562
Reserves	678,471	2,015,000	5,426,000	32,000
Revenue	41,960	0	0	0
	3,757,249	**3,806,205**	**6,157,453**	**755,562**

The agreed capital programme is therefore predominantly supported by capital receipts and internal reserves. With regards to the former, the capital receipts obtained from current depot site (£0.5million), the leisure centre site (£2.2million) and the bus station area (£2.75million) are important to achieve the programmed schemes. If these disposals do not take effect there will be a greater pressure on revenue budgets to fund the cost of capital and therefore the Council has identified additional reserve balances to mitigate against this risk. The significant and almost unprecedented drop in land values, together with previous council decisions not to sell sites identified for disposal will also continue to be a pressure in order to ensure that identified receipts are recovered in full. The Council's current borrowing headroom will not facilitate or allow for the total cost of these schemes to be funded from borrowing. Prioritisation of these schemes and funding arrangements also mean that the Council's useable capital receipts reserve will be depleted over the term of the strategy as outlined below:

Table 20 - Useable Capital Receipts

	2012/2013	2013/2014	2014/2015	2015/2016
	£000's	£000's	£000's	£000's
Opening Balance	1049	595	1737	5
Receipts	1,609	3,569	1,795	1,900
Funding	-2,063	-2,427	-3,527	-1,905
Closing Balance	595	1737	5	0

In order to manage the use of internal resources, a number of dedicated reserves have been set up from revenue under spends to fund the programme. These include the Leisure Centre reserve which is forecast to contribute £2.3million to the capital cost of the new Leisure Centre.

Although capital expenditure is clearly separated from revenue spend within the Council's budget, the use of capital resources has an impact on revenue in the following ways:-

- o The use of capital resources will result in a corresponding reduction in investment income.
- o Forecast levels in borrowing will mean increased interest payments and minimum revenue provision which is charged as a "cost" to the Councils revenue budget
- o The creation of new assets will require running costs that will have to be funded from revenue sources.

As outlined in Table 1, this strategy has considered the impact of three capital financing scenarios on the revenue budget, each of which reflect differing levels of borrowing should forecast capital resources not be available for use:

Table 21 - Capital Financing Assumptions

	2013/2014	2014/2015	2015/2016
	£	£	£
Scenario 1 - Current Capital Programme + additional £1.5 borrowing for Bus Station/Leisure Centre			
Net Interest	134,000	166,175	198,350
MRP	478,000	503,000	553,000
Total Capital Charge	**612,000**	**669,175**	**751,350**
Scenario 2 - Current Capital Programme + additional £4 borrowing for Bus Station/Leisure Centre (worse case)			
Net Interest	134,000	219,800	305,600
MRP	478,000	503,000	636,333
Total Capital Charge	**612,000**	**722,800**	**941,933**
Scenario 3 - Current Capital Programme (best case)			
Net Interest	134,000	134,000	134,000
MRP	478,000	503,000	503,000
Total Capital Charge	**612,000**	**637,000**	**637,000**

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

- 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 Chief Financial Officer.

- 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 CSR10 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.

13. RISK MANAGEMENT

In line with the Council's 2012 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 leisure centre.

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. movements in interest rates).

