Hinckley & Bosworth
Borough Council

A Borough to be proud of

Medium Term Financial Strategy

2011/12 to 2014/15

Hinckley & Bosworth Borough Council - How to contact us

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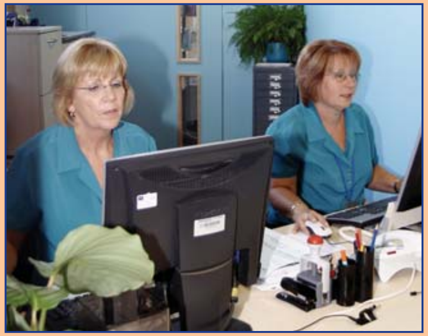

By Post

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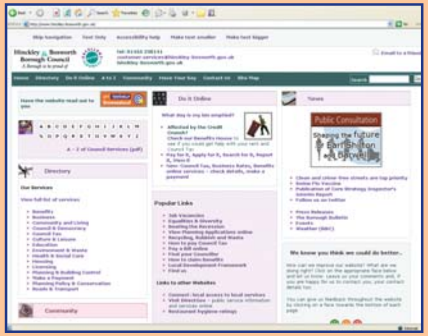
In person

Visitors are welcome to call in with enquiries. Our main helpdesk is located at our offices in **Argents Mead, Hinckley** and is open to the public from **8.30am - 5.00pm Mondays - Thursdays and 8.30am - 4.30pm on Fridays**.

On the internet



Visit Hinckley and Bosworth website **www.hinckley-bosworth.gov.uk**
Details of our own services, along with a wealth of other information about services, events and activities in Hinckley and Bosworth are available on this regularly updated website.

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Hinckley & Bosworth Borough Council

A Borough to be proud of

MEDIUM TERM FINANCIAL STRATEGY 2011/12 to 2014/15

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MEDIUM TERM FINANCIAL STRATEGY 2011 to 2015

FOREWORD

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

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

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

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

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

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

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

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

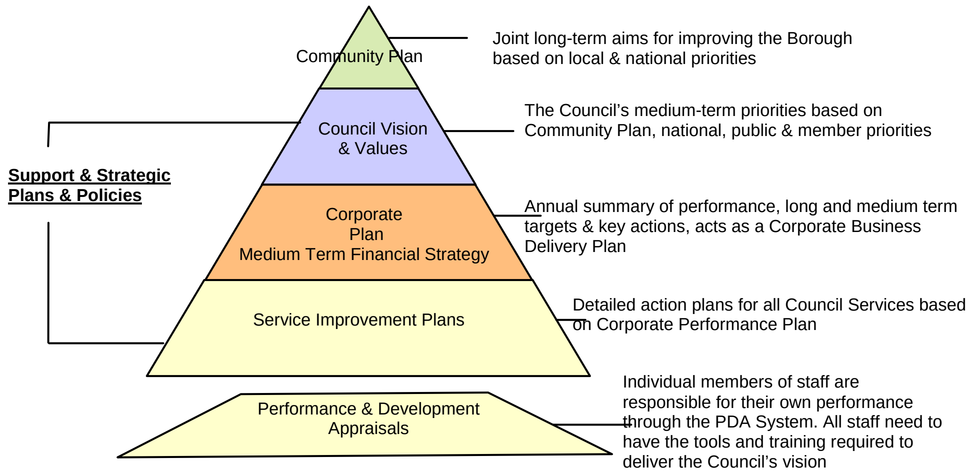
The changes in the Housing Financing System from April 2012 will mean that the Council's Housing Revenue Account will carry an opening debt of £72.256m. This is the amount determined by CLG as the debt allocation to this Council for "buying out" of the current subsidy system. Although the amount of debt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

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

2. INTRODUCTION

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

Hinckley and Bosworth Borough Council – Corporate Planning Framework



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

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

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

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

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

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

Local High Priority Ambitions

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

Local Low Priority Ambitions

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

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

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

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

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

3. EXECUTIVE SUMMARY

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

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

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

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

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

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

Table 1 - Summary of Service Budget Requirements

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

Composition of Reserves Balances

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

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

Table 2

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

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

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

Managers identified the following savings:

Table 3

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

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

Table 4

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

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

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

4. NATIONAL OVERVIEW

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

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

The main factors affecting the Council are detailed below.

