

Meeting	<b>CABINET</b>
Time/Day/Date	5.00 pm on Tuesday, 11 February 2014
Location	Board Room, Council Offices, Coalville
Officer to contact	Democratic Services (01530 454512)

The Monitoring Officer would like to remind members that when they are considering whether the following items are exempt information under the relevant paragraph under part 1 of Schedule 12A of the Local Government Act 1972 they must have regard to the public interest test. This means that members must consider, for each item, whether the public interest in maintaining the exemption from disclosure outweighs the public interest in making the item available to the public.

## **AGENDA**

### **PART A**

<b>Item</b>	<b>Pages</b>
<b>1. APOLOGIES FOR ABSENCE</b>	
<b>2. DECLARATION OF INTERESTS</b>	
<b>3. PUBLIC QUESTION AND ANSWER SESSION</b>	
<b>4. MINUTES</b>	
Minutes of the meeting held on 14 January 2014.	<b>3 - 8</b>
<b>5. GENERAL FUND AND SPECIAL EXPENSES REVENUE BUDGETS 2014/15</b>	
Report of the Head of Finance Presented by the Corporate Portfolio Holder	<b>9 - 28</b>
<b>6. HOUSING REVENUE ACCOUNT BUDGET 2014/15 AND RENT INCREASE</b>	
Report of the Head of Finance Presented by the Corporate Portfolio Holder and Housing Portfolio Holder	<b>29 - 42</b>



<b>7.</b>	<b>CAPITAL PROGRAMMES GENERAL FUND - COALVILLE SPECIAL EXPENSES AND HOUSING REVENUE ACCOUNT (H.R.A) PROJECTED OUTTURN 2013/14 AND PROPOSED PROGRAMMES 2014/15 TO 2017/18</b>	
	Report of the Head of Finance Presented by the Corporate Portfolio Holder	<b>43 - 60</b>
<b>8.</b>	<b>THE TREASURY MANAGEMENT STRATEGY STATEMENT 2014/15 AND PRUDENTIAL INDICATORS 2014/15 TO 2016/17</b>	
	Report of the Head of Finance Presented by the Corporate Portfolio Holder	<b>61 - 84</b>
<b>9.</b>	<b>MINUTES OF THE COALVILLE SPECIAL EXPENSES WORKING PARTY</b>	
	Report of the Director of Services Presented by the Community Services Portfolio Holder	<b>85 - 92</b>

MINUTES of a meeting of the CABINET held in the Board Room, Council Offices, Coalville on TUESDAY, 14 JANUARY 2014

Present: Councillor R Blunt (Chairman)

Councillors R D Bayliss, T Gillard, T J Pendleton, N J Rushton and A V Smith MBE

In Attendance: Councillors R Adams, D De Lacy, D Everitt, D Howe, R Johnson, S Sheahan and L Spence

Officers: Mr S Bambrick, Mr R Bowmer, Ms C E Fisher, Mrs C Hammond and Ms E Warhurst

#### **78. APOLOGIES FOR ABSENCE**

There were no apologies received.

#### **79. DECLARATION OF INTERESTS**

Councillor R Blunt declared a disclosable pecuniary interest in item 7 – High Speed Rail (HS2) Phase 2: Consultation in respect of proposed route from West Midlands to Leeds – Response of North West Leicestershire District Council, as a landowner who could be affected by the proposed route of HS2.

Councillor S Sheahan, who was in attendance as an observer, declared a disclosable pecuniary interest in item 7 - High Speed Rail (HS2) Phase 2: Consultation in respect of proposed route from West Midlands to Leeds – Response of North West Leicestershire District Council, as an owner of property which could be affected by the proposed route of HS2 and left the meeting during the consideration of the item.

#### **80. PUBLIC QUESTION AND ANSWER SESSION**

None received.

#### **81. MINUTES**

Consideration was given to the minutes of the meeting held on 10 December 2013.

RESOLVED THAT:

The minutes of the meeting held on 10 December 2013 be approved and signed by the Chairman as a correct record.

**Reason for decision:** To comply with the Constitution.

#### **82. COUNCIL TAX BASE 2014/15**

The Corporate Portfolio Holder presented the report to Members.

It was moved by Councillor N J Rushton, seconded by Councillor R D Bayliss and

RESOLVED THAT:

- a) Subject to the approval of revisions to the Local Council Tax Support Scheme by Council on 21 January 2014, the calculation of the Council Tax Base for each Parish and Special Expense area for the financial year 2014/2015, as shown in appendix 2 to the report, be approved and adopted.

- b) Subject to the approval of variations to the Local Council Tax Support Scheme by Council on 21 January 2014, in accordance with the Local Authorities (calculation of Council Tax Base) (England) regulations 2012 si 2012/2914, the amount calculated by North West Leicestershire District Council as its Council Tax Base for the financial year 2014/2015 shall be 29,074.
- c) Subject to the approval of variations to the Local Council Tax Support Scheme by Council on 21 January 2014, the amounts of Council Tax Support Grant for each Town and Parish Council detailed in appendix 3 be approved for the financial year 2014/2015.
- d) Delegated authority be given to the Head of Finance to submit the calculations of Non-Domestic Rating Income and other amounts required by the Government by 31 January each year for the forthcoming financial year.

**Reason for decision:** To determine the Council Tax Base for the 2014-2015 Financial Year.

**83. REVIEW OF REVENUES AND BENEFITS POLICIES (NON DOMESTIC RATES (NDR) - DISCRETIONARY RATE RELIEF AND HARDSHIP RELIEF - ALIGNMENT OF PARTNERSHIP POLICIES AND GUIDELINES)**

The Corporate Portfolio Holder presented the report to Members.

It was moved by Councillor N J Rushton, seconded by Councillor R D Bayliss and

RESOLVED THAT:

Cabinet approves the revised policies and guidelines, those being:

Appendix 1 – Non Domestic Rates Discretionary Relief Guidelines

Appendix 2 – Non Domestic Rate Hardship Relief Policy

**Reason for decision:** To meet audit recommendations to standardise policies and procedures across the Partnership and to comply with the Constitution, and to enable staff to follow one application and approval process thereby ensuring that decision making is consistent and efficiencies are made in regard to staff training and the use of resources.

**84. HIGH SPEED RAIL (HS2) PHASE 2: CONSULTATION IN RESPECT OF PROPOSED ROUTE FROM WEST MIDLANDS TO LEEDS - RESPONSE OF NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**

Having declared a disclosable pecuniary interest, Councillor R Blunt left the Chair and the meeting, and the Deputy Chairman, Councillor A V Smith took the Chair.

The Regeneration and Planning Portfolio Holder presented the report to Members. He reminded Members that at the meeting on the 26 February 2013 Council agreed the motion that North West Leicestershire District Council objects to the proposed HS2 route on the basis that there is no positive impact on the district, its residents and businesses and we urge the Secretary of State to reconsider the proposals and look again at following a route along the A38 to Derby, and that the Council's overall position to the proposed route had not changed.

He informed Members that in responding to this formal consultation it was important that the Council raised specific concerns about the impact of the route and how the Council

would expect HS2 and the Government to mitigate against the impacts if the line was to be constructed.

He added that in addition to impacts such as noise, impact upon landscape, impact on road network and compensation for local residents, land owners, developers and businesses, the Council also wanted to raise with the Government the following issues that specifically would impact upon the District.

**Measham Regeneration** The proposed route would have a major impact upon the Council's ongoing regeneration efforts and growth proposals for Measham. It would therefore request that the Government consider how the impact upon housing growth and regeneration projects such as the restoration of the Ashby canal and new wharf for Measham could be protected and even accelerated.

**Re-opening Ivanhoe Passenger Line** HS2 is focused on increasing capacity of the rail network. Unfortunately there are no passenger stations in NWL. It had been a long term aspiration of the Council to re-open the former passenger rail routes such as that between Leicester and Burton-upon-Trent – the "Ivanhoe line". This would help to improve the connectivity of the District, support growth and would, in the event that the route goes through North West Leicestershire, help to offset some of the negative impacts that results for the communities of the District.

**National Forest** The proposed route cuts through the National Forest which is a tourism and recreation destination of vital importance to the economy of the District. The Council would urge the Government to consider how significant additional planting and landscaping could be undertaken in advance of constructing the line to ensure that the impact on the National Forest was minimised.

He also drew Members' attention the consultation response that had been circulated at the meeting from the Packington Nook Resident's Association for Member's information.

It was moved by Councillor T J Pendleton, seconded by Councillor A V Smith and

RESOLVED THAT:

Cabinet agrees the Council's response to the consultation having regard to the comments set out in section 6 of this report and asks Council to endorse the response at its meeting on the 21 January 2014.

**Reason for decision:** To establish the Council's position in respect of the HS2 proposals.

Councillor R Blunt returned to the meeting and the Chair.

## 85. ARMED FORCES COMMUNITY COVENANT

The Community Services Portfolio Holder presented the report to Members. She advised Members that by signing the covenant any community groups within the District would be able to apply for funding to help deliver projects for the Armed Forces Community.

It was moved by Councillor A V Smith, seconded by Councillor R Blunt and

RESOLVED THAT:

- a) Cabinet implements the Armed Forces Community Covenant pledge within North West Leicestershire.

- b) Cabinet establishes a Task and Finish Group from Policy Development Group to develop measures for furthering the covenant in partnership with Key Armed forces representatives.
- c) Cabinet supports any grant applications for any identified measures within the covenant.
- d) Cabinet delegates authority to the Leader and the Chief Executive to sign the covenant on behalf of the Authority.

**Reason for decision:** To provide a statement of mutual support between the civilian community and the local Armed Forces community in North West Leicestershire building on existing initiatives and partnerships.

**86. CHARNWOOD LOCAL PLAN CORE STRATEGY - MEMORANDUM OF UNDERSTANDING**

The Regeneration and Planning Portfolio Holder presented the report to Members.

It was moved by Councillor T J Pendleton, seconded by Councillor R D Bayliss and

RESOLVED THAT:

- a) Cabinet notes the Charnwood Memorandum of Understanding and;
- b) Delegates authority to the Director of Services to sign the Memorandum of Understanding.

**Reason for decision:** To agree the Council's position.

**87. EXCLUSION OF PRESS AND PUBLIC**

RESOLVED THAT:

In pursuance of Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the remainder of the meeting on the grounds that the business to be transacted involves the likely disclosure of exempt information as defined in Paragraphs 1 & 3 of Part 1 of Schedule 12A to the Act and that the public interest in maintaining this exemption outweighs the public interest in disclosing the information.

**Reason for decision:** To enable the consideration of exempt information.

**88. VIRTUAL DESKTOP INFRASTRUCTURE AND DEVICE MANAGEMENT SOLUTION**

The Corporate Portfolio Holder presented the report to Members.

It was moved by Councillor N J Rushton, seconded by Councillor T J Pendleton and

RESOLVED THAT:

Cabinet delegates the award of the Virtual Desktop and Mobile Device Management Contract to the Chief Executive following consultation with the Corporate Portfolio Holder.

**Reason for decision:** To provide a cost effective, more standardised and more secure method of providing software and services to the employee desktop and enable the secure use of mobile devices.

**89. SHELTERED SCHEMES CONTRACTS FOR EMERGENCY LIGHTING, FIRE ALARMS AND LIFTS 2013-2018: EVALUATION OF TENDER & RECOMMENDATION TO AWARD**

The Housing Portfolio Holder presented the report to Members. He advised Members that the difference total in table 3.2.1 should have read £3,402.

It was moved by Councillor R D Bayliss, seconded by Councillor T J Pendleton and

RESOLVED THAT:

Cabinet awards the lifts contract to Kone PLC and the fire detection and emergency lighting contract to Tec Serv UK Ltd.

**Reason for decision:** To ensure the continued delivery of the service provision.

**90. EXEMPTION TO COUNCIL'S CONTRACT PROCEDURE RULES - WARM HOMES OFFICER**

The Community Services Portfolio Holder presented the report to Members.

It was moved by Councillor A V Smith, seconded by Councillor T Gillard and

RESOLVED THAT:

Cabinet notes the granting of two exemptions to the Council's Contract Procedure Rule 5.8 to allow direct award of a contract with Change Agents UK for the continued employment of a North West Leicestershire Warm Homes Officer.

**Reason for decision:** To ensure continuity of service delivery through the Council's continued hosting of a Warm Homes Officer by contracting with Change Agents UK.

**91. WAIVER TO COUNCIL'S CONTRACT PROCEDURE RULES - STRATEGIC ADVICE**

The Regeneration and Planning Portfolio Holder presented the report to Members. He advised Members that the Consultant would assist with the revised Core Strategy and also provide assistance with other key planning issues.