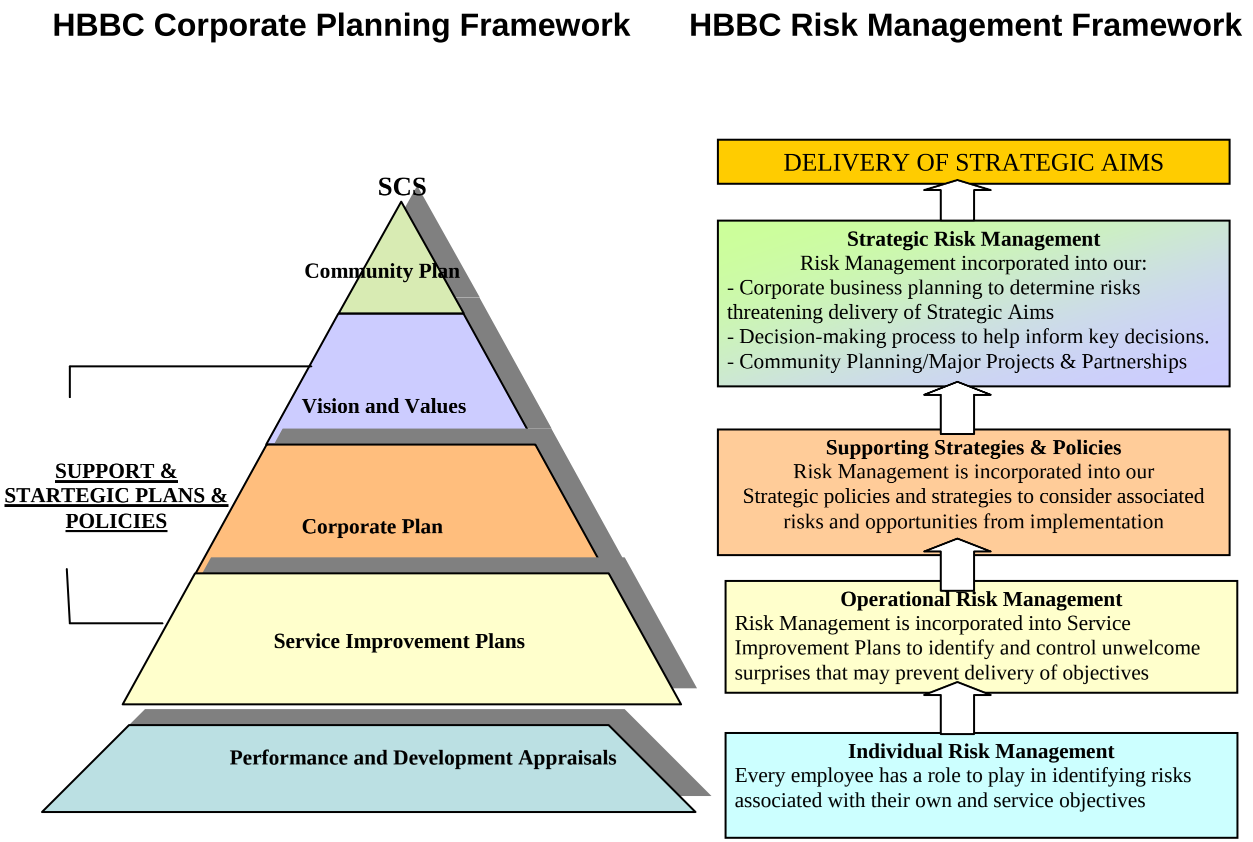
The Risk Management Strategy is reviewed annually to ensure it represents current best practice. The Council considers financial planning, performance and risk in unison to provide comprehensive management information. At a strategic level, the Medium Term Financial Strategy is managed in association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