4.1 Economic Outlook

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

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

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

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

4.2 Spending Review

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

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

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

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

Table 5

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

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

4.3 Local Government Resource Review

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

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

4.3.1 National Non Domestic Rates Reform

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

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

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

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

4.3.2 Council Tax Benefit Changes

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

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

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

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

4.3.3 <u>Second Phase of the Local Government Resource Review</u>

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

4.4 Housing Reforms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. REGIONAL/COUNTY OVERVIEW

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

- Leicester & Leicestershire Economic Partnership
- Sustainable Community Strategies

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

5.1 Shared Services Partnership

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

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

5.2 Local Development Framework

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

6. CLIMATE CHANGE & CARBON FOOTPRINT

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

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

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

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

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

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

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

7. MAIN FINANCIAL PRESSURES AFFECTING HINCKLEY AND BOSWORTH BOROUGH COUNCIL

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

7.1 Pay & Price Increases

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

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

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

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

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

7.2 Investment Income

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

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

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

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

Table 7

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

* Borrowing rates

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

7.3 Finance Settlement

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

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

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

7.4 Pensions

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

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

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

7.5 Concessionary Travel

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

7.6 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 in 2011/12 and 2012/13 is just over £3m. The more significant and sensitive changes in income levels are set out below.

7.6.1 Development Control Fees

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

- Planning Application Fees
- Building Control Fees

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

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

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

Table 8 – Development Services Income Assumptions

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

7.6.2 Car Parking Income

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

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

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

7.6.3 Income Benchmarking

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

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

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

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

7.7 Benefit Payments

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

7.8 Local Development Framework (LDF)

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

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

Table 9

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

7.9 Major Projects

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

7.9.1 Bus Station Redevelopment

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

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

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

7.9.2 Atkins Development - New Cultural Enterprise Centre

This project has been completed to schedule and to budget

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

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

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

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

Table 10

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

7.9.3 Flexible Working

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

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

7.9.4 New Industrial Units (Greenfields Development)

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

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

7.9.5 Alternative Office Accommodation

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

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

Table 11

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

7.9.6 Leisure Centre

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

7.9.7 Argents Mead Enhancements

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

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

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

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

7.10 Travel Review

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

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

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

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

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

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

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

7.11 Value for Money and Efficiencies

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

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

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

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

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

Table 12

Managers identified the following savings:

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

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

Table 13

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

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

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

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

In addition:

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

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

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

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

7.12 Priority Neighbourhoods

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

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

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

7.13 Waste Management

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

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

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

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

7.14 Capital Programme

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

7.15 Service Budget Requirements

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

7.16 Movements in Balances and Reserves

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

Table 14 - Summary of Service Budget Requirements

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

Composition of Reserves Balances

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

8. STRATEGIC FINANCIAL OBJECTIVES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Objective 6	Capital expenditure is properly appraised

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

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

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

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

Objective 8	To review levels and purpose of Reserves and Balances

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

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

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

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

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

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

Objective 10	To maintain sustainable Council Tax increases

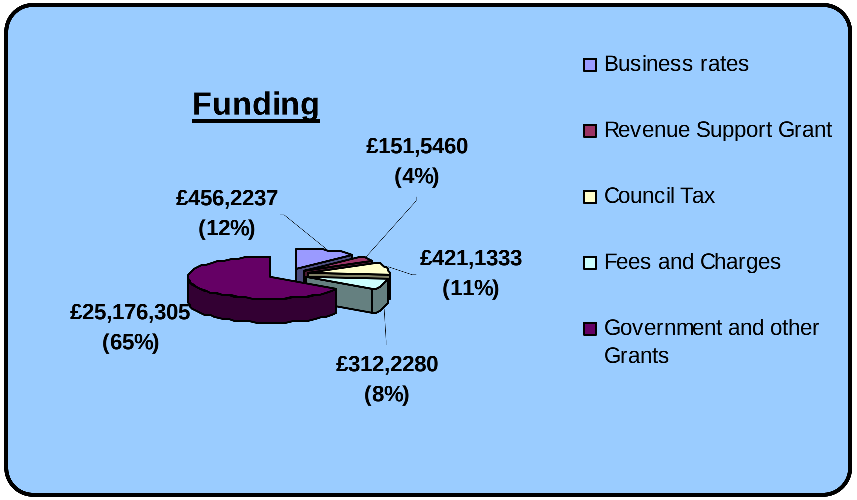
It is relevant for this council to have sustainable council tax increases as Hinckley and Bosworth is a District Council with one of the lowest council tax levels in the country at average Band D. The Council has recently had council tax increases at the going levels of inflation. It is proposed that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