It was moved by Councillor T J Pendleton, seconded by Councillor A V Smith and

RESOLVED THAT:

- a) Cabinet grants a waiver to the Council's Contract Procedure Rules pursuant to rule 3.2 in order to engage the services of a consultant to assist with the preparation of the revised Core Strategy and other key planning issues (see 2.1); and
- b) Notes the Chief Executive's decision to consult with the Portfolio Holder for Regeneration and Planning on the termination or extension of the proposed contract.

**Reason for decision:** To provide strategic advice to officers, including the Chief Executive, in relation to the Council's Core Strategy.

The meeting commenced at 5.00 pm

The Chairman closed the meeting at 5.18 pm

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## NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

## CABINET – 11 FEBRUARY 2014

Title of report	<b>GENERAL FUND AND SPECIAL EXPENSES REVENUE BUDGETS 2014/15</b>
Key Decision	a) Financial Yes b) Community Yes
Contacts	Councillor Nick Rushton 01530 412059 <a href="mailto:nicholas.rushton@nwleicestershire.gov.uk">nicholas.rushton@nwleicestershire.gov.uk</a>  Chief Executive 01530 454500 <a href="mailto:christine.fisher@nwleicestershire.gov.uk">christine.fisher@nwleicestershire.gov.uk</a>  Head of Finance 01530 454520 <a href="mailto:ray.bowmer@nwleicestershire.gov.uk">ray.bowmer@nwleicestershire.gov.uk</a>
Purpose of report	To agree final 2014/15 General Fund and Special Expenses revenue budget proposals for recommendation to Council on 25 February 2014.
Reason for Decision	To enable the Council to set a balanced budget for 2014/15 as required by statute.
Council Priorities	The budget assists the Council to achieve all its priorities.
Implications:	
Financial/Staff	As contained in the report.
Link to relevant CAT	The budget is relevant to all Corporate Action teams (CATs).
Risk Management	The budget will be managed and monitored throughout the year to ensure savings are achieved and services delivered as planned.
Equalities Impact Assessment	No impact identified stage.
Human Rights	None identified.
Transformational Government	Not applicable.
Comments of Head of Paid Service	The report is satisfactory

Comments of Section 151 Officer	As report author the report is satisfactory.
Comments of Monitoring Officer	The report is satisfactory
Consultees	Business organisations and partnerships, Town and Parish Councils, National Forest Company, Further Education Colleges, staff, Trade Unions, General Public through the Council's website.
Background papers	<p><u>Cabinet Reports:</u>  Medium Term Financial Strategy 2014/15 to 2017/18 – 11 June 2013  General Fund Revenue Budget – Draft Proposals 2014/15 and 2015/16 – 24 September 2013  General Fund and Special Expenses Revenue Budgets 2014/15 and 2015/16 – 10 December 2013</p> <p><a href="http://prod-modgov:9070/ieListMeetings.aspx?CId=126&amp;Year=0">http://prod-modgov:9070/ieListMeetings.aspx?CId=126&amp;Year=0</a></p>
Recommendations	<p><b>A. THAT THE LEVEL OF RESERVES AND ASSURANCE STATEMENT BY THE SECTION 151 OFFICER IN SECTION 7 OF THE REPORT BE NOTED.</b></p> <p><b>B. THAT COUNCIL BE RECOMMENDED:</b></p> <ol style="list-style-type: none"> <li><b>1. TO APPROVE THE TRANSFER OF THE SURPLUS INCOME OVER EXPENDITURE IN 2014/15 TO THE GENERAL FUND RESERVE AT 31<sup>ST</sup> MARCH 2015.</b></li> <li><b>2. TO APPROVE THE IMPLEMENTATION OF THE BUDGET SAVINGS FOR 2014/15 SET OUT IN APPENDIX 2.</b></li> <li><b>3. TO APPROVE THE GENERAL FUND BUDGET FOR 2014/15.</b></li> <li><b>4. TO APPROVE THE COALVILLE SPECIAL EXPENSES BUDGET FOR 2014/15.</b></li> <li><b>5. TO APPROVE THE OTHER SPECIAL EXPENSES PRECEPTS FOR 2014/15.</b></li> </ol>

## 1.0 INTRODUCTION

- 1.1 General Fund budget proposals for 2014/15 were considered and approved by Cabinet, with some amendments, on 10 December 2013 following a period of consultation with staff, Trade Unions, business ratepayers, general public and Parish/Town Councils.
- 1.2 This report summarises progress made since the last Cabinet report was prepared so that appropriate recommendations can be made to the Council on 25 February 2014 for the Budget and Council Tax for 2014/15.
- 1.3 The revenue budgets have been drawn up on the service expenditure analysis as recommended in the Accounting Code of Practice. This is a statutory accounting

framework which sets out “proper practice” with regard to financial reporting and aims to provide consistency in the comparison of service costs between authorities.

1.4 The Medium Term Financial Strategy (MTFS) approved by Cabinet in June 2013 projected a budget shortfall of £1m by 2015/16. This savings target was increased to £1.5m in September in light of the Government’s proposals to top-slice New Homes Bonus funding from 2015/16 to provide resources for the Local Enterprise Partnerships.

1.5 Since the Cabinet agreed its recommendations for savings in December 2013 the Council’s financial position has improved overall due to changes in Central Government funding and improvements in income and efficiency at a local level as explained below. The budget shortfall is now projected to be nearer £700k rather than £1.5m.

1.6 Government Funding Changes

Following consultation with local authorities, the Government has announced that the top-slicing of New Homes Bonus from 2015/16 will not now go ahead. We had previously planned for a reduction in resources of £490k from 2015/16 because of this.

The Government has announced the Provisional Finance Settlement for 2014/15 and Draft Finance Settlement for 2015/16. The 2014/15 level of funding was in line with our plans but the 2015/16 settlement was about £200k worse.

1.7 Local Income and Increased Efficiencies

Our 2014/15 New Homes Bonus has been confirmed as £1.395m. This is £272k higher than assumed in the MTFS and reflects the work the Council’s officers have done to bring empty homes back into use and ensure that new homes qualify for New Homes Bonus at the earliest opportunity.

The Council’s Collection Fund has performed better than expected following the changes to Council Tax Discounts on Empty Properties and an increased Council Tax Base.

Managers have worked hard to keep service budgets down and absorb the effects of inflation.

1.8 The changes to our two year savings target are summarised in the table below:

	2014/15	2015/16
	£000	£000
Shortfall Projected in September	500	1,000
<u>Changes in Government Funding:</u>		
Reversal of Proposed New Homes Bonus Top-slicing		(500)
Less Favourable Finance Settlement for 2015/16		200
<u>Local Income and Increased Efficiencies</u>		
Absorption of inflation pressures/reductions in Service Budgets	(105)	
Additional New Homes Bonus in 2014/15	(272)	
Improved Council Tax Surplus (Collection Fund)	(122)	
Revised Projection	1	700

## 2.0 2014/15 GENERAL FUND REVENUE BUDGET

### 2.1 Pay and Prices Inflation

The price base is November 2013 plus known increases. Provision has been included within the budget for the anticipated 1% cost of living pay increase to staff. Although the Government has assumed such an increase as part of the Finance Settlement announcement this has still to be negotiated. There is also provision for an increase of 1% in employer's superannuation contributions, contributions on overtime payments and auto-enrolment included in the budget. Inflation has been included where there is a contractual obligation for increases in costs. A contingency has been made for the possible advance introduction of the "Living Wage" within the Council.

### 2.2 Collection Fund

The Council is required to estimate the 31st March 2014 position on the Collection Fund (which is the account to which all the Council Tax receipts are credited, and from which all precepts are paid). There will be an estimated one-off surplus of £1,012k on the Fund at 31<sup>st</sup> March 2014. Of this there is £147k relating to this Council (the remainder relates to the County Council, Police and Fire services) and is available to support the 2014/15 budget. The MTFS made a prudent assumption of £25k. The introduction of Council Tax Support Discounts and changes to Empty Property Discounts have increased the Council Tax Base more than expected and the number of new properties has increased more than expected during the year. These factors have been taken into account when revising the LCTSS for 2014/15.

### 2.3 Central Government Funding

Funding from the Government in respect of Revenue Support Grant and National Non Domestic Rates (NNDR) has a significant influence on the Council's spending plans. The allocations for 2014/15 are compared with the MTFS in the table below:

	MTFS	Provisional Settlement	Change
	£000	£000	£000
Revenue Support Grant	2395	2396	1
Baseline Funding/Business Rates	2142	2141	-1
Council Tax Freeze Grant 13/14	57	56	-1
New Homes Bonus	1123	1395	272
<b>Total</b>	<b>5717</b>	<b>5988</b>	<b>271</b>

At the time of writing this report, these allocations are still provisional, but are not expected to change significantly in the Final Settlement.

The Grant assumes £2.141m locally retained Business Rates. This figure will vary depending on actual yields but cannot fall by more than 7.5% because of safety net arrangements. The minimum income assumed is therefore £1.980m.

- 2.4 In 2013/14 the Council has participated in Business Rate "pooling" arrangements. Business rates pooling is a mechanism which the Government introduced which allowed groups of local authorities to join together to have their assessments of levies and safety

net eligibility calculated overall rather than at individual authority level. Originally the benefits to the individual members of the Pool outweighed the perceived risks.

- 2.5 On 13 January 2014 the Chief Executive gave the Council's agreement under delegated powers, in consultation with the Leader and Portfolioholder, to dissolving the Leicester and Leicestershire Business Rates Pool from 2014/15. A unanimous decision of all the pool members (Leicester City, Leicestershire County and the Leicestershire Districts) was required by 14 January 2014 to meet a statutory deadline and it would have been too late to wait until the Cabinet meeting on the evening of 14 January 2014. This is explained further in paragraph 3.4.

2.6 New Homes Bonus

The Government has indicated that the Council will receive £1.394m in New Homes Bonus in 2014/15. This is £272k more than was assumed in the report to Cabinet on 10 December 2013. This reflects the targeted work by the Council to return long term voids back into use and ensuring that new properties are listed as early possible. New Homes Bonus payments are made for six years and there is also no guarantee that the scheme will continue.

2.7 Council Tax

Government Grant is again available to help Councils which freeze or reduce their Council Tax for 2014/15. The sum of £56k grant income has been included in the revenue budget on the basis that the Council will not increase its Council Tax for 2014/15. This is the equivalent of a 1% increase in the District's Council Tax.

The Government's announcement that freeze grants will be included in ongoing Revenue Support Grant funding has allowed the Council to continue with the policy adopted five years ago into 2014/15 and that the rate of Council Tax will be frozen.

The income expected to be generated from the Council Tax will increase from £4.509m in the current year to £4.611m in 2014/15 as a result of a combination of increases in the tax base resulting from changes to the Council Tax Support Scheme agreed by Council on 21 January 2014 and increases in the tax base from new properties. Cabinet have considered the debate at Council (on 21 January) and recognised the importance of the role of Council in agreeing the Local Council Tax Support Scheme. Any future amendments to the scheme will be considered by Council.

2.8 Revenues and Benefits Partnership

Under our partnership agreement the Council needs to agree its contribution to the Leicestershire Revenues and Benefits Partnership for the next financial year. The Joint Committee held on 15 January 2014 approved an increase of £19770 or 1.7% which is attributable to unavoidable contractual inflation and service costs. This has been built into the budgets summarised in Appendix 1. The contribution may be reduced in-year as an external review of the operation is currently underway and it is anticipated that cost savings can be made from 2014/15.

2.9 Savings Proposals

At its meeting on 24 September 2013 the Cabinet approved savings proposals of £540,500. This was updated for changes agreed by Cabinet at its meeting on 10 December 2013 following the budget consultation.

- 2.10 In light of the Council's improved financial position detailed above the Cabinet is also recommending to Council that a number of proposals are not implemented in 2014/15. These proposals will continue to be investigated as future circumstances may dictate that there may be a need to reintroduce them. The services will also be considered for improvements during 2014/15.

	2014/15 £000	2015/16 £000
No charging for Green Waste Collection	14	112
No Increases in Car Parking Charges	100	
Retain existing free services for people on means tested benefits for bulky domestic collections, pest control services and swimming	9	

- 2.11 The Cabinet's final budget proposals are detailed in Appendices 2(a) and 2(b). Minor changes have been made to reflect actual savings, recharges etc. These proposals will save the Council just over £400k in 2014/15. The budget summary shows that there will be budgeted surplus of income over expenditure of £403k which the Cabinet is advised to add to the General Fund balance at the end of 2014/15.