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



MEDIUM TERM FINANCIAL STRATEGY		**Appendix I Revenue Forecasts**				
2012/13 TO 2015/16						
FINANCIAL FORECAST						
	2012/2013	**2013/2014**	**2014/2015**	**2015/2016**	**Varied**	
	Revised				**assumptions**	
		Forecast	**Forecast**	**Forecast**		
	£	**£**	**£**	**£**		
Net Service Expenditure	9,794,410					
Net Budget Requirement		8,543,660	9,755,996	10,393,376		
Budget movements						
Reduction in subsidy income	25,000	-25,000				
Additional overpayment income	-28,000					
Leciestershire Troubled Families contribution	30,000					
CCTV move	16,000					
Developer Incentive for Hinckley Hub	-750,000	750,000				
Local Development Framework expenditure	-98,500	8,500	193,000	-283,000		
Savings from delay in movement to Hinckley Hub	-90,000	90,000				
Additional salary savings	-248,000	87,250				
Additional Development Control income	-140,000	140,000	-31,910	-3,250	**Assumed levels**	
Additional Recycling income	-232,000	118,000	-79,000	-6,000	**Assumed levels**	
Effciency savings from refuse collection and street cleansing	-87,000	-100,110				
Support services savings (e.g. legal, ICT and finance)	-117,000	72,090				
Internal costs funded from Regional Growth Fund	-58,000					
Revenue Contribution to Capital	41,960	-41,960				
Approved Supplementary Budgets	468,430	-348,030				
Movement in Special Expenses budget	15,000	79,930				
Reduction in Housing Benefit Admin Grant		30,400				
Additional Contributions to Revenues and Benefits Partnership		59,800	-59,800			
Funding of Sports and Physical Activity post		30,000				
Reduction in Market Income		8,800				
Jubilee Site security		10,000	-10,000			
Increase in members allowances		47,560				
Increase in public conviences asset management		12,420				
Reduction in Grounds Maintenance Surplus		42,890				
Council Tax Benefit Changes		47,010	14,700			
New Burdens Grant		-50,900	50,900			
Jubillee building/Hinckley Hub relocation and rent		279,200	8,376	8,627		
Car parks		-21,000	139,000	29,000	**Assumed levels**	
New Homes Bonus to Parishes		77,992	154,180	175,117	**75% at Band C**	
Council Tax Support Grant to Parishes		143,000	-143,000			
Cost of election				110,000		
Increase in income from ICT Shared Service		-60,990	-20,000			
Rental income fluctuations	2,000	11,000	-11,000	-5,000	**Assumed levels**	
Forecast growths			300,000	100,000		
Other small movements (less then £10k)	-6,540	-185,286				
Impact of 2013/14 Savings		-754,700				
Inflationary increases (see attached) Costs		0	0	0		
Inflationary increases (see attached) Fees and Charges		0	0	0		
Pensions Increase		84,650	75,000	75,000		
Capital Financing - MRP		534,200	25,000	50,000	**£1.5 additional borrowing**	
Net interest payable	5,900	35,620	31,935	32,175		
NET Borough Budget Requirement	**8,543,660**	**9,755,996**	**10,393,376**	**10,676,045**		
Transfer to Pension Reserve	119,030	115,510	28,780	0		

Contribution to Reserves	2,238,220	396,840	238,000	80,000		
Contribution from Reserves	-377,968	-267,362	-409,000	-96,000		
Contribution to/(from) Balances	-697,668	15,277	-215,952	-140,073		
NET BUDGET/FORECAST EXPENDITURE	**9,825,274**	**10,016,260**	**10,035,204**	**10,519,972**		
% Increase in Net Budget Forecast/Expenditure	1.53%	1.94%	0.19%	4.83%		
	2012/2013	**2013/2014**	**2014/2015**	**2015/2016**		
	Revised	**Forecast**	**Forecast**	**Forecast**		
	£	**£**	**£**	**£**		
	9,825,274	10,016,260	10,035,204	**10,519,972**		
Revenue Support Grant	102,163	2,992,354	2,517,319	2,265,587		-189671
National Non Domestic Rates	5,270,283	1,990,732	2,276,096	2,344,379	**No forecast growth**	-3.8%
Freeze Grant	105,810	147,511	104,914	0		
New Homes Bonus	711,292	1,042,501	1,639,976	2,340,443		
Collection Fund Surplus	20,777	2,066	40,000	40,000		
Council Tax Support Grant	0	544,764				
Council Tax Income	3,614,949	3,296,332	3,456,899	3,529,563		
Estimated Tax base	37,671.00	34,351.1	35,318.0	35,353.3	**8.5% scheme 13/14** **10% thereafter**	
Estimated Band D Council Tax	£95.96	£95.96	£97.88	£99.84		
Year on Year Increase in Council Tax						
(i) Amount	£0.00	£0.00	£1.92	£1.96		
('ii) Percentage	0.00%	0.00%	2.00%	2.00%	**13/14 Freeze** **2% thereafter**	
SPECIAL EXPENSES						
Net Budget Requirement B/Fwd	534,500	534,500	554,011	#DIV/0!		
New Homes Bonus	-48,560	-92,223	-145,076	-207,038		
Contribution to car parking income		25,000	15,000			
Inflationary increase		30,935	#DIV/0!	#DIV/0!		
Increase in support service charges		7,875				
Locally supported schemes			20,000	40,000		
Funding of salaries previously capitalised		16,120				
Contribution to from Reserves	177,000	31,804	20,000	40,000		
Contribution to/(from) Balances	-52,480	0	0	0		
NET BUDGET/FORECAST EXPENDITURE-Special Expenses	610,460	554,011	#DIV/0!	#DIV/0!		
Estimated Taxbase	37671.0	34,351.1	35,318.0	35,353.3		
Special Expenses Council Tax	16.21	16.13	16.45	16.78		
Year on year increase in Special Expenses Council Tax						
(I) Amount	-0.18	-0.08	0.32	0.33		
(ii) Percentage	-1.13%	-0.48%	2.00%	2.00%		
Total Net Budget Requirement	10,435,734	10,570,271	#DIV/0!	#DIV/0!		
% increase in Total Net Budget Requirement	*1.43%*	*1.29%*	*#DIV/0!*	#DIV/0!		
Taxbase	37671	34,351.1	35,318.0	35,353.3		
Council Wide Council Tax	£112.17	£112.09	£114.33	£116.62		
Percentage Increase	-0.16%	-0.07%	2.00%	2.00%		
	Assumptions					