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

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

9. REVENUE

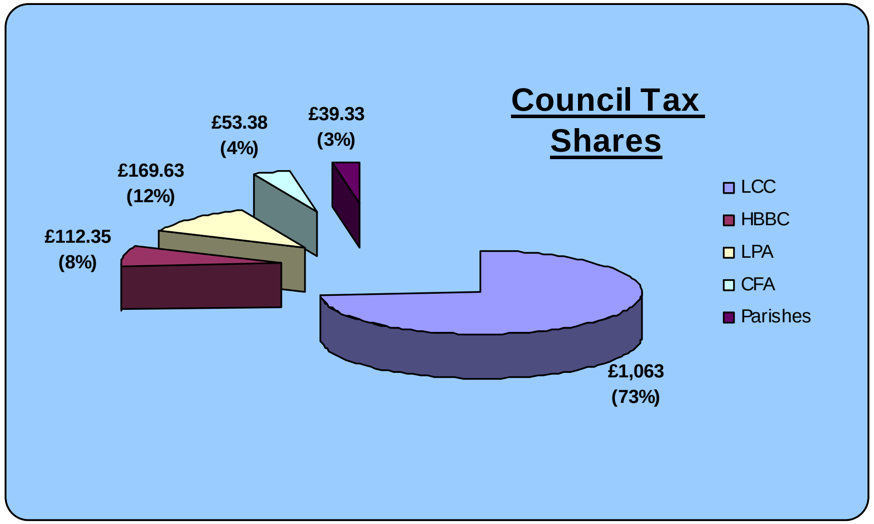
There are a number of sources of revenue income for Hinckley and Bosworth Borough Council. The pie chart below illustrates the estimated sources of revenue income that are forecast for 2011/12. More detailed information regarding these sources is covered in the following pages.



9.1 Council Tax

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

The amount of council tax an authority needs to raise is the difference between its budget requirement (the Council's planned spending less any funding from reserves and income, excluding income from the Government and council tax) and the funding it will receive from the Government. The chart below shows that the Borough Council, as the collection authority, retains only 8% of the total collected, with the rest being shared with other bodies.



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

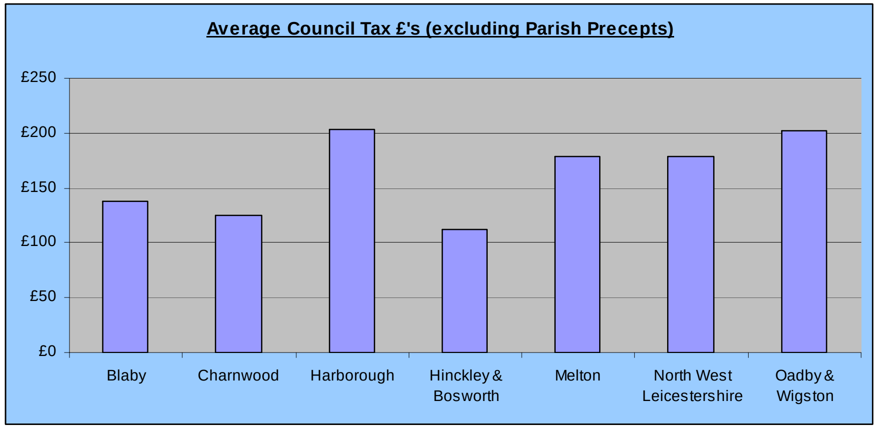
The council tax base is calculated by taking the number of Band D equivalent properties in the district, and multiplying it by the assumed tax base. For the purpose of this document it is assumed that there will be a 0.95% increase in Band D equivalent properties each year. More detailed information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

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

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

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

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



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

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

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

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

It should therefore be noted that:-

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

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

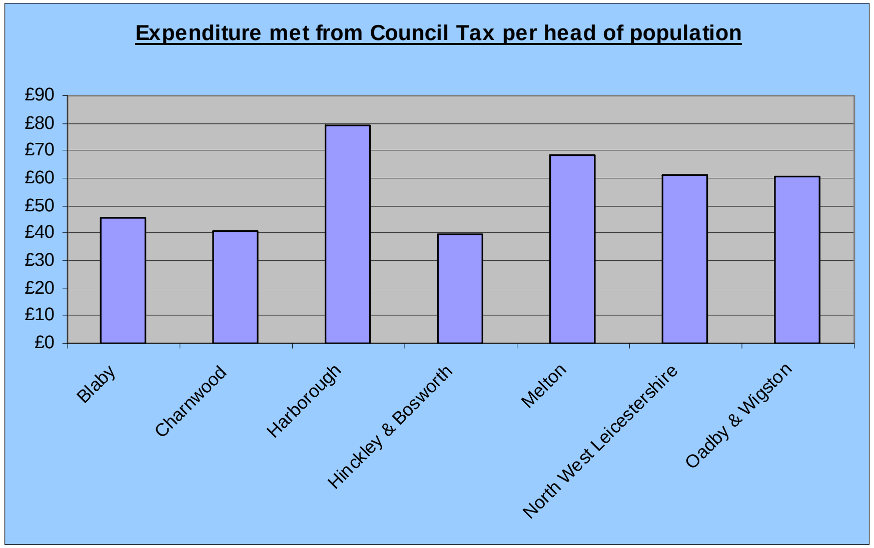
The split of council tax average band D for 2011/12 is as follows:-