- 2.12 The vast majority (75%) of savings in 2014/15 again represent internal efficiencies and will not impact on service delivery.

- 2.13 Approximately £300k of further savings will be required by 2015/16. A number of these are likely to include further internal efficiencies stemming from the Planning for the Future Programme which the Chief Executive will put in place under delegated powers. As part of the report to Cabinet on 10 December members were advised that in view of the scale of the remaining savings target for 2015/16 it might be necessary to seek early approval of 2015/16 savings to ensure their implementation by 1 April 2015. It is now envisaged that making the remaining savings can be achieved within the normal revenue budget process without advance approval from Council. This position will continue to be monitored during 2014/15 and reported back to members as appropriate.

2.14 General Fund Reserve

The balance on the General Fund Reserve is estimated to be £1m at 31<sup>st</sup> March 2014. The budgeted surplus at the end of 2014/15 will increase the reserve and it is prudent to increase it in light of the volatility in projecting levels of local business rates income and New Homes Bonus in particular. These resources would only be called upon in the most exceptional circumstances and would need to be replenished as soon as possible from revenue budget savings.

2.15 Earmarked Reserves and Provisions (Excluding Value for Money (VFM) Reserve)

The Council's earmarked General Fund revenue reserves and provisions (excluding the General Fund Reserve and the VFM Reserve) stood at £1.705m at 1<sup>st</sup> April 2013. A review of the committed expenditure against these reserves has been undertaken and it is estimated that around £1.5m will remain at 31<sup>st</sup> March 2014. All of this is either held on behalf of partnerships the Council is involved with, or is earmarked for a particular use in the future It is therefore not available for the Council's general use.

## 2.16 Value for Money (VFM) Reserve

The Cabinet was provided with updates on the Value For Money Reserve when it approved the MTFS in June and published its budget proposals in September. The fund stands at £2.5m, which has been allocated to Planning for the Future, Improving the Customer Experience (ICE) and other Invest to Save projects. There are no plans to make further contributions to this reserve in 2014/15.

## 2.17 Revenue Budget Contingency

This has been set at the lower level of £100,000 compared to £250,000 in the current year. These resources would normally be called upon if there were unexpected increases in costs or loss of income. This contingency has not been called upon in the last two years. It is best practice to include a contingency in the budget. Service Managers are always encouraged to fund financial pressures from their own budgets in the first instance. The level of the contingency will continue to be reviewed as part of the updating of the Medium Term Financial Strategy to ensure it remains appropriate.

## 3.0 GENERAL FUND 2013/14 – PROJECTED OUTTURN

3.1 The summary budget shown at Appendix 1 shows the 2013/14 budget, projected outturn and 2014/15 budget.

3.2 The main reasons for the underspend are as follows:

### (A) Additional Local Income:

Planning and Development Fees	£350k	
Recycling income	£ 55k	£405k

### (B) Internal Efficiencies:

Salaries/Vacancy Management	£235k	
Unused Revenue Budget Contingency	£100k	
Reduced Homelessness Costs	£ 70k	
Other more minor variances	£ 66k	£471kk

**Total** **£876k**

3.3 From 1 April 2013 local authorities are sharing the benefit of additional business rates with Central Government. Any reductions in business rates including closures and rating appeals are also shared locally. The difficulties in projecting business rates income are highlighted later in this report and currently the Projected Outturn assumes no increase or decrease in business rates.

3.4 Over the last 12 months the risks inherent in pooling business rates have become greater for the following reasons:

- (a) lack of certainty over the number and outcome of rating assessment appeals compounded by Valuation Office delays;
- (b) continued uncertainty about the operation of various aspects of the business rates retention system, due to the lateness of Government decisions and recent changes.

- (c) the burden of business rates has become a contentious issue nationally, it is not unrealistic to expect further changes to reduce the cost to targeted businesses.
- (d) Continuing volatility in projections of business rates income at both individual authority and Pool level.

3.5 The Council's Section 151 office, the Head of Finance is satisfied that the Council has adequate revenue reserves and that plans are in place to make the budget savings required by the Council's MTFs. The underspend in 2013/14 can be used to fund areas of investment which further the Council's priorities.

3.6 These resources will provide a fund to enable building much-needed affordable homes, create new jobs and improve town centres and local communities

- As the housing market picks up, we'll support housing associations to build new homes. Not only will this help to house people in need – it will also support local businesses and jobs.
- We will create a fund to encourage businesses to move to the district – and ones that are already here to expand – creating new jobs for local people.
- We'll help to spruce up Coalville and other shopping centres, to encourage more people to buy local and support our small businesses.
- And we'll empower community groups to develop a series of small projects that make a difference to the quality of life of local people and the environment.

#### 4.0 REVENUE BUDGET 2014/15 – PROPOSALS IN SUMMARY

##### 4.1 Summary

The following table summarises the headline figures for 2014/15 as contained in Appendix 1.

	<b>2014/15</b>
<b>Expenditure</b>	<b>£000</b>
Net cost of Services after Recharges	8,791
Net Financing Costs	1,148
Investment Income	-43
Corporate Contingency	100
Pension Contingency	50
Living Wage Contingency	10
Grants to Town and Parish Councils	87
<b>Net Revenue Expenditure</b>	<b>10,143</b>
Contribution to Reserves	403
<b>2014/15 Budget Requirement</b>	<b>10,546</b>



<b>Funding Sources</b>		
Revenue Support Grant		1,528
Homelessness Prevention		49
Council Tax Freeze Grant 11/12		141
Council Tax Freeze Grant 13/14		56
Council Tax Freeze Grant 14/15		56
New Homes Bonus		1,395
Transfer from Collection Fund		147
Localisation of Council Tax Support Grant		660
Council Tax		4,611
National Non Domestic Rates Baseline		2,063
National Non Domestic Rates Safety Net		-161
<b>Total Funding Available</b>		<b>10,546</b>

## 5.0 FINANCIAL STANDING AND GOVERNANCE

5.1 Members will be fully aware of the steps the Council has had to take in recent years and months to make economies and set balanced budgets in line with reductions in resources, and it is to the credit of both Members and officers that early action was taken in anticipation of the reductions in Government funding.

5.2 The Council has a track record of strong financial management, with regular monitoring reports being presented to Members and budget holders. Efficiencies which have been implemented during the course of this year will continue and in many cases savings will be delivered in advance of financial targets.

5.3 The Council however cannot afford to be complacent as it is facing further challenges, not least from more reductions in Government funding from 2015/16 onwards and drive for further economies and efficiency savings must continue through to 2017/18 at least.

5.4 Briefings/consultation on the Council's revenue spending plans and savings schedules have been held as follows:

- Trade Unions
- Staff, via the Chief Executive's road shows and the intranet
- Town and Parish Councils
- Business organisations and partnerships
- National Forest Company
- Further Education Colleges
- General Public

## 6.0 SPECIAL EXPENSES

### 6.1 Coalville Special Expenses

As with the Council's own revenue budget, the special expenses budget for Coalville has been prepared on the basis of a nil increase in Council Tax and is shown in the table below. It incorporates the information agreed by the Coalville Special Expenses Working Party: on 17 December 2013.

## 6.2 Other Special Expenses

The Council also levies special expense precepts in some of the parished areas of the District. In the main these relate to grounds maintenance works that the Parish Councils have chosen for the District to perform. A schedule showing the estimated level of expenditure and proposed precepts is attached as Appendix 3.

## 7.0 **ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES**

7.1 The Local Government Act 2003 requires the Council's Chief Financial Officer (Section 151 Officer) to comment on the robustness of the estimates and also on the adequacy of the proposed reserves. Members must have regard to these comments when making a decision on the budget proposals for the forthcoming year.

7.2 Taking into account identified risks, the Section 151 Officer considers that the estimates which form the General Fund budget are robust; the proposals are deliverable and will produce a balanced budget for 2014/15 as required by Section 25 of the Local Government Act 2003.

7.3 Details of the Council's reserves are set out from paragraph 2.14 and again the Section 151 Officer is satisfied that these remain adequate.

7.4 The Special Expenses estimates are similarly considered to be robust.

7.5 The budget process for the 2014/15 year concludes with the approval of all the revenue budgets and the capital programmes by the full Council on 25 February 2014, following which the Council will also determine the level of Council Tax for the 2014/15 year.

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL SUMMARY BUDGET 2014/15

APPENDIX 1

2013/14 Budget £	2013/14 F'cast Outturn £	Service	2014/15 Base Budget £	Cabinet Savings	2014/15 Budget £
245,280	248,870	Chief Executive	249,390	-2,250	247,140
296,930	291,130	Human Resources	294,000	-2,210	291,790
2,297,670	2,185,250	Legal & Support Services	2,325,750	-36,380	2,289,370
1,770,730	1,755,360	Finance	1,827,520	-10,910	1,816,610
<b>4,610,610</b>	<b>4,480,610</b>	<b>Total Chief Executive's Department</b>	<b>4,696,660</b>	<b>(51,750)</b>	<b>4,644,910</b>
376,940	365,994	Director of Services	386,410	0	386,410
3,994,650	3,671,983	Community Services	3,961,130	-159,270	3,801,860
430,080	425,090	Strategic Housing	433,300	0	433,300
583,640	249,500	Regeneration & Planning	769,350	-7,190	762,160
<b>5,385,310</b>	<b>4,712,567</b>	<b>Total Director of Services</b>	<b>5,550,190</b>	<b>(166,460)</b>	<b>5,383,730</b>
52,630	52,550	Corporate & Democratic Core	54,160	0	54,160
116,400	114,600	Non Distributed	114,860	0	114,860
<b>10,164,950</b>	<b>9,360,327</b>	<b>NET COST OF SERVICES</b>	<b>10,415,870</b>	<b>(218,210)</b>	<b>10,197,660</b>
(1,343,080)	(1,307,320)	Net Recharges from General Fund	(1,370,481)	-36,259	(1,406,740)
<b>8,821,870</b>	<b>8,053,007</b>	<b>NET COST OF SERVICES AFTER RECHARGES</b>	<b>9,045,389</b>	<b>(254,469)</b>	<b>8,790,920</b>
		<b>Corporate Items and Financing</b>			
		<b>Corporate Income and Expenditure</b>			
1,175,510	1,175,510	Net Financing Costs	1,148,480	0	1,148,480
(43,000)	(50,000)	Investment Income	(43,000)	0	(43,000)
360,000	260,000	Corporate Contingency	250,000	-150,000	100,000
		Living wage Contingency	10,000	0	10,000
0	0	Pension Contingency	50,000	0	50,000
118,191	118,191	Localisation of Council Tax Support Grant - Parish	86,672	0	86,672
<b>10,432,571</b>	<b>9,556,708</b>	<b>NET REVENUE EXPENDITURE</b>	<b>10,547,541</b>	<b>(404,469)</b>	<b>10,143,072</b>
91,896	967,559	Contribution to (from) General Fund Balance	-1,044	404,469	403,425
<b>10,524,467</b>	<b>10,524,267</b>	<b>AMOUNT TO BE MET FROM GOVERNMENT GRANT AND COUNCIL TAX (Budget Requirement)</b>	<b>10,546,497</b>	<b>(0)</b>	<b>10,546,497</b>
		<b>Financed By</b>			
2,587,392	2,587,392	Revenue Support Grant	1,528,397		1,528,397
20,428	20,428	Council Tax Transitional Grant	0		0
50,000	50,000	Homelessness Prevention	49,252		49,252
141,602	141,602	Council Tax Freeze Grant 11/12	140,969		140,969
56,570	56,570	Council Tax Freeze Grant 13/14	56,056		56,056
0	0	Council Tax Freeze Grant 14/15	55,953		55,953
923,055	923,055	New Homes Bonus	1,395,484		1,395,484
16,679	16,679	Transfer from Collection Fund	147,136		147,136
655,720	655,720	Localisation of Council Tax Support Grant	660,614		660,614
4,509,000	4,509,000	Council Tax	4,610,555		4,610,555
1,721,321	1,721,321	National Non Domestic Rates Baseline	2,062,631		2,062,631
(157,500)	(157,500)	National Non Domestic Rates Safety Net	(160,550)		(160,550)
<b>10,524,267</b>	<b>10,524,267</b>	<b>TOTAL FUNDING AVAILABLE</b>	<b>10,546,497</b>	<b>0</b>	<b>10,546,497</b>
		<b>SPECIAL EXPENSES</b>			
755,480		Community Services			792,730
(80,820)		Net Financing Costs			(107,040)
0		Capital Schemes			0
<b>674,660</b>		<b>NET COST OF SERVICES AFTER RECHARGES</b>			<b>685,690</b>
		<b>Financed By</b>			
0		Use of Reserves			6,167
574,382		Council Tax			584,139
100,278		Localisation of Council Tax Support Grant			95,384
<b>674,660</b>					<b>685,690</b>

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	<b>Lead Member</b>	<b>Service &amp; category i.e.</b> Key Frontline/Statutory– non frontline/Support Services/Discretionary	<b>Savings Proposal</b>	<b>Estimated Savings 2014/15</b>  £'000	<b>Budget Savings 2014/15</b>  £'000	<b>Potential Staffing Implications – yes/no?</b>	<b>Key Points Summary</b>
21	<b>Cllr Nick Rushton</b>	<b>Finance</b>  • <b>Support</b>	<b>General Fund Contingency:</b> Reduce level to £100k with effect from April 2014	<b>150</b>	<b>150</b>	<b>No</b>	This revised level of contingency has been calculated based upon historic spend and future estimates and is possible because of best management practice and contingency control. If the Council needs to respond to more significant issues then reserves could be used and replenished as soon as possible.
	<b>Cllr Nick Rushton</b>	<b>All Services</b>	<b>Staffing Vacancy Rates:</b> Adjusting the level of vacancy rates in line with historical trends in agreed services. This allows the amount calculated to be taken out of those services' base budgets with effect from April 2014.	<b>50</b>	<b>94.5</b>	<b>No</b>	Adjusting staff vacancy rates, in line with historic spend, enables cost effective reductions to be made in the overall staffing budget.
	<b>Cllr Roger Bayliss</b>	<b>Housing</b>  • <b>Key Frontline</b>	<b>HRA Costs:</b> Re-assessment of the charges made to the HRA for General Fund services.	<b>50</b>	<b>36</b>	<b>No</b>	The re-assessment of allocations has now been validated by Accountancy.