MEDIUM TERM FINANCIAL STRATEGY		Appendix I Revenue Forecasts			
2012/13 TO 2015/16					
FINANCIAL FORECAST - WORST CASE					
	2012/2013	**2013/2014**	**2014/2015**	**2015/2016**	**Varied**
	Revised				**assumptions**
		Forecast	**Forecast**	**Forecast**	
	£	**£**	**£**	**£**	
Net Service Expenditure	9,794,410				
Net Budget Requirement		8,543,660	9,755,996	10,509,212	
Budget movements					
Reduction in subsidy income	25,000	-25,000			
Additional overpayment income	-28,000				
Leciestershire Troubled Families contribution	30,000			30000	
CCTV move	16,000				
Developer Incentive for Hinckley Hub	-750,000	750,000			
Local Development Framework expenditure	-98,500	8,500	193,000	-283,000	
Savings from delay in movement to Hinckley Hub	-90,000	90,000			
Additional salary savings	-248,000	87,250			
Additional Development Control income	-140,000	140,000	-31,910	-3,250	**Reduced levels**
Additional Recycling income	-232,000	118,000	-42,000	-6,000	**Reduced levels**
Effciency savings from refuse collection and street cleansing	-87,000	-100,110			
Support services savings (e.g. legal, ICT and finance)	-117,000	72,090			
Internal costs funded from Regional Growth Fund	-58,000				
Revenue Contribution to Capital	41,960	-41,960			
Approved Supplementary Budgets	468,430	-348,030			
Movement in Special Expenses budget	15,000	79,930			
Reduction in Housing Benefit Admin Grant		30,400			
Additional Contributions to Revenues and Benefits Partnership		59,800	-59,800		
Funding of Sports and Physical Activity post		30,000			
Reduction in Market Income		8,800			
Jubilee Site security		10,000	-10,000		
Increase in members allowances		47,560			
Increase in public conviences asset management		12,420			
Reduction in Grounds Maintenance Surplus		42,890			
Council Tax Benefit Changes		47,010	14,700		
New Burdens Grant		-50,900	50,900		
Jubillee building/Hinckley Hub relocation and rent		279,200	8,376	8,627	
Car parks		-21,000	157,000	28,000	**Reduced levels**
New Homes Bonus to Parishes		77,992	104,390	116,745	**50% at Band C**
Council Tax Support Grant to Parishes		143,000	-143,000		
Cost of election				110,000	
Increase in income from ICT Shared Service		-60,990	-20,000		
Rental income fluctuations	2,000	11,000	46,000	-12,000	**Reduced levels**
Forecast growths			300,000	100,000	
Other small savings/growths (less then £10k)	-6,540	-185,286			
Impact of 2013/14 Savings		-754,700			
Inflationary increases (see attached) Costs		0	0	0	
Inflationary increases (see attached) Fees and Charges		0	0	0	
Pensions Increase		84,650	75,000	75,000	
Capital Financing - MRP		534,200	25,000	133,000	**£4million additional borrowing**
Net interest payable	5,900	35,620	85,560	85,800	
NET Borough Budget Requirement	**8,543,660**	**9,755,996**	**10,509,212**	**10,892,133**	