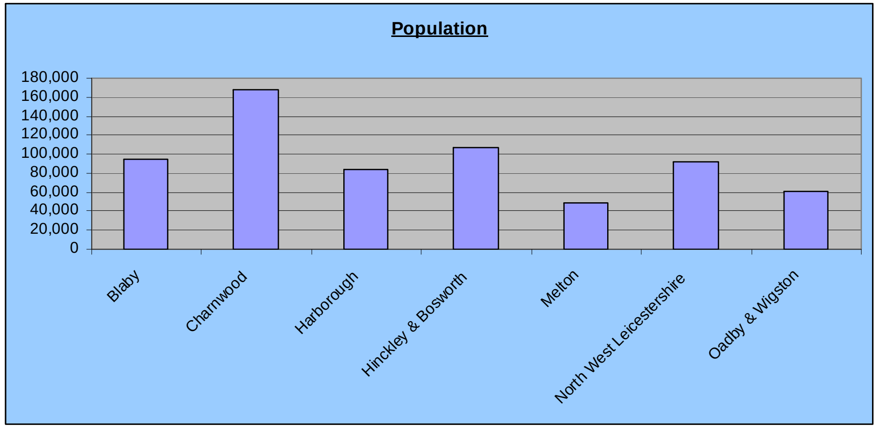
Table 15

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

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

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

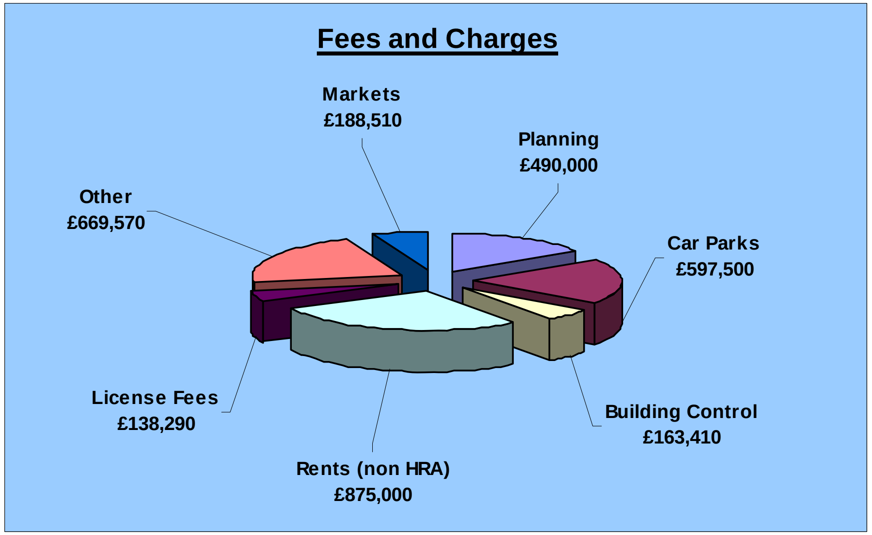




9.2 Fees and Charges

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

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



9.3 Revenue Support Grant and Specific Grants

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

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

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

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

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

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

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

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

9.5 Investment Income

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

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

9.6 Fund Contributions

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

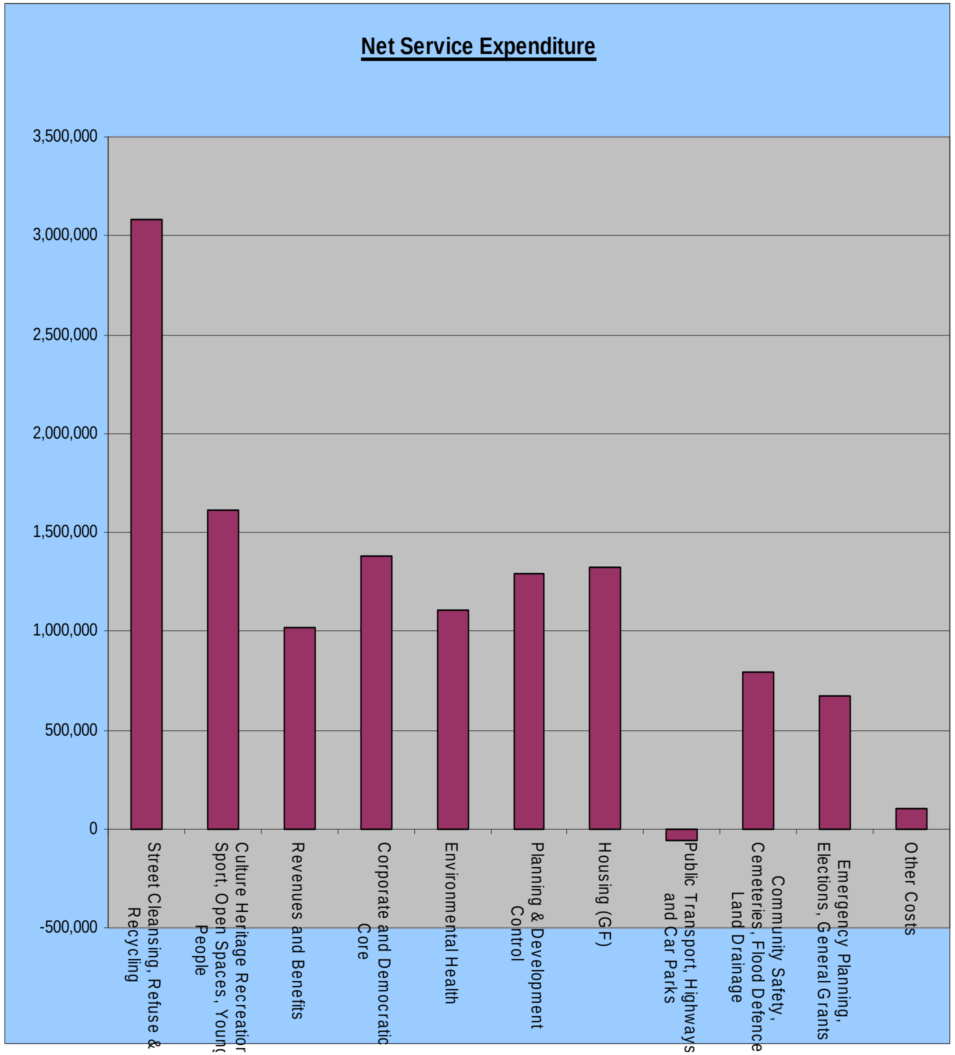
10. EXPENDITURE

10.1 How the money is spent

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

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

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



11. CAPITAL

11.1 Definition

Capital expenditure is essentially expenditure that results in the creation of an asset that has a life expectancy of more than one year and where use of the asset will result in benefits in future years. In addition, the council has the option to determine a level at which expenditure becomes capital rather than revenue in order to avoid a large number of small value items being classed as capital rather than revenue. This limit for Hinckley and Bosworth Borough Council is £5,000.

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

11.2 Capital Resources

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

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

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

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

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

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

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

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

11.3 Capital Expenditure Plans

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

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

These successes include:-

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

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

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