4	Cllr Alison Smith MBE	<ul style="list-style-type: none"> <li>Leisure and Cultural Services Discretionary</li> </ul>	<p><b>Coalville Special Expenses:</b></p> <p>Re-assessment of General Fund expenditure spent on Coalville Special Expense area activity</p>	25	23	No	<p>The current budget for Coalville Special Expenses will remain broadly unchanged at £417k. However, justifiable General Fund expenses will be re-allocated and the Coalville Special Expenses budget will need to adjust to compensate for this change. Discussions are taking place with the Coalville Special Expenses Working Group which is re-shaping the programme to be delivered in 2014/15, e.g. by reducing current spend on some activities and seeking additional external funding/sponsorship for others.</p>
22	<b>TOTALS</b>			<b>£275</b>	<b>£303.5</b>		

	<b>Lead Member</b>	<b>Service &amp; category i.e. Key Frontline/Statutory–non frontline/Support Services/Discretionary</b>	<b>Savings Proposal</b>	<b>Estimated Savings 2014/15 £'000</b>	<b>Budget Savings 2014/15 £'000</b>	<b>Potential Staffing Implications – yes/no?</b>	<b>Key Points Summary</b> (refer to Appendix 1 A for details)
1	<b>Cllr Alison Smith MBE</b>	<b>Waste Services</b> <ul style="list-style-type: none"> <li>• <b>Key Frontline</b></li> </ul>	<b>Green Waste collection:</b>  Introduce charging for fortnightly Green Waste collection with effect from the 2015 season (March-October 2015)	22	0	No	The proposals to charge for Green Waste collection are not going ahead. The Council remains committed to its plans for introducing SMART technology to increase the efficiency of the service.

2	Cllr Alison Smith MBE		<b>Unjustified missed bins: introduce and apply a Non Return Policy:</b> with effect from January 2014, this will mean that if residents do not present their bins on time they will not be collected until the next round.	10	10	No	Council vehicles returning to collect bins that have not been presented on time by residents costs in excess of £10,000 per annum in fuel, staff time and vehicle wear and tear. Following the implementation of new in- vehicle technology, crews will record non presentation of bins and will not return to collect bins which have not been presented on time by residents.
3	Cllr Alison Smith MBE	Car Parks	<b>Car park charges:</b> Car parking charges have remained unchanged since 2007. It is proposed to increase tariffs for 1hour/2 hours and All Day parking. The <b>3 hour tariff will remain unchanged.</b>	100	0	No	Car parking charges have remained unchanged for the past 6 years. Whilst the Council is not increasing Car Park Charges next year, it will be considering the benefits of introducing a potential annual increase policy.
4	Cllr Richard Blunt	Communications <ul style="list-style-type: none"><li>Support</li></ul>	<b>Cease Vision magazine</b> – Move to maximising communication	21.25	0	Yes	An actual £18k saving will remain within the 2014/15 Communications Service to



		<b>Services</b>	through existing more cost effective channels.				support Service development)
<b>5</b>	<b>Cllr Alison Smith MBE</b>	<b>Leisure, Waste and Environmental Health Services:</b>  <b>Concessionary Fees and Charges</b>	<b>Concessionary Fees and Charges:</b> Change the level of discount applied to certain concessions with effect from April 2014: Bulky Waste Removal; Casual Swimming and some aspects of Pest Control.	<b>10</b>	<b>0</b>	<b>No</b>	The Cabinet has withdrawn this proposal in light of the Council's improved financial position.
<b>6</b>		<b>Multiple Services:</b>  <b>Service Efficiencies</b>	Maximise efficiencies through in-year staffing and operational changes, as they occur.	<b>75</b>	<b>80.5</b>	<b>No</b>	Achieved from staffing changes that bring about opportunities to rationalise and refocus duties and staffing levels in services. It will also include operational service changes which can be delivered with minimal impact on direct service provision.

7	Cllr Richard Blunt	Democratic Services and Cultural Services:  Chairman's Function	Review Chairman's function : The cost and delivery of this function will be rationalised	15	10.3	Yes	The wide range of duties carried out by the Chairman of the Council will be rationalised to allow the Chairman to better focus on core activities – these being:  <ul style="list-style-type: none"> <li>• chair Council meetings (primary role)</li> <li>• attend a reduced number of events in Leicestershire on behalf of the Council and:</li> <li>• Support the Remembrance Day service</li> </ul>
8	Cllr Alison Smith MBE	Discretionary  - Cultural Services	To undertake annual review of Community Partnership Grants  To cease one-off Community Grants from 01/04/14	TBC  12.3	0	No  Yes	This budget will remain and there will be a review of how the money available is allocated..
	<b>TOTAL</b>			<b>265.55</b>	<b>100.80</b>		

SPECIAL EXPENSES	2013/14		2014/15
	ORIGINAL ESTIMATE	PROJECTED OUTTURN	ESTIMATE
	£	£	£
<b>COALVILLE</b>			
Parks, Recreation Grounds & Open Spaces	247,430	242,300	253,860
Broomley's Cemetery	26,350	20,500	22,960
C/V War Memorials/Hanging Baskets/Grass Verge Cutting	20,260	20,700	20,640
One Off Grants	3,000	3,000	3,000
Coalville Events	36,500	37,200	40,700
	<b>333,540</b>	<b>323,700</b>	<b>341,160</b>
<b>WHITWICK</b>			
Parks, Recreation Grounds & Open Spaces	118,450	115,090	120,500
Cemetery	15,550	12,120	16,930
Grass Verge Cutting	4,370	4,370	4,410
Asset Protection	12,500	12,500	12,500
	<b>150,870</b>	<b>144,080</b>	<b>154,340</b>
<b>HUGGLESCOTE</b>			
Parks, Recreation Grounds & Open Spaces	34,040	33,240	34,250
Cemetery	17,070	14,020	17,240
Grass Verge Cutting	3,270	3,270	3,300
One Off Grants	750	750	750
Asset Protection	3,500	3,500	3,500
	<b>58,630</b>	<b>54,780</b>	<b>59,040</b>
<b>PLAY AREAS/CLOSED CHURCHYARDS</b>			
<b>GROUND MAINTENANCE:</b>			
OSGATHORPE	340	340	340
COLEORTON	3,160	3,310	3,190
KEGWORTH	400	400	400
RAVENSTONE	340	340	340
MEASHAM	1,800	1,800	1,820
LOCKINGTON-CUM-HEMINGTON	2,780	3,620	1,790
OAKTHORPE & DONISTHORPE	3,670	3,670	3,710
STRETTON	1,290	1,290	1,300
APPLEBY MAGNA	1,550	1,550	1,570
<b>OTHER SPECIAL EXPENSES</b>	<b>15,330</b>	<b>16,320</b>	<b>14,460</b>
<b>SPECIAL EXPENSES (NET COST OF SERVICE)</b>	<b>558,370</b>	<b>538,880</b>	<b>569,000</b>
Service Management recharges	116,290	116,290	116,690
<b>ANNUAL RECURRING EXPENDITURE</b>	<b>674,660</b>	<b>655,170</b>	<b>685,690</b>
<b>FUNDED BY:</b>			
Use of Reserves	0	-19,490	6,167
Precept	574,382	574,382	584,139
Localisation of Council Tax Support Grant	100,278	100,278	95,384
	<b>674,660</b>	<b>655,170</b>	<b>685,690</b>

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## NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

## CABINET – 11 FEBRUARY 2014

Title of report	<b>HOUSING REVENUE ACCOUNT BUDGET 2014/15 AND RENT INCREASE</b>
Key Decision	a) Financial Yes b) Community Yes
Contacts	Councillor Nick Rushton 01530 412059 <a href="mailto:nicholas.rushton@nwleicestershire.gov.uk">nicholas.rushton@nwleicestershire.gov.uk</a>  Councillor Roger Bayliss 01530 411055 <a href="mailto:roger.bayliss@nwleicestershire.gov.uk">roger.bayliss@nwleicestershire.gov.uk</a>  Chief Executive 01530 454500 <a href="mailto:christine.fisher@nwleicestershire.gov.uk">christine.fisher@nwleicestershire.gov.uk</a>  Director of Services 01530 454555 <a href="mailto:steve.bambrick@nwleicestershire.gov.uk">steve.bambrick@nwleicestershire.gov.uk</a>  Head of Finance 01530 454520 <a href="mailto:ray.bowmer@nwleicestershire.gov.uk">ray.bowmer@nwleicestershire.gov.uk</a>
Purpose of report	To seek approval of the 2014/15 Housing Revenue Account (HRA) Budget and Rent & Service Charge increases.
Reason for Decision	To enable the Council to set a balanced Housing Revenue Account Budget for 2014/15.
Council Priorities	The HRA budget assists the Value for money priority.
Implications:  Financial/Staff  Link to relevant CAT  Risk Management  Equalities Impact Assessment	As included in report.  Delivering a HRA Budget for 2014/15 will allow the Council to achieve the objectives for the service as set out in the Housing Business Plan.  The Council sets an HRA budget, which is regularly monitored throughout the year to ensure services are delivered within budget.  No impact identified.

Human Rights	None identified.
Transformational Government	Not applicable
Comments of Head of Paid Service	The report is satisfactory
Comments of Section 151 Officer	As report author, the report is satisfactory
Comments of Monitoring Officer	The report is satisfactory
Consultees	Corporate Leadership Team (CLT). Tenants Performance and Finance Working Group. Tenants and Leaseholders Consultation Forum. Public/Tenant consultation exercise undertaken via website.
Background papers	None
Recommendations	<p><b>A) THAT THE ASSURANCE STATEMENT BY THE S151 OFFICER IN SECTION 8 BE NOTED,</b></p> <p><b>B) THAT THE COUNCIL BE RECOMMENDED TO:</b></p> <ol style="list-style-type: none"> <li><b>1. APPROVE THE INCREASE OF 3.2% (AVERAGE INCREASE 19 PENCE) IN GARAGE RENTS FOR 2014/15.</b></li> <li><b>2. APPROVE THE AVERAGE INCREASE OF 1.02% (2 PENCE PER WEEK) IN THE WEEKLY SERVICE CHARGE FOR 2014/15.</b></li> <li><b>3. APPROVE THE GROUND RENT INCREASE AT APPLEBY MAGNA CARAVAN SITE OF 3.2% (74 PENCE PER WEEK) ON THE ANNIVERSARY OF EACH INDIVIDUAL RENT AGREEMENT IN 2014/15.</b></li> <li><b>4. APPROVE THE LIFELINE CHARGES INCREASE OF 3.2% (BETWEEN 6 PENCE AND 10 PENCE PER WEEK) FROM 1 JULY 2014.</b></li> <li><b>5. APPROVE THAT COUNCIL HOUSE RENTS IN 2014/15 BE INCREASED IN ACCORDANCE WITH THE GOVERNMENT'S RENT RESTRUCTURING POLICY BY AN AVERAGE OF 5.78% (AVERAGE INCREASE £ 4.30 PER WEEK).</b></li> <li><b>6. APPROVE THE HOUSING REVENUE ACCOUNT BUDGET FOR 2014/15 ATTACHED AS APPENDIX A.</b></li> </ol>

## **1.0 INTRODUCTION**

1.1 The Housing Revenue Account budget for 2014/15 is set out at Appendix A. The revised budget for the current year, together with the original 2013/14 budget, are also included in Appendix A for information.