Transfer to Pension Reserve	119,030	115,510	28,780	0	
Contribution to Reserves	2,238,220	396,840	238,000	80,000	
Contribution from Reserves	-377,968	-267,362	-522,805	-152,465	
Contribution to/(from) Balances	-697,668	15,277	-668,549	-1,026,537	
NET BUDGET/FORECAST EXPENDITURE	**9,825,274**	**10,016,260**	**9,584,638**	**9,793,131**	
% Increase in Net Budget Forecast/Expenditure	1.53%	1.94%	-4.31%	2.18%	
	2012/2013	**2013/2014**	**2014/2015**	**2015/2016**	
	Revised	**Forecast**	**Forecast**	**Forecast**	
	£	**£**	**£**	**£**	
	9,825,274	10,016,260	9,584,638	**9,793,131**	
Revenue Support Grant	102,163	2,992,354	2,517,319	2,265,587	
National Non Domestic Rates	5,270,283	1,990,732	2,162,291	2,227,160	**5% decrease 14/15 onwards**
Freeze Grant	105,810	147,511	104,914	0	
New Homes Bonus	711,292	1,042,501	1,440,818	1,907,796	
Collection Fund Surplus	20,777	2,066	30,000	30,000	
Council Tax Support Grant	0	544,764			
Council Tax Income	3,614,949	3,296,332	3,329,295	3,362,588	
Estimated Tax base	37,671.00	34,351.1	34,694.6	35,041.6	**8.5% throughout**
Estimated Band D Council Tax	£95.96	£95.96	£95.96	£95.96	
Year on Year Increase in Council Tax					
(i) Amount	£0.00	£0.00	£0.00	£0.00	
('ii) Percentage	0.00%	0.00%	0.00%	0.00%	**Freeze throughout**
SPECIAL EXPENSES					
Net Budget Requrement B/Fwd	534,500	534,500	554,011	#DIV/0!	
New Homes Bonus	-48,560	-92,223	-127,461	-168,772	
Contribution to car parking income		25,000	15,000		
Inflationary increase		30,935	#DIV/0!	#DIV/0!	
Increase in support service charges		7,875			
Locally supported schemes			20,000	40,000	
Funding of salaries previously capitalised		16,120			
Contribution to from Reserves	177,000	31,804	20,000	40,000	
Contribution to/(from) Balances	-52,480	0	0	0	
NET BUDGET/FORECAST EXPENDITURE-Special Expenses	610,460	554,011	#DIV/0!	#DIV/0!	
Estimated Taxbase	37,671.0	34,351.1	34,694.6	35,041.6	
Special Expenses Council Tax	16.21	16.13	16.13	16.13	
Year on year increase in Special Expenses Council Tax					
(I) Amount	-0.18	-0.08	0.00	0.00	
(ii) Percentage	-1.13%	-0.48%	0.00%	0.00%	
Total Net Budget Requirement	10,435,734	10,570,271	#DIV/0!	#DIV/0!	
% increase in Total Net Budget Requirement	*1.43%*	*1.29%*	*#DIV/0!*	#DIV/0!	
Taxbase	37671	34,351.1	34,694.6	35,041.6	
Council Wide Council Tax	£112.17	£112.09	£112.09	£112.09	
Percentage Increase	-0.16%	-0.07%	0.00%	0.00%	