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

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

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

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

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

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

11.4 Current Capital Programme

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

Expenditure

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

Table 16

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

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

Committed Schemes

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

Grant Aid

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

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

Pre Commitment to Invest

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

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

Funding

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

Table 17

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

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

Table 18

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

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

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

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

12. FUNDS AND RESERVES

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

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

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

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

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

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

12.1 Housing and Planning Delivery Grant (HPDG)

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

12.2 Local Authority Business Growth Incentive (LABGI)

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

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

12.3 New Homes Bonus

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

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

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

13. RISK MANAGEMENT

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

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

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

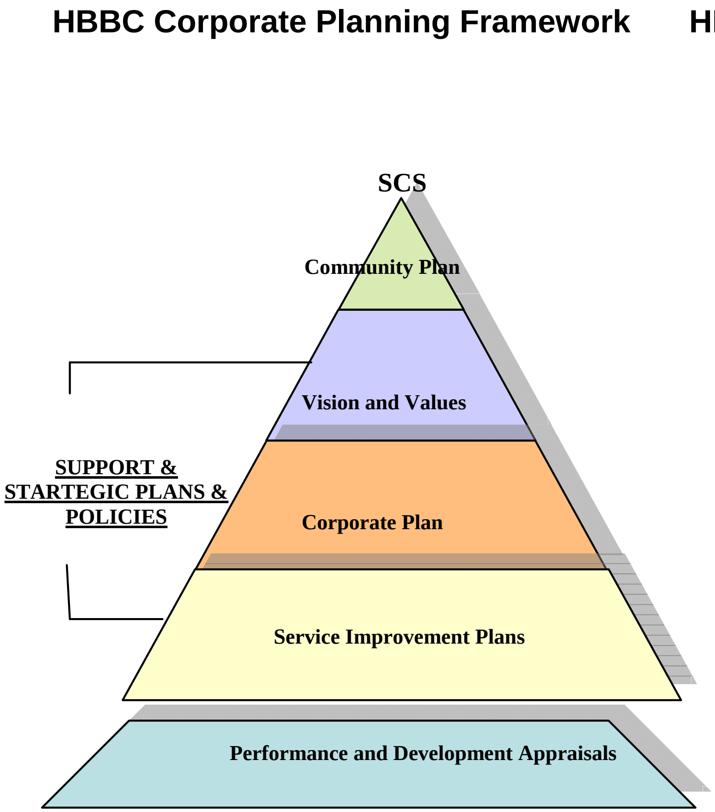
The Risk Management Strategy is reviewed annually to ensure it represents current best practice. The Council considers financial planning, performance and risk in unison to provide comprehensive management information. At a strategic level, the Medium Term Financial Strategy is managed in association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