## **2.0 REVISED BUDGET 2013/14**

2.1 The overall forecast for the current year shows a decrease in the forecast surplus from £1.473m to £1.342m. This is largely as a result of a reduction in expected rental income of £251k due to an increased level of empty properties and an increased number of property sales through the 'Right to Buy.'

2.2 There is a decrease in Supervision and Management expenses (£135k) and a reduction in other income of £18k.

2.3 As a result of this and other smaller differences, the balance on the Housing Revenue Account at 31<sup>st</sup> March 2014 is estimated to be £5.101m. This balance significantly exceeds our agreed minimum balance of £1m but this has been developed to provide a loan repayment reserve provision against the future repayment of debts taken out on a maturity repayment basis, within the HRA Business Plan.

2.4 The revised forecast now also includes the spend on the government grant funded element of the Decent Homes Improvement Programme of £8.500m, along with the associated government grant funding (Appendix A lines 19 and 30). This is a necessary reporting requirement and the relevant figures for the final year of the programme have also been included in the 2014/15 budget.

## **3.0 2014/15 BUDGET OVERVIEW**

3.1 The budget is based on prices at November 2013 plus known increases, for example contractual obligations.

3.2 Repairs and maintenance of dwellings (Appendix 'A' – line 1) in 2014/15 is anticipated to total £4.933m.

3.3 Supervision and Management Expenditure (Appendix 'A' – line 4) in 2014/15 is expected to be £2.505m (6.8 % higher than the original 2013/14 budget). This is largely caused by the net effect of the service investments and budget savings detailed in Appendices 'B' and 'C.'

3.4 Garage rent levels (Appendix 'A' – line 15) are proposed to rise by 3.2 % which is in line with the Retail Prices Index (RPI) as at September 2013.

3.5 Appleby Magna Caravan Site is a General Fund asset but managed within Housing. Ground rents for the site are proposed to be increased by 3.2% on the anniversary of each individual rent agreement in 2014/15.

3.6 It is proposed that Lifeline Charges (included in Appendix A – line – 3) are increased by 3.2% from 1 July 2014.

3.7 The budget investment and budget reductions proposals included in the 2014/15 budget are shown at Appendices B and C.

#### **4.0 2014/15 BUDGET – RENTS (APPENDIX ‘A’ – LINE 13)**

- 4.1 Existing Government policy, introduced nationally for local authorities in April 2002 is to establish the local authority average guideline rent increase by applying RPI inflation at the previous September plus 0.5%, and a convergence factor of up to £2 per week to reflect the number of years to rental convergence with the housing association sector.
- 4.2 The Government has proposed that from 2015/16 this will be replaced by a formula of CPI + 1% for the next 10 years. Historically CPI has been lower than RPI, so the expected impact of this policy would be to reduce annual rent increases. For September 2013 CPI was 0.5% below RPI, so the new formula would have produced an identical increase (for the inflation related element) for 2014/15 had it been in place now.
- 4.3 The Government has recently consulted on a proposal to cease the rent restructuring policy in 2015/16. The consultation finished on 24<sup>th</sup> December 2013, and the outcome is awaited. Through the rent restructuring process all properties are moving towards their “target rent” in steps of up to £2pw per year. Currently only approximately 30% of our tenants are paying the target rent for their home, principally because we were historically a lower rent level Council. This means the steps required to get to target rents are larger and the impact of the £2pw increase “cap” has restricted many properties progress to their target. Because of their lower rent starting point, many of our homes are not forecast to reach their target rent until after 2016/17. Our business plan forecasts assume that all properties will reach their target rents. If rent restructuring ceases in 2015/16 a significant proportion of our properties will not have reached their target rent. This will reduce the income projected from future rent increases, and mean that we will have different rent levels for similar properties throughout the housing stock.
- 4.4 September 2013 RPI inflation was 3.2%. This has been used as the basis to calculate the rent increase for 2014/15 in line with the Government’s Rent Convergence Policy.
- 4.5 Members may recall that the original average rent for 2013/14 approved at Council on 26th February 2013 was £74.25. As part of the 2008/2009 budget setting process and following tenant consultation, Members agreed that upon re-let, if the tenant was new to the service, the rent charged would be the target rent. Such re-lets since the approval of the 2013/14 rent now mean that the average rent has increased by 20 pence to £74.45
- 4.6 In accordance with Government’s Rent Convergence Policy therefore it is proposed to increase the average weekly rents by £4.30 per week (5.78%) from £74.45 to £78.75. For those properties already at the target rent the increases are 3.7%.
- 4.7 A table showing a sample of rents across property types and areas is attached at Appendix “D” for Member’s information. This excludes any service charge.

#### **5.0 SERVICE CHARGES**

- 5.1 About one third of the Council’s properties have a service charge of one type or another, covering a range of items such as communal heating, communal lighting and the maintenance of communal areas. The estimated income from these charges is shown at line 14 of Appendix “A”.



- 5.2 For 2014/15 average weekly service charges are proposed to be increased by 2 pence (1.02%) from £1.43 to £1.45. This gives a combined average rent/service charge increase of £4.32 per week (5.69%), from £75.88 to £80.20.

## **6.0 HOUSING REVENUE ACCOUNT BALANCE**

- 6.1 The budget for 2014/15 produces an operating surplus of £1.674m for the year which will increase the estimated balance on the Housing Revenue Account at 31<sup>st</sup> March 2015 to £6.707m.
- 6.2 Significant surpluses on the HRA are required in 2013/14 and 2014/15 and beyond so as to be able to meet the loan repayment commitments in the HRA Business Plan.

## **7.0 CONSULTATION PROCESS**

- 7.1 Consultation on the Housing Revenue Account 2014/15 budget has been completed via the Council's website, sharing the draft budget proposals as approved by Cabinet on 10 December 2013.
- 7.2 Proposals have also been shared with the tenants' Performance and Finance working group. There was general support for the proposed budget, and their specific feedback was:

That a wider range of communication methods should be used for future years budget consultations and not just the Council's website.

That the e-form link for tenants to make comment should also include a space for telephone number and address should users not have their own email address (for example, using Library computer and internet).

That the proposed Energy Strategy Officer is a vital role for the next few years for the Housing Service to ensure that energy efficiency matters were being considered and necessary actions implemented.

That the Resident Involvement restructure provision was reasonable. As involved tenants, the group expressed views in relation to the need for additional administrative support to release Officer time for more development work.

- 7.3 The formal consultation closed on 17 January 2014 and no further comments were received.
- 7.4 Since the Cabinet meeting on 10 December 2013 the following amendments have been made to the budget investment and budget reduction proposals;

Tenancy Support Officer – budget provision no longer required as the proposal has been funded from the existing salary provision as part of the restructure of the Housing Management service, saving £40k.

Green and Decent project assessment costs - reduced from £13,400 to £7,000 following a reassessment of the budget provision required.

Energy Strategy Officer was given a 'green' status to reflect views expressed by the Performance and Finance working group during consultation.

- 7.5 Leicestershire County Council has been undertaking a market testing exercise for the provision of Older Persons Housing Related Support (formerly known as the Warden

Service) and Assistive Technology (the Central Control Service). The County Council has recently decided to cease the Housing Related Support tender process, and it is now anticipated that the current Older Persons Support and Central Control contract will be extended to September 2015. The draft HRA budget had been prepared assuming this tender process would go ahead, producing a net saving of £171k per annum by reducing staffing capacity and redesigning the service. The detailed budget implications of the County Council's decision not to proceed with the tender are still being assessed at the time of producing this report. It is therefore proposed that the projected savings from the service redesign and associated tender process are removed from the budget.

## **8.0 ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES**

- 8.1 The Local Government Act 2003 requires the Council's Chief Financial Officer (Section 151 Officer) to comment on the robustness of the estimates and also on the adequacy of the proposed reserves. Members must have regard to these comments when making a decision on the budget proposals for the forthcoming year.
- 8.2 Taking into account identified risks, the Section 151 Officer considers that the estimates which form the Housing Revenue Account Budget for 2014/15 are robust and prudent and the proposals are deliverable.
- 8.3 The Section 151 Officer also considers that the overall level of Housing Revenue Account reserves is adequate.

## HOUSING REVENUE ACCOUNT SUMMARY

LINE NO.	DETAIL	2013/2014		2014/2015
		Budget £	Forecast (p9) £	Estimate £
<b>HOUSING REVENUE ACCOUNT</b>				
1.	TOTAL REPAIRS & MAINTENANCE	4,849,230	4,879,170	4,933,190
SUPERVISION & MANAGEMENT				
2.	General	2,114,740	2,041,070	2,117,130
3.	Special / Supporting People	229,830	168,600	387,720
4.		2,344,570	2,209,670	2,504,850
5.	PROVISION -DOUBTFUL DEBTS	96,760	96,760	170,790
6. CAPITAL FINANCING:-				
7.	Depreciation - MRA & other	4,008,170	4,008,170	4,008,170
8.	Debt Management Expenses	1,380	1,380	1,390
9.		4,009,550	4,009,550	4,009,560
10.	HOUSING SUBSIDY PAYMENT TO NATIONAL POOL	0	0	0
11.	TOTAL EXPENDITURE	11,300,110	11,195,150	11,618,390
12. RENT INCOME				
13.	Dwellings	16,051,250	15,800,430	16,741,400
14.	Service Charges	316,550	303,680	304,550
15.	Garages & Sites	89,020	83,340	80,920
16.	Other	26,100	26,100	26,100
17.		16,482,920	16,213,550	17,152,970
18. GOVERNMENT GRANTS				
19.	Decent Homes Backlog Grant	0	8,500,000	8,560,000
		0	8,500,000	8,560,000
20.	TOTAL INCOME	16,482,920	24,713,550	25,712,970
21.	NET COST OF SERVICES	-5,182,810	-13,518,400	-14,094,580
22.	CAPITAL FINANCING - HISTORICAL DEBT	175,000	175,000	175,000
23.	CAPITAL FINANCING - SELF FINANCING DEBT	3,257,170	3,257,170	3,257,170
24.	INVESTMENT INCOME	-25,200	-25,200	-25,200
25.	PREMATURE LOAN REDEMPTION PREMIUMS	19,270	19,270	14,470
26.		3,426,240	3,426,240	3,421,440
27.	NET OPERATING EXPENDITURE	-1,756,570	-10,092,160	-10,673,140
28.	REVENUE CONTRIBUTION TO CAPITAL	250,000	250,000	490,000
29.	DEPRECIATION CREDIT - VEHICLES	0	0	-50,730
30.	DECENT HOMES BACKLOG GRANT FINANCING	0	8,500,000	8,560,000
31.	CONTINGENCY	33,000	0	0
32.		283,000	8,750,000	8,999,270
33.	NET (SURPLUS) / DEFICIT	-1,473,570	-1,342,160	-1,673,870
<b><u>HRA BALANCES</u></b>				
34.	Balance Brought Forward	-3,759,156	-3,759,156	-5,033,586
35.	(Surplus)/Deficit for Year	-1,473,570	-1,342,160	-1,673,870
36.	Balance as at year end	-5,232,726	-5,101,316	-6,707,456

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**HRA Proposed Investments (including contract uplifts) 2014/15**