MEDIUM TERM FINANCIAL STRATEGY		Appendix I Revenue Forecasts			
2012/13 TO 2015/16					
FINANCIAL FORECAST					
	2012/2013	**2013/2014**	**2014/2015**	**2015/2016**	**Varied**
	Revised				**assumptions**
		Forecast	**Forecast**	**Forecast**	
	£	**£**	**£**	**£**	
Net Service Expenditure	9,794,410				
Net Budget Requirement		8,543,660	9,755,996	10,310,231	
Budget movements					
Reduction in subsidy income	25,000	-25,000			
Additional overpayment income	-28,000				
Leciestershire Troubled Families contribution	30,000			-30000	
CCTV move	16,000				
Developer Incentive for Hinckley Hub	-750,000	750,000			
Local Development Framework expenditure	-98,500	8,500	193,000	-283,000	
Savings from delay in movement to Hinckley Hub	-90,000	90,000			
Additional salary savings	-248,000	87,250			
Additional Development Control income	-140,000	140,000	-31,910	-3,250	**Increased levels**
Additional Recycling income	-232,000	118,000	-112,000	-6,000	**Increased levels**
Effciency savings from refuse collection and street cleansing	-87,000	-100,110			
Support services savings (e.g. legal, ICT and finance)	-117,000	72,090			
Internal costs funded from Regional Growth Fund	-58,000				
Revenue Contribution to Capital	41,960	-41,960			
Approved Supplementary Budgets	468,430	-348,030			
Movement in Special Expenses budget	15,000	79,930			
Reduction in Housing Benefit Admin Grant		30,400			
Additional Contributions to Revenues and Benefits Partnership		59,800	-59,800		
Funding of Sports and Physical Activity post		30,000			
Reduction in Market Income		8,800			
Jubilee Site security		10,000	-10,000		
Increase in members allowances		47,560			
Increase in public conviences asset management		12,420			
Reduction in Grounds Maintenance Surplus		42,890			
Council Tax Benefit Changes		47,010	14,700		
New Burdens Grant		-50,900	50,900		
Jubillee building/Hinckley Hub relocation and rent		279,200	8,376	8,627	
Car parks		-21,000	122,000	31,000	**Increased levels**
New Homes Bonus to Parishes		77,992	203,969	233,489	**100% at Band C**
Council Tax Support Grant to Parishes		143,000	-143,000		
Cost of election				110,000	
Increase in income from ICT Shared Service		-60,990	-20,000		
Rental income fluctuations	2,000	11,000	-62,000		**Increased levels**
Forecast Growths			300,000	100,000	
Other small savings/growths (less then £10k)	-6,540	-185,286			
Impact of 2013/14 Savings		-754,700			
Inflationary increases (see attached) Costs		0	0	0	
Inflationary increases (see attached) Fees and Charges		0	0	0	
Pensions Increase		84,650	75,000	75,000	
Capital Financing - MRP		534,200	25,000		**No additional borrowing**
Net interest payable	5,900	35,620			
NET Borough Budget Requirement	**8,543,660**	**9,755,996**	**10,310,231**	**10,546,097**	
Transfer to Pension Reserve	119,030	115,510	28,780	0	

Contribution to Reserves	2,238,220	396,840	238,000	80,000	
Contribution from Reserves	-377,968	-267,362	-409,000	-96,000	
Contribution to/(from) Balances	-697,668	15,277	336,657	818,960	
NET BUDGET/FORECAST EXPENDITURE	**9,825,274**	**10,016,260**	**10,504,668**	**11,349,056**	
% Increase in Net Budget Forecast/Expenditure	1.53%	1.94%	4.88%	8.04%	
	2012/2013	**2013/2014**	**2014/2015**	**2015/2016**	
	Revised	**Forecast**	**Forecast**	**Forecast**	
	£	**£**	**£**	**£**	
	9,825,274	10,016,260	10,504,668	11,349,056	
Revenue Support Grant	102,163	2,992,354	2,517,319	2,265,587	
National Non Domestic Rates	5,270,283	1,990,732	2,389,901	2,584,678	**5% growth year on year**
Levy on Growth	0	0	-56,902	-61,540	
Freeze Grant	105,810	147,511	104,914	0	
New Homes Bonus	711,292	1,042,501	1,839,135	2,773,090	
Collection Fund Surplus	20,777	2,066	50,000	50,000	
Council Tax Support Grant	0	544,764			
Council Tax Income	3,614,949	3,296,332	3,660,302	3,737,241	
					8.5% scheme 13/14 15% thereafter
Estimated Tax base	37,671.00	34,351.1	37,396.1	37,433.5	
Estimated Band D Council Tax	£95.96	£95.96	£97.88	£99.84	
Year on Year Increase in Council Tax					
(i) Amount	£0.00	£0.00	£1.92	£1.96	**13/14 Freeze 2% thereafter**
('ii) Percentage	0.00%	0.00%	2.00%	2.00%	
SPECIAL EXPENSES					
Net Budget Requrement B/Fwd	534,500	534,500	554,011	#DIV/0!	
New Homes Bonus	-48,560	-92,223	-162,700	-245,319	
Contribution to car parking income		25,000	15,000		
Inflationary increase		30,935	#DIV/0!	#DIV/0!	
Increase in support service charges		7,875			
Locally supported schemes			20,000	40,000	
Funding of salaries previously capitalised		16,120			
Contribution to from Reserves	177,000	31,804	20,000	40,000	
Contribution to/(from) Balances	-52,480	0	0	0	
NET BUDGET/FORECAST EXPENDITURE-Special Expenses	610,460	554,011	#DIV/0!	#DIV/0!	
Estimated Taxbase	37,671.0	34,351.1	37,396.1	37,433.5	
Special Expenses Council Tax	16.21	16.13	16.45	16.78	
Year on year increase in Special Expenses Council Tax					
(I) Amount	-0.18	-0.08	0.32	0.33	
(ii) Percentage	-1.13%	-0.48%	2.00%	2.00%	
Total Net Budget Requirement	10,435,734	10,570,271	#DIV/0!	#DIV/0!	
% increase in Total Net Budget Requirement	*1.43%*	*1.29%*	*#DIV/0!*	#DIV/0!	
Taxbase	37671	34,351.1	37,396.1	37,433.5	
Council Wide Council Tax	£112.17	£112.09	£114.33	£116.62	
Percentage Increase	-0.16%	-0.07%	2.00%	2.00%	
	Assumptions				