13.1 Embedding the Risk Management Process

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

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

HBBC Risk Management Framework



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

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

Discount for uncertainty @50%			-171360	-458140
Collection Fund Surplus	15,000	20,000	20,000	20000
Council Tax Income	3,584,333	3,615,718	3,740,914	3,870,922
Estimated Tax base	37352	37671	38029	38391
Estimated Band D Council Tax	£95.97	£95.97	£98.37	£100.83
Year on Year Increase in Council Tax				
(i) Amount	£0.01	£0.00	£2.40	£2.46
('ii) Percentage	0.01%	0.00%	2.50%	2.50%
SPECIAL EXPENSES				
Net Budget Requrement B/Fwd	530970	549500	616600	624087
Inflationary increase		0	7487	11481
Contribution to from Reserves	55160	118560		
Contribution to/(from) Balances	25900	-57600		
NET BUDGET/FORECAST EXPENDITURE-Special Expenses	612030	610460	624087	635568
Estimated Taxbase	37352.4	37671	38029	38391
Special Expenses Council Tax	16.39	16.21	16.41	16.56
Year on year increase in Special Expenses Council Tax				
(I) Amount	0.00	-0.18	0.21	0.01
(ii) Percentage	-0.03%	-1.10%	1.27%	0.88%
Total Net Budget Requirement	10289060	10435734	10102851	10047590
% increase in Total Net Budget Requirement	*-5.89%*	*1.43%*	*-3.19%*	-0.55%
Taxbase	37352	37671	38029	38391
Council Wide Increase in Council Tax	£112.35	£112.19	£114.78	£117.38
Percentage Increase	0.00%	-0.14%	2.31%	2.27%
	Assumptions			
		Inflation rate (separate calculation)		
			Increase in Formula Grant	
			2013/14	-10.00%
			2014/15	-10.00%
			% increase in tax base	
			All years	0.95%

MEDIUM TERM FINANCIAL STRATEGY		**Appendix I Revenue Forecasts : FG -5%**		
2011/12 TO 2014/15				
FINANCIAL FORECAST				
	2011/12	**2012/13**	**2013/14**	**2014/15**
	Revised			
		Forecast	**Forecast**	**Forecast**
Net Service Expenditure	10,245,470			
Net Budget Requirement		8,959,528	9,794,410	10,506,941
Movements identified in Budget Monitoring				
Zero pay award 2011and increments not paid	-213,060			
Carry Forwards from 2010/11	125880	-125880		
NHB	-349,760	349,740		
Elections	-25,000	25,000		
Reduced Council Tax Subsidy	10,000	-10,000		
Additional Recovery of overpaid HB	-170,000			
Countryside management reduced income	10,000			
Waste Business Improvement additional Income	-20,000	20,000		
Recycling Savings	-170,000	170,000		
Refuse Savings	-15,000	15,000		
Planning Fee income greater than anticipated	-90,000	90,000		
Florence House Rent - 6 months	-22,500			
ICT Savings	-31,500	31,500		
Ill health Retirement insurance Saving	-26,880			
Employees	-254,480	134,270		
Additiomnal Employee Savings	-40,000			
Subscriptions (Prospect Leics)	-23,000	23,000		
Grounds Maintenance Additional Income	-16,000	16,000		
Building Control Income	-34,000	34,000		
Earl Shilton & Barwell SUE	-195,000	195,000		
Other under £10k	-49,982	49,982		
Approved Supplementary Budgets	86,900			
New Homes Bonus to Parishes	87,440			
Travel Review	-35,000	35,000		
Travel Review buy out payment	60,000	-60,000		
Increase to low paid	42,000	-42,000		
MRP Adjustment	73,000			
	8,959,528	9,910,140	9,794,410	10,506,941
Inflationary increases (see attached) Costs		205,034	193,887	297,310