**APPENDIX B**

<b>Investments (included in proposed budget)</b>	<b>What is the investment for ?</b>	<b>£'s</b>	<b>Period</b>	<b>Status</b>
Increase in Bad Debt Provision	Increase to reflect increase in arrears due to welfare reform	74,030	Recurring	Green
SoR (Schedule of rates) Void Costs - Increase in Number of Voids	Additional budget to reflect increase in number of void properties	109,000	Recurring	Green
SoR (Schedule of Rates) Increase - Contract Inflationary Increase	Inflation increase in repairs contract prices	52,000	Recurring	Green
HRA Salary cost of living rise	1% assumed as per GF	74,470	Recurring	Green
RCCO - Revenue Contribution to Capital outlay	Estimated RCCO - to be confirmed	240,000	Recurring	Green
Electricity costs - Increase in Utility Costs		13,300	Recurring	Green
Green & Decent advisor costs	Costs for Energy Saving Trust in monitoring and evaluating pilot	7,000	1 year	Green
Garage & Garage Site Reduction in Income Due to Voids and Review of Sites	Fewer garages let, and projected reduction due to redevelopment	8,100	Recurring	Green
Energy Strategy Officer	Option to fund post that would lead on our approach to energy efficiency related work in relation to Council Housing	31,000	2 years	Green
Resident Involvement Restructure provision	Increase in capacity to reflect recent restructure (Team Leader role)	27,000	Recurring	Green
ICT Project Officer fixed term extension	To allow proper conclusion to mobile working project	9,000	1 year	Green
Mobile working licence costs	Additional license costs over an above existing budget	9,000	Recurring	Green
Service Charges - Increased Provision in Relation to Additional Void Properties		12,000	Recurring	Green
Increase in Corporate recharges	As seen in draft GF budget for 2014/15	50,000	Recurring	Green
Gas costs - Increase in Utility Costs		16,810	Recurring	Green
Void Loss	Increase in rent lost as per an increase in void properties	185,600	Recurring	Green
De Minimus items (under £5k)	Inflation Increase in Gas Servicing Contract (£2,250), Increase in properties for gas servicing due to conversion from solid fuel ( £ 3,740), Inflation increase in Cleaning contract ( £ 1,570), Inflation increase in Grounds Maintenance contract ( £ 1,150), Assistive telecare equipment & phone bills costs ( £ 2,350), Open Housing Improvement Group ICT systems enhancements ( £ 3,000)	14,060	Recurring	Green
		<b>932,370</b>		

<b>Investments (included in proposed budget but not yet finalised)</b>	<b>What is the investment for ?</b>	<b>£'s</b>	<b>Period</b>	<b>Status</b>
HRA Hardship Fund	Option to have additional DHP type provision for Council tenants only	10,500	Recurring	Amber
Under Occupation Incentive	Option to help tenants move if affected by under occupation charge	10,000	2 years	Amber
		<b>20,500</b>		

<b>Total Investments</b>	<b>952,870</b>
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HRA Proposed Savings (including increases in income) 2014/15

APPENDIX C

Savings (included in proposed budget)	How will the saving be made ?	£'s	Period	Status
Reduction of overtime paid for boiler stoking	Solid fuel boilers no longer in use	10,000	Recurring	Green
Reduction in tipping charges	Increased budget last year, has not been used in full	6,000	Recurring	Green
Mobile working	Reduction in repairs budget due to mobile working efficiencies	77,100	Recurring	Green
Assistive Telecare Maintenance Contract	Reduction in charges from new contractor	7,500	Recurring	Green
Dwelling rents	Annual rent increase at 5.78% average	875,750	Recurring	Green
End of pension added years provision	Budget provision that is not required	18,000	Recurring	Green
Consultation budget	Budget provision not required in 2014/15 as STAR survey is only carried out bi-annually	8,000	1 year	Green
Defective Double Glazing	Removal of one-off growth from 2013/14	50,000	Recurring	Green
Minor adaptations budget	Surplus budget capacity - not required.	10,000	Recurring	Green
Council Tax	Reduction in budget to reflect actual 2013/14 spend	41,700	Recurring	Green
Capitalised Salaries Income	Charging Planned Investment team salary costs to capital	38,000	Recurring	Green
De Minimus items (under £5k)	Reduction in In House Repairs Team vehicle fuel costs (£4,000), Reduced number of properties for solid fuel servicing due to conversion to gas ( £ 2,180), Annual increase in Lifeline charges ( £ 4,000), Reduced Refuse Collection costs due to closed schemes ( £ 1,400), Reduced uniforms budget for Customer Services staff ( £ 4,700), Income received from sale of recycling materials ( £ 2,000), Increased Central Heating Charges ( £2,400), Reduced Premium on historical premature loan redemptions ( £ 4,800)	25,480	Recurring	Green
		<b>1,167,530</b>		

**1,167,530**

**214,660**

**Total savings**

**Net Budget saving/(investment)**

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APPENDIX D

Examples of Proposed Rent Charges 2014/2015 (excluding service charges)

ASSET LOCATION	BEDSIT						ONE BEDROOM						TWO BEDROOM						THREE BEDROOM						FOUR / FIVE BEDROOM					
	Existing Rent (2013/14)			New Rent (2014/15)			Existing Rent (2013/14)			New Rent (2014/15)			Existing Rent (2013/14)			New Rent (2014/15)			Existing Rent (2013/14)			New Rent (2014/15)			Existing Rent (2013/14)			New Rent (2014/15)		
	Lowest	Average	Highest	Lowest	Average	Highest	Lowest	Average	Highest	Lowest	Average	Highest	Lowest	Average	Highest	Lowest	Average	Highest	Lowest	Average	Highest	Lowest	Average	Highest	Lowest	Average	Highest			
Albert Village, Coalville, Ellistown, Hugglescote, Overseal, Worthington.	37.26	45.64	52.35	40.64	48.42	54.28	43.28	56.89	67.78	46.88	60.23	70.85	52.78	71.54	79.32	56.73	75.61	82.25	73.17	81.61	88.11	77.88	86.34	91.37	82.97	87.50	95.19	88.04	92.45	98.71
Castle Donington	41.43	47.44	53.45	44.96	50.20	55.43	46.05	57.50	67.82	49.75	61.39	72.33	65.55	75.93	82.65	69.98	80.24	85.71	60.66	83.66	91.44	64.90	88.50	94.82	84.80	88.34	92.33	89.94	93.61	97.75
Ibstock, Moira, Ravenstone, Thringstone, Whitwick.	46.09	49.77	53.45	49.80	52.62	55.43	33.99	57.94	70.55	37.25	61.41	73.16	41.98	70.49	83.78	45.53	74.55	86.88	68.90	82.37	92.53	73.45	87.12	95.95	85.95	88.15	96.30	91.13	93.27	99.87
Ashby, Blackfordby, Coleorton, Diseworth, Donisthorpe, Kegworth, Long Whatton, Measham, Newbold Coleorton, Oakthorpe, Packington	34.62	50.59	59.02	37.90	53.52	61.20	41.70	59.93	70.55	45.24	63.56	73.16	54.77	71.22	82.11	58.80	75.34	85.15	70.56	82.40	96.42	75.17	87.07	99.99	78.23	86.83	102.35	83.12	91.89	106.14
Appley Magna, Belton, Breedon, Chilcote, Heather, Hemington, Lockington, Newton Burgoland, Normanton Le Heath, Osgathorpe, Snerstone, Swannington, Swepestone, Tonge.	53.54	55.68	56.24	57.52	58.25	58.32	56.00	63.76	70.55	60.07	67.69	73.16	62.83	73.36	84.88	67.15	77.37	88.03	81.25	85.69	93.64	86.26	90.59	97.10	90.26	90.26	90.26	95.60	95.60	95.60

SUMMARY	£	£	%
Average Rent	78.75	Average Increase	5.78
Lowest Rent	37.25	Lowest Increase	3.69
Highest Rent	106.14	Highest Increase	9.59

Figures based upon stock levels as at 11th November 2013: 4310 properties

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## NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

## CABINET – 11 FEBRUARY 2014

Title of Report	<b>CAPITAL PROGRAMMES – GENERAL FUND, COALVILLE SPECIAL EXPENSES AND HOUSING REVENUE ACCOUNT (H.R.A). PROJECTED OUTTURN 2013/14 AND PROPOSED PROGRAMMES 2014/15 TO 2017/18</b>
Key Decision	a) Financial Yes b) Community Yes
Contacts	<p>Councillor Nick Rushton 01530 412059 <a href="mailto:nicholas.rushton@nwleicestershire.gov.uk">nicholas.rushton@nwleicestershire.gov.uk</a></p> <p>Chief Executive 01530 454500 <a href="mailto:christine.fisher@nwleicestershire.gov.uk">christine.fisher@nwleicestershire.gov.uk</a></p> <p>Head of Finance 01530 454520 <a href="mailto:ray.bowmer@nwleicestershire.gov.uk">ray.bowmer@nwleicestershire.gov.uk</a></p> <p>Financial Planning Manager 01530 454707 <a href="mailto:pritesht.padaniya@nwleicestershire.gov.uk">pritesht.padaniya@nwleicestershire.gov.uk</a></p>
Purpose of Report	<p>To advise Members of the likely Capital Outturn and the relevant financing for the 2013/14 financial year for the General Fund, Coalville Special Expenses and the H.R.A. To seek approval to the proposed General Fund, Coalville Special Expenses and H.R.A Capital Programmes for 2014/15 to 2017/18 and associated funding.</p> <p>To advise Members of the proposed procurement routes for schemes over £100k and seek delegated authority to award contracts as appropriate.</p>
Reason for Decision	To enable projects included in the Programmes to proceed.
Council Priorities	The projects in the Capital Programmes help the Council achieve all its priorities.
Implications  Financial / Staff  Links to relevant CAT	As contained in the report.  The Capital programmes are potentially relevant to all Corporate Action Teams (CATs).

Risk Management	The Capital Programmes are monitored at project level to ensure they are delivered on time and within budget.
Equalities Impact Assessment	No impact at this stage.
Human Rights	None identified.
Transformational Government	The Programmes attached are integral to delivering better services.
Comments of Head of Paid Service	The report is satisfactory
Comments of Section 151 Officer	As author the report is satisfactory.
Comments of Monitoring Officer	The report is satisfactory
Consultees	CLT and budget holders.
Background Papers	None
Recommendations	<p><b>A. THAT THE ESTIMATED GENERAL FUND, COALVILLE SPECIAL EXPENSES AND H.R.A. CAPITAL OUTFURN FOR 2013/14 AND PLANNED FINANCING BE NOTED.</b></p> <p><b>B. THAT COUNCIL BE RECOMMENDED TO APPROVE EXPENDITURE IN 2014/15 AS PER:</b></p> <ul style="list-style-type: none"> <li>• <b>APPENDIX “A” GENERAL FUND AND SPECIAL EXPENSES CAPITAL SCHEMES</b></li> <li>• <b>APPENDIX “B” FOR HRA CAPITAL SCHEMES AND IN 2015/16 THESE SCHEMES ONLY:</b></li> <li>• <b>£617,000 FOR THE VEHICLE REPLACEMENT PROGRAMME, AS HIGHLIGHTED * IN APPENDIX “A”</b></li> </ul> <p><b>C. THAT CABINET NOTES THE PROPOSED PROCUREMENT ROUTES AND DELEGATES THE AUTHORITY TO AWARD THE CONTRACTS, AS DETAILED IN SECTION 7 (PROCUREMENT OPTIONS) OF THIS REPORT AND WAIVE CONTRACT PROCEDURE RULE 5.14 IN RESPECT OF THE CAR PARK RESURFACING TO BE UNDERTAKEN IN THE 2014-2015 YEAR</b></p>

## 1.0 INTRODUCTION

- 1.1 Attached at Appendix "A" is the General Fund and Special Expenses draft Capital Programme for 2014/15 to 2017/18."
- 1.2 Appendix "B" shows the H.R.A. draft Capital Programme for 2014/15 to 2017/18.
- 1.3 The Appendices also show the estimated outturn for the current year.

## 2.0 ESTIMATED OUTTURN 2013/14

- 2.1 The projected outturn for 2013/14 on General Fund schemes totals £1,936,471. This is a planned increase of £157,471 on the original budget for the year of £1,779,000.
- 2.2 This managed increase is caused by the following:

<b>Slippage from 2012/13 on:</b>	<b>£</b>	<b>£</b>
User Workstation Replacement	60,000	
Disabled Facilities Grant	263,000	323,000
<b>Additional Approved Schemes in 2013/14:</b>		
Improving Customer Service Experience (ICE)	187,000	
Waste Management System (ICE)	95,000	
Coalville Market Upgrade	68,000	
Payroll Software	20,000	
Disabled Facilities Grant	5,000	
		375,000
<b>Schemes not now being progressed /Slippage and Under spends in the year</b>		
Disabled Facilities Grant - Slippage into 2014/15	(172,629)	
Council offices Extension car park	(32,000)	
CRM Software	(70,000)	
Coalville Market Upgrade	(168,000)	
Market Hall Car Park	(64,500)	
Other Minor Under spends	(33,400)	
		(540,529)
<b>TOTAL</b>		<b>157,471</b>

The planned financing of the General Fund expenditure totalling £1,936,471 in 2013/14 is as follows:

£

Disabled Facilities Grant and PCT monies carried forward	239,471
Disabled Facilities Grant	228,700
Revenue Contributions to Capital	49,000
Value for Money Reserve	183,000
Other Reserves	35,000
Salix Loan for Energy Efficient Lighting schemes	31,800
Leasing/Internal Borrowing	1,169,500
	<hr/>
	1,936,471

2.3 There were sufficient funds identified prior to this capital spend being committed.

2.4 The slippage shown in paragraph 2.2 above is expenditure which was originally budgeted for in 2012/13 but which has been spent in 2013/14. The budgeted financing has also been carried forward.