MEDIUM TERM FINANCIAL STRATEGY
2012/13 TO 2015/16
GENERAL FUND BALANCES AND RESERVES

Appendix II - Fund Balances and Reserves

	2012/2013 Revised £000	2013/2014 Estimate £000	2014/2015 Forecast £000	2014/2015 Best Case £000	2014/2015 Worst Case £000	2015/2016 Forecast £000	2015/2016 Best Case £000	2015/2016 Worst Case £000
Working Balances Position (Excluding Special Expenses)								
Opening Balances General Fund Balances 1st April	2,069,000	1,371,332	1,386,609	1,386,609	1,386,609	1,170,657	1,723,266	718,060
Transfer to /(from)from Balances	-697,668	15,277	-215,952	336,657	-668,549	-140,073	336,657	-1,026,537
Closing General Fund Balance 31st March	**1,371,332**	**1,386,609**	**1,170,657**	**1,723,266**	**718,060**	**1,030,584**	**2,059,923**	**-308,477**
Earmarked Reserves Position (Excluding Special Expenses and Pensions)								
Opening Balance Earmarked G F Reserves 1st April	4,873,000	6,733,252	5,973,252	5,973,252	5,973,252	4,302,252	4,302,252	4,188,447
Transfer to reserves	2,238,220	1,273,000	238,000	238,000	238,000	120,000	80,000	80,000
Use of Reserves	-377,968	-2,033,000	-1,909,000	-1,909,000	-2,022,805	-206,000	-206,000	-262,465
Closing Balance Earmarked GF Reserves 31st March	**6,733,252**	**5,973,252**	**4,302,252**	**4,302,252**	**4,188,447**	**4,216,252**	**4,176,252**	**4,005,982**
TOTAL G F BALANCES AND RESERVES	**8,104,584**	**7,359,861**	**5,472,909**	**6,025,518**	**4,906,507**	**5,246,836**	**6,236,175**	**3,697,505**

MEDIUM TERM FINANCIAL STRATEGY 2012/13 to 2015/16
INFLATIONARY INCREASES

(A) COSTS

	2012/13	Inflation	2013/14	Inflation	2014/15	Inflation	2015/16
	£	%	£	%			
Staff Costs	0	1.0%	0	1.0%	0	2.0%	0
Contracts	0	3.2%	0	3.0%	0	3.0%	0
Other Payments/Recharges	0	0.0%	0	0.0%	0	0.0%	0
Supplies and Services	0	0.0%	0	0.0%	0	0.0%	0
TOTAL	**0**		**0**		**0**		**0**
Increase			**0**		**0**		**0**
Overall Percentage Increase (to apply to worst case)	**0.00%**		**#DIV/0!**		**#DIV/0!**		**#DIV/0!**

(B) FEES AND CHARGES

	2012/13	Inflation	2013/14		2014/15		
	£	£	£				
As per Schedule (less planning, BC, and LC)	0	3.2%	0	3.0%	0	3.0%	0
Increase			**0**		**0**		**0**