Inflationary increases (see attached) Fees and Charges		-86,410	-51,106	-52,128
Pensions Increase		70,000	70,000	
Impact of 2012/13 Savings		-201,290		
Impact of 2013/14 Savings			-191,190	
Additional savings identified in budget process 2012/13 net of growth		-187,021		
Hinckley Hub		172,780	301,770	-19860
Greenfields		-12,000		
Atkins		-32,000	-5,000	-11000
Car parks			38,000	10000
Refuse and recycling		-212,460		
Florence House rent		-22500	22500	
Planning & Building Control Income		-17,000	-15,000	-15000
New Homes Bonus to Parishes 2012/13		90,388	42,840	71694
Travel Review		-147,950		
LDF		194,000	-2,000	
Loss of Council Tax Benefit subsidy			370,000	
DC Secondment		22,770	-22,770	
Capital Financing - MRP		45,000	1,600	23640
Capital Financing - Interest - payable net		17,990	-41,000	-122580
Capital Financing - Interest - receivable receipts		-15,060	0	-34940
NET Borough Budget Requirement	8,959,528	9,794,410	10,506,941	10,654,078
Transfer to Pension Reserve	115,470	119,030	28,830	0
Contribution to Reserves	687000	592720	137720	69720
Contribution from Reserves	-534,730	-228,270	-823,500	-620000
Contribution to/(from) Balances	449,762	-452,616	-102,604	-194,823
NET BUDGET/FORECAST EXPENDITURE	9,677,030	9,825,274	9,747,387	9,908,975
% Increase in Net Budget Forecast/Expenditure	-12.19%	1.53%	-0.79%	1.66%
	2011/12	**2012/13**	**2013/14**	**2014/15**
	Revised	Forecast	Forecast	Forecast
	£	£	£	£
	9,677,030	9,825,274	9,747,387	9,908,975
Formula Grant	6077697	5372466	5103843	4848651
Freeze Grant		105820		
New Homes Bonus 2011/12		349740	349740	349740
New Homes Bonus 2012/13		361530	361530	361530
New Homes Bonus 2013/14			342720	342720
New Homes Bonus 2014/15				573552
Discount for uncertainty @50%			-171360	-458140

Collection Fund Surplus	15,000	20,000	20,000	20000
Council Tax Income	3,584,333	3,615,718	3,740,914	3,870,922
Estimated Tax base	37352	37671	38029	38391
Estimated Band D Council Tax	£95.97	£95.97	£98.37	£100.83
Year on Year Increase in Council Tax				
(i) Amount	£0.01	£0.00	£2.40	£2.46
('ii) Percentage	0.01%	0.00%	2.50%	2.50%
SPECIAL EXPENSES				
Net Budget Requrement B/Fwd	530970	549500	616600	624087
Inflationary increase		0	7487	11481
Contribution to from Reserves	55160	118560		
Contribution to/(from) Balances	25900	-57600		
NET BUDGET/FORECAST EXPENDITURE-Special Expenses	612030	610460	624087	635568
Estimated Taxbase	37352.4	37671	38029	38391
Special Expenses Council Tax	16.39	16.21	16.41	16.56
Year on year increase in Special Expenses Council Tax				
(I) Amount	0.00	-0.18	0.21	0.01
(ii) Percentage	-0.03%	-1.10%	1.27%	0.88%
Total Net Budget Requirement	10289060	10435734	10371474	10544543
% increase in Total Net Budget Requirement	*-5.89%*	*1.43%*	*-0.62%*	1.67%
Taxbase	37352	37671	38029	38391
Council Wide Increase in Council Tax	£112.35	£112.19	£114.78	£117.38
Percentage Increase	0.00%	-0.14%	2.31%	2.27%
	Assumptions			
		Inflation rate (separate calculation)		
			Increase in Formula Grant	
			2013/14	-5.00%
			2014/15	-5.00%
			% increase in tax base	
			All years	0.95%

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

	8,959,528	9,910,140	9,794,410	10,506,941
Inflationary increases (see attached) Costs		205,034	193,887	297,310
Inflationary increases (see attached) Fees and Charges		-86,410	-51,106	-52,128
Pensions Increase 1%		70,000	70,000	
Impact of 2012/13 Savings(BOP for 2011/12)		-201,290		
Impact of 2013/14 Savings(BOP 2011/12)			-191,190	
Additional savings identified in budget process 2012/13 net of growth		-187,021		
Hinckley Hub		172,780	301,770	-19860
Greenfields		-12,000		
Atkins		-32,000	-5,000	-11000
Car parks			38,000	10000
Refuse and recycling		-212,460		
Florence House rent (second 6 months)		-22500	22500	
Planning & Building Control Income		-17,000	-15,000	-15000
New Homes Bonus to Parishes 2012/13		90,388	42,840	71694
travel review		-147,950		
LDF		194,000	-2,000	
Loss of Council Tax Benefit subsidy (50% of £740,000)			370,000	
DC Secondment		22,770	-22,770	
Capital Financing - MRP		45,000	1,600	23640
Capital Financing - Interest - payable net		17,990	-41,000	-122580
Capital Financing - Interest - receivable receipts		-15,060	0	-34940
NET Borough Budget Requirement	8,959,528	9,794,410	10,506,941	10,654,078
Transfer to Pension Reserve	115,470	119,030	28,830	0
Contribution to Reserves	803500	592720	137720	69720
Contribution from Reserves	-417,730	-228,270	-823,500	-620000
Contribution to/(from) Balances	216,262	-452,616	166,019	328,993
NET BUDGET/FORECAST EXPENDITURE	9,677,030	9,825,274	10,016,010	10,432,790
% Increase in Net Budget Forecast/Expenditure	-12.19%	1.53%	1.94%	4.16%