### **3.0 GENERAL FUND CAPITAL PROGRAMME 2014/15 TO 2017/18 – INDIVIDUAL SCHEMES**

3.1 The programme for 2014/15 to 2017/18 detailed in Appendix A provides for a continuation of the current Disabled Facilities Grants Scheme and the Vehicle Replacement Programme. The following new schemes are included in the programmes for approval to commence in 2014/15:

#### **3.1.1 Network Upgrade (£100,000)**

The network infrastructure and the Core and Edge switches are at the heart of the corporate network, providing access to the entire network and internet to the whole of the council. Our current Core and Edge Switches are coming to the end of their lives, an upgrade is therefore required to mitigate against the risk of network failure, as well as faster connectivity that the latest technology will provide.

#### **3.1.2 Replacement Back-up and Disaster Recovery Solution (£37,000)**

To replace our current tape backup solution with an online data store at our Disaster Recovery site 'Hermitage Leisure Centre'. This will reduce the risk of data loss from an old tape media device, and also terminate the need for a backup Disaster Recovery Contract.

#### **3.1.3 Hermitage Recreation Ground – Astro turf Replacement (£140,000)**

The existing surface was laid in 2000 with a life expectancy of 10 years. The carpet has an annual independent inspection and in March 2013 this identified that the pile had reduced from 14mm to 7.6mm. The fencing is also in poor repair despite regular and ongoing investment to maintain it. Due to the deterioration in quality, income has reduced by over 50% between 2008/09 and 2013/14 by replacing the Astro turf, the Council maintenance costs will reduce and also bring in extra income over the future years.

- 3.1.4 Hood Park Leisure Centre Fire Alarm Audit (£12,000)  
This was identified by William Saunders Partnership (WSP) when they undertook a condition survey in 2010. In Order to be BS5839 compliant, they advised that various emergency signs and break glass points needed replacing to improve their Ingress Protection Factor, that further detection be provided in the Sports Hall, Function Room, the outdoor pool plant and various corridors throughout the building. BS5839 is the Approved Code of Practice for the design, installation, commissioning and maintenance of fire detection and fire alarm systems
- 3.1.5 South Street car park Ashby Resurfacing (£22,500)  
The car park surface condition has deteriorated due to age and use, giving rise to the development of defects. Repairs are not economical neither practical. Resurfacing of the entire car park is required.
- 3.1.6 Hermitage Recreation Ground all weather pitch area car park (£11,500)  
Resurfacing of two access roads leading to the all weather Play area car park. Resurfacing is required to address the defects and add structural strength in order to preserve the road for the future.
- 3.1.7 Whitwick Business Centre – Central Heating System. (£150,000)  
The Current Central heating system is very old and does require expensive repairs on a regular basis. The optimum solution to avoid these expensive repairs on a regular basis is to replace the existing system with a new environment friendly central heating system
- 3.1.8 Caravan Site Appleby Magna – Fire Risk Scheme (£175,000)  
Following the recent completion of an updated Fire Risk Assessment of this asset, a number of items of remedial work have been identified. These include the need to address the spacing between some of the mobile homes, removal of combustible materials stored between plots and alterations to the access road layout. The implementation of these requirements is currently being planned for, and the provision of a prudent level of funding to address this is therefore considered essential.
- 3.1.9 Material Separating Technology – Linden Way Depot (£190,000)  
This was highlighted in the waste service review. Extra income could be generated by bringing in this technology to separate plastic and cans collected by our refuse department. This technology is widely available and used by other councils.

3.2 The General Fund capital programme (2014/15) will be funded by:

	£
S106	43,000
Internal Borrowing	1,239,000
Reserves	638,500
Revenue Contribution	149,300
Disabled Facilities Grants	224,000
	<hr/> 2,293,800

#### 4.0 COALVILLE SPECIAL EXPENSES – ESTIMATED OUTTURN AND INDIVIDUAL SCHEMES

4.1 The projected out turn for Coalville Special Expenses is £95,000 as detailed in Appendix A. This is £93,000 less than the approved budget of £188,000.

Slippage from 2012/13 on:	£	£
Coalville Park Improvements	14,000	
Melrose Road Play Hub	30,000	
Broomleys Allotments	6,000	
Urban Forest Park - Play equipment	40,000	
Owen Street -Floodlights	9,000	99,000

#### Additional Approved Scheme in 2013/14:

BMX Cropston drive	10,000	10,000
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#### Schemes now identified as Slippage in the year

Scotlands Recreation Ground	-10,000	
Cropston Drive BMX Track	-42,000	
Thringstone Miners Social Centre	-5,000	
Urban Forest Park-Footway and drainage improvements	-30,000	
Owen Street - Changing Rooms	-115,000	
		-202,000

**TOTAL** **-93,000**

4.2 Apart from the slippage shown above there are no new schemes planned for 2014/15.

#### 5.0 H.R.A. CAPITAL PROGRAMME 2014/15 - 2017/18 – INDIVIDUAL SCHEMES

5.1 The HRA Capital programme (Appendix “B”) covers in detail the capital schemes for the period 2014/15 to 2017/18.

5.2 Planned spend in 2014/15 and onwards mainly consists of

##### 5.2.1 Decent Homes Improvement Programme (DHIP)

The Decent Homes standard was introduced by the last Government to drive up the quality of social housing across the country. The standard sets a range of indicators for different elements of tenant’s homes. North West Leicestershire has the highest national level of predicted Non Decency on this assessment at 70%.

Government has set aside £2.1bn, out of which £0.6bn is ring fenced to new Stock Transfer gap funding and the remaining £1.5bn is available for councils, with over 10% of their stock non decent, to bid for. The Council bid was successful and it received £3.7m for 2012/13, with further funding of £8.5m for years 2013/14 and 2014/15 respectively.



The Decent Homes Improvement Programme for 2014/15 will invest £10.85 million in improving tenants' homes.

5.2.2 Housing Planned Investment Programme (HPIP)

In addition to delivering the Decent Homes Improvement Programme, there are a wide range of other investments required to maintain and enhance the housing stock and associated services and assets, which are outside the Governments definition of Decent Homes works. This part of the housing capital programme is funded from receipts from Council Housing sales (Right to Buy) and the annual transfer of a Major Repairs Allowance from the Housing Revenue Account.

**6.0 CAPITAL RESOURCES**

6.1 The resources estimated to be needed to finance the General Fund programme 2014/15 to 2017/18 total £5,763,200 as follows:

	£
2014/15	2,293,800
2015/16	1,122,300
2016/17	1,280,800
2017/18	1,066,300
<b>Total</b>	<b>£5,763,200</b>

6.2 Funding is in place in 2014/15 for the Disabled Facilities Grants Scheme (£546,300) consisting of £224,000 Disabled Facilities Grants, £173,000 of reserves and £149,300 of Revenue Contribution. The remaining schemes can be funded through either leasing or borrowing depending on value for money and provision has been made in the 2014/15 Revenue Budget.

6.3 With regard to the Fleet Replacement Programme, each year a number of vehicles either come to the end of their lease period or their lease extensions are reviewed. Each vehicle is reviewed based on its age, condition, mileage, potential risk of major repairs (due to being out of warranty) and a decision is made whether to extend the lease or replace the vehicle.

6.4 These decisions are made in the previous year in order to allow a suitable lead-in period from order to delivery in April, particularly for large items such as refuse vehicles. Many of these vehicles are built to order and these orders have to be placed before October for delivery the following April. Therefore, although they are actually acquired in April a commitment has to be made in the previous year.

6.5 In order to progress with the 2015/16 purchases approval is sought for the following vehicles:

	£
Refuse Vehicle and Kerbsider	450,000
Vans Small	12,000
Vans Medium	40,000
Vans Pickup	65,000
Tractor/Plant	50,000
	<u>617,000</u>

6.6 As far as the Coalville Special Expenses Programme is concerned, the following resources are available:

	£
Resources available as at 1st April 2013	151,289
S15 in 2013/14	10,000
S106 Funding	<u>139,842</u>
<b>Resources available to finance 2012/13 capital expenditure</b>	<b>301,131</b>
<u>Less:</u>	
Capital Programme Expenditure 2013/14	<u>94,798</u>
Resources available at 1st April 2014	206,333
<u>Add:</u>	
S106 Contributions for 2014/15	<u>0</u>
<b>Resources available to finance 2013/14 capital expenditure</b>	<b>206,333</b>
<u>Less:</u>	
Capital Programme Expenditure 2014/15	<u>202,047</u>
Resources available at 1 <sup>st</sup> April 2015	<u><b>4,286</b></u>

It can therefore be seen that there are sufficient resources to finance the Coalville Special Expenses Capital Programme as proposed.

6.7 The following resources are estimated to be available for financing the Housing Revenue Account Programme. A surplus of £613k can be carried forward to 2015/16.

Major Repairs Reserve Balance at 1st April 2013	2,961,000
Available Capital Receipts at 1st April 2013	1,230,000
RCCO	250,000
Major Repairs Allowance 2013/14	3,991,000
Decent Homes Funding 2013/14	<u>9,026,000</u>
Resources available to finance 2013/14 capital expenditure	17,458,000
<u>Less:</u>	
Used to finance HRA capital expenditure in 2013/14	<u>15,737,500</u>
Resources available at 1st April 2014	1,720,500
Contribution to Major Repairs Reserve 2014/15	3,991,000
Decent Homes Funding 2014/15	8,560,000
Revenue Contribution in 2014/15	490,000
Retained Right to Buy Receipts	203,618
Capital Receipts /Allowance	<u>325,000</u>
Resources available to finance 2014/15 capital expenditure	<u>15,290,118</u>
<u>Less:</u>	
Used to finance HRA capital expenditure in 2014/15	<u>14,676,667</u>
	<u>613,451</u>
Resources available at 1st April 2015	<u><u>613,451</u></u>

## **7.0 PROCUREMENT OPTIONS**

7.1 Where the authority is required to enter into a contract which has a value of £100,000 or more, Cabinet authority is sought prior to award of the contract. As Cabinet is considering the budgetary implications of the Capital Programmes, it is efficient for Cabinet to consider the award of subsequent high-value contracts at the same time. Cabinet is also asked to address a request for a waiver to the Contract Procedure Rules (CPR) for a particular selection of contract opportunities. Each will be considered in turn.

7.2 Although the procurement processes may be commenced sooner, the contract award will not take place before Council has approved the budget for the Capital Programmes. The authority's procurement documentation gives a right not to award a contract, should Council not approve the budget.

### **7.3 Hermitage Recreation Ground – Astroturf Replacement**

7.3.1 Further to paragraph 3.1.3 above, the existing surface has exceeded its life expectancy and needs replacing. Three options were considered: close the Astroturf facility, maintain in current state or replace. The current state of the surface makes it unattractive for paying users and will become increasingly dangerous. Closing the facility would result in a significant reduction in income and loss of a well used local leisure facility. Resurfacing the facility to the latest 3G specification would significantly increase demand for the facility by local sports clubs and lead to an increase in income for the authority through facility hire. External survey and benchmarking work carried out by the Football Association in 2013, identified that the authority should ideally have between three and four 3G pitches in order to satisfy local football demand. At present, the district only has one at Newbridge School.

7.3.2 To prevent vandalism and deterioration of the facility from use by unauthorised persons, a new more robust fencing structure will need to be erected. It has been determined that the two requirements (replacement surface and fencing) will be procured together as having one contractor will be more efficient for officers to manage and will minimise the risk of the surface being completed and left exposed while the fence is erected. It is likely that the successful bidder will sub-contract the fencing element of the contract and bidders will be made aware of the authority's desire to support local businesses.

7.3.3 Soft market testing indicates that the contract value would be approximately £140,000, which would be a Band D (Large) Contract under the CPR, requiring a full tender process to be followed. It is proposed to follow an open procedure (CPR 7.5 – 7.6), aiming for delivery in summer 2014. Bidders will be evaluated on the basis of 60:40 Quality: Price split.

7.3.4 Cabinet is asked to delegate award of the subsequent contract for replacement of the Hermitage recreation ground Astroturf surface to the Director of Services in consultation with the Corporate Portfolio Holder.