	2011/12	2012/13	2013/14	2014/15
	Revised	Forecast	Forecast	Forecast
	£	£	£	£
	9,677,030	9,825,274	10,016,010	10,432,790
Formula Grant	6077697	5372466	5372466	5372466
Freeze Grant		105820		
New Homes Bonus 2011/12		349740	349740	349740
New Homes Bonus 2012/13		361530	361530	361530
New Homes Bonus 2013/14			342720	342720
New Homes Bonus 2014/15				573552
Discount for uncertainty @50%			**-171360**	**-458140**
Collection Fund Surplus	15,000	20,000	20,000	20000
Council Tax Income	3,584,333	3,615,718	3,740,914	3,870,922
Estimated Tax base	37352	37671	38029	38391
Estimated Band D Council Tax	£95.97	£95.97	£98.37	£100.83
Year on Year Increase in Council Tax				
(i) Amount	£0.01	£0.00	£2.40	£2.46
('ii) Percentage	0.01%	0.00%	2.50%	2.50%
SPECIAL EXPENSES				
Net Budget Requrement B/Fwd	530970	549500	616600	624087
Inflationary increase		0	7487	11481
Contribution to from Reserves	55160	118560		
Contribution to/(from) Balances	25900	-57600		
NET BUDGET/FORECAST EXPENDITURE-Special Exp	612030	610460	624087	635568
Estimated Taxbase	37352.4	37671	38029	38391
Special Expenses Council Tax	16.39	16.21	16.41	16.56
Year on year increase in Special Expenses Council Tax				
(i) Amount	0.00	-0.18	0.21	0.01
(ii) Percentage	-0.03%	-1.10%	1.27%	0.88%
Total Net Budget Requirement	10289060	10435734	10640098	11068358
% increase in Total Net Budget Requirement	*-5.89%*	*1.43%*	*1.96%*	4.02%
Taxbase	37352	37671	38029	38391

Council Wide Increase in Council Tax	£112.35	£112.19	£114.78	£117.38
Percentage Increase	0.00%	-0.14%	2.31%	2.27%
	Assumptions			
			Inflation rate (separate calculation)	
			Increase in Formula Grant	
			2013/14	0.00%
			2014/15	0.00%
			% increase in tax base	
			All years	0.95%

MEDIUM TERM FINANCIAL STRATEGY
2011/12 TO 2014/15
GENERAL FUND BALANCES AND RESERVES

Appendix II - Fund Balances and Reserves

	2011/12 Revised £000	2012/13 RSG at Standstill	2013/14 RSG at Standstill	2013/14 RSG at -5%	2013/14 RSG at -10%	2014/15 RSG at Standstill	2014/15 RSG at -5%	2014/15 RSG at -10%
Working Balances Position:								
Opening Balances General Fund Balances 31st March 2011	1,933,000	2,175,162	1,664,946	1,664,946	1,664,946	1,830,965	1,562,342	1,293,718
Transfer to /(from)from Balances	242,162	-510,216	166,019	-102,604	-371,228	328,993	-194,823	-691,776
Closing General Fund Balance 31st March	**2,175,162**	**1,664,946**	**1,830,965**	**1,562,342**	**1,293,718**	**2,159,958**	**1,367,519**	**601,942**
Opening Balance Earmarked G F Reserves 31st March 2011	4,119,182	4,439,539	4,481,989	4,481,989	4,481,989	3,796,209	3,796,209	3,796,209
Additions to Reserves	858,660	711,280	137,720	137,720	137,720	69,720	69,720	69,720
Use of Reserves (from Appendix I)	-417,730	-228,270	-823,500	-823,500	-823,500	-620,000	-620,000	-620,000
Other	-120,573	-440,560						
Closing Balance Earmarked GF Reserves 31st March	**4,439,539**	**4,481,989**	**3,796,209**	**3,796,209**	**3,796,209**	**3,245,929**	**3,245,929**	**3,245,929**
TOTAL G F BALANCES AND RESERVES	6,614,701	6,146,935	5,627,174	5,358,551	5,089,927	5,405,887	4,613,448	3,847,871
Balances and reserves movement	562,519	-467,766	-519,761	-788,384	-1,057,008	-221,287	-745,103	-1,242,056
Reserves	320,357	42,450	-685,780	-685,780	-685,780	-550,280	-550,280	-550,280