### **7.4 Refuse Vehicles and Kerbsider**

7.4.1 Further to paragraphs 6.3 - 6.5 above, as part of the Fleet Replacement Programme, replacements will need to be made to some of the vehicles in the Waste Services fleet. These have previously been purchased through an ESPO framework (in compliance with CPR 2.2.3), whereby ESPO undertake a mini-

competition on behalf of the authority, to ensure that the price per vehicle represents value for money.

7.4.2 Cabinet is asked to delegate award of the subsequent contracts for refuse vehicles and kerbsider to the Director of Services in consultation with the Portfolio Holder.

## 7.5 Car Park Resurfacing

7.5.1 Further to paragraphs 3.1.5 and 3.1.6, the Council will need to resurface three car parks in the 2014-2015 financial year: South Street car park, Ashby de la Zouch, Hermitage Recreation Ground all-weather pitch car park and the Council Offices extension car park, Coalville (which was not included in the recent resurfacing works).

7.5.2 Where we are purchasing similar goods, works or services, we are under an obligation to aggregate the value so as to ensure, where that value is above the thresholds (for services contracts, the threshold is £172,514), the opportunity is advertised to potential European bidders. The aggregate value of these contract opportunities is £66,000, so below the thresholds which would require the authority to advertise the opportunity in Europe. At this value, it is a Band C contract requiring a request for quotation process be followed, pursuant to CPR 5.14.

7.5.3 To assist officers with scheduling the pre-procurement work and delivery of the resurfacing, Cabinet is requested to grant a waiver to the CPR so the contract opportunities can be disaggregated. Each contract would then be procured in accordance with CPR, according to its own value. This would bring all into Band B (Small) Contracts, requiring three written quotations be sought and opening up the opportunities in the first instance to suitable businesses registered on the Buy Local portal. If Members do not grant the waiver, it is not proposed that Cabinet approval will be sought in relation to award of the aggregated contract, as it is below delegated levels.

7.5.4 Pursuant to CPR 3.2, Cabinet is asked to grant a waiver to CPR 5.14 so that each of the three car park resurfacing programmes can be treated as individual contract opportunities and procured in accordance with the CPR, relating to their particular value. Cabinet is asked to delegate award of the subsequent contracts to the Director of Services in consultation with the Portfolio Holder.

## 7.6 Material Separating Technology – Linden Way Depot

7.6.1 Further to paragraph 3.1.9, Waste Services currently collect mixed plastic and cans and sell these on to generate income for the authority. A higher price can be obtained for separated material. It is proposed to purchase and install technology which separates the materials automatically.

7.6.2 There are three elements to this project and soft market testing has produced indicative pricing:

- Material Separation Machinery – the separation technology itself. Approximately £160,000.
- Covered storage bay – this would be to protect the equipment and materials from the elements. Approximately £20,000.
- Electrical improvements – the machinery would need an enhanced power supply and improvements to the current supply at Linden Way. Approximately £5,000 – 10,000.

7.6.3 The covered storage bay and the electrical improvements are low value and will be procured in accordance with the CPR as usual. Award of these contracts are within existing delegations to officers.

7.6.4 In relation to the machinery, this would be a Band D (Large) Contract under the CPR, requiring a full tender process to be followed. It is proposed to follow an open procedure (CPR 7.5 – 7.6), aiming for delivery to commence in winter 2014-15. Bidders will be evaluated on the basis of 60:40 Quality: Price split.

7.6.5 Cabinet is asked to delegate award of the subsequent contract for the material separation machinery to the Director of Services in conjunction with the Portfolio Holder.

7.7 Whitwick Business Centre – Central Heating System. (£150,000)

This work will be procured through the Property Services Framework Contract. As the contract value is expected to exceed £100,000 delegated authority is requested to award the contract. Cabinet is requested to delegate awarding this contract to the Chief Executive in consultation with the Corporate Portfolio holder.

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

APPENDIX A

DRAFT GENERAL FUND CAPITAL PROGRAMME 2014/15 to 2017/18

SCHEME	2013/14 ORIGINAL BUDGET £	2013/14 Actual @ Period 6 £	2013/14 FORECAST n c 12/13 slippage £	2014/15 £	2015/16 £	2016/17 £	2017/18 £	GRANTS/ S106 CONTRIB £	VFM RESERVES £	OTHER RESERVES £	FUNDING RESERVES ASSET FUND £	REVENUE £	LEASING OR BORROWING £	SALIX LOAN £
<b>CHIEF EXEC DIRECTORATE</b>														
Network Upgrade	-	-	-	100,000	-	-	-	-	-	-	-	-	100,000	-
SAN and Virtual server replacement	142,000	115,200	146,600	-	-	-	-	-	-	-	-	-	146,600	-
User Work Station Replacement	60,000	-	120,000	-	-	-	-	-	-	-	-	-	120,000	-
CRM Software	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Improving Customer Experience Project (ICE)	-	-	187,000	-	-	-	-	-	68,000	35,000	-	49,000	35,000	-
Waste management System (ICE)	-	-	95,000	-	-	-	-	-	95,000	-	-	-	-	-
Payroll Software	-	3,400	20,000	-	-	-	-	-	20,000	-	-	-	-	-
Replacement backup and disaster recovery solution	-	-	-	37,000	-	-	-	-	-	-	-	-	37,000	-
<b>DIRECTOR OF SERVICES</b>														
Disabled Facilities Grants	373,300	183,200	467,871	546,300	373,300	373,300	373,300	1,124,717	-	262,854	-	746,500	-	-
Refuse Vehicles and Refuse Kerbsider *	545,000	518,800	518,800	340,000	450,000	310,000	315,000	-	-	-	-	-	1,933,800	-
Box van	-	-	-	-	-	-	70,000	-	-	-	-	-	70,000	-
Sweeper *	-	-	-	50,000	-	120,000	80,000	-	-	-	-	-	365,500	-
Market Vehicles/Cars	-	-	-	20,000	-	15,000	-	-	-	-	-	-	35,000	-
Vans Small *	-	-	-	35,000	12,000	40,000	-	-	-	-	-	-	87,000	-
Housing Vans	41,000	41,600	41,600	-	-	-	-	-	-	-	-	-	41,600	-
Vans Medium *	-	-	-	15,000	40,000	30,000	105,000	-	-	-	-	-	190,000	-
Vans Pickup *	-	-	-	100,000	65,000	-	50,000	-	-	-	-	-	215,000	-
Bin Lifter *	-	-	-	65,000	-	20,000	-	-	-	-	-	-	20,000	-
Digger *	-	-	-	20,000	-	-	-	-	-	-	-	-	20,000	-
Chipper machine	-	-	-	-	-	-	-	-	-	-	-	-	20,000	-
Tractor / Plant	-	-	-	-	50,000	250,000	-	-	-	-	-	-	300,000	-
Mowing machines	52,000	44,800	44,800	-	-	50,000	-	-	-	-	-	-	94,800	-
Hood Park Leisure Centre - Pool Changing Rooms	25,000	-	25,000	-	-	-	-	-	-	-	-	-	25,000	-
Hood Park Leisure Centre - Studio Air Con	15,000	12,000	12,000	-	-	-	-	-	-	-	-	-	12,000	-
Hermitage Recreation Ground - Astroturf Replacement	-	-	-	140,000	-	-	-	-	-	-	-	-	140,000	-
Hermitage Leisure Centre - Regrouting Pool	-	-	-	-	-	-	23,000	-	-	-	-	-	23,000	-
Hood Park Leisure Centre - Fire Alarm Upgrade	-	-	-	12,000	-	-	-	-	-	-	-	-	12,000	-
Hood Park Leisure Centre - Upgrade Outdoor Pool Electrics	-	-	-	-	-	20,000	-	-	-	-	-	-	20,000	-
Hood Park Leisure Centre - Replace Outdoor Learner Pool Boiler and Pipework	-	-	-	-	-	-	10,000	-	-	-	-	-	10,000	-
Hood Park Leisure Centre - Replace Office and Function Room Air Con	-	-	-	-	-	-	25,000	-	-	-	-	-	25,000	-
Fitness Equipment	62,000	59,900	61,000	-	-	-	-	-	-	-	-	-	61,000	-
Hood Park Leisure Centre - Outdoor Pool Change Roof Replacement	-	-	-	-	15,500	-	-	-	-	-	-	-	15,500	-
Coalville Park - Replace Building	-	-	-	-	30,000	-	-	-	-	-	-	-	30,000	-
Council Offices Access & Main CP, Cville, Resurfacing.	49,500	-	49,500	-	-	-	-	-	-	-	-	-	49,500	-
Council Offices Ext'n CP, Cville - Resurfacing.	32,000	-	-	32,000	-	-	-	-	-	-	-	-	32,000	-
Market Hall CP, Cville - Resurfacing.	64,500	-	-	64,500	-	-	-	-	-	-	-	-	64,500	-
South Street Car Park, Ashby - Resurfacing.	-	-	-	22,500	-	-	-	-	-	-	-	-	22,500	-
Hermitage Rec Grounds AWP Area Access, Whitwick - Resurfacing.	-	-	-	11,500	-	-	-	-	-	-	-	-	11,500	-
North Street Car park, Ashby - Resurfacing	-	-	-	-	41,500	-	-	-	-	-	-	-	41,500	-
Hermitage Leisure centre Car Park Resurface (Section of)	-	-	-	-	15,000	-	-	-	-	-	-	-	15,000	-
Hermitage Recreation Grounds, Whitwick, All Weather Play Area Car Park.	-	-	-	-	-	2,500	-	-	-	-	-	-	2,500	-
Silver Street Car Park, Whitwick - Resurface (original main public car park section).	-	-	-	-	-	50,000	-	-	-	-	-	-	50,000	-
Hood Park Leisure Centre - Car park	-	-	-	-	-	-	15,000	-	-	-	-	-	15,000	-
Lighting Scheme at Leisure centres - SALIX	36,000	31,800	31,800	-	-	-	-	-	-	-	-	-	31,800	-
Coalville Market Upgrade	100,000	-	-	168,000	-	-	-	43,000	72,430	52,570	-	-	-	-
Market Hall Wall	-	-	-	-	30,000	-	-	-	-	-	-	-	30,000	-
Whitwick Business Centre - Central Heating System	-	-	-	150,000	-	-	-	-	-	150,000	-	-	-	-
Caravan Site - Appleby Magna, Fire Risk Scheme	-	-	-	175,000	-	-	-	-	-	-	-	-	175,000	-
Materials Separating Technology - Udden Way Depot	-	-	-	190,000	-	-	-	-	190,000	-	-	-	-	-
<b>TOTAL GENERAL FUND</b>	<b>1,779,300</b>	<b>1,126,200</b>	<b>1,936,471</b>	<b>2,293,800</b>	<b>1,122,300</b>	<b>1,280,800</b>	<b>1,066,300</b>	<b>1,167,717</b>	<b>445,430</b>	<b>500,424</b>	<b>-</b>	<b>795,500</b>	<b>4,790,600</b>	<b>-</b>

\* Indicates 2015/16 Vehicle Replacement Programme of £617,000

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NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

APPENDIX A

DRAFT GENERAL FUND CAPITAL PROGRAMME 2014/15 to 2017/18

SCHEME	2013/14 ORIGINAL BUDGET	2013/14 Actual @ Period 6	2013/14 FORECAST	2014/15	2015/16	2016/17	2017/18	GRANTS/ S106 CONTRIB	VFM RESERVES	FUNDING		REVENUE	LEASING OR BORROWING
										RESERVES	ASSET PROT FUND		
	£	£	£	£	£	£	£	£	£	£	£	£	£
<b>COALVILLE SPECIAL EXPENSES</b>													
Coalville Park Improvements		-	14,000				14,000						
Meirose Road Play hub		28,000	30,000								30,000		
Cropston Drive BMX Track	32,047	-	-	42,047			25,000				7,047	10,000	
Broomleys Allotments		1,400	5,798								5,798		
Thringstone Miners Social Centre	5,000	-	-	5,000							5,000		
Urban Forest Park - Play Equipment	31,000	-	41,000					41,000					
Urban Forest Park - Footway and Drainage improvements	-	-	-	30,000				30,000					
Scotland's Recreation Ground	80,000	-	-	10,000							10,000		
Owen Street Floodlights Upgrade/Extension	10,000	3,100	4,000								4,000		
Owen St - Changing Rooms	30,000	-	-	115,000				30,000			85,000		
	<b>188,047</b>	<b>32,500</b>	<b>94,798</b>	<b>202,047</b>				<b>140,000</b>			<b>146,845</b>	<b>10,000</b>	

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	Notes	2013/14 Approved Programme	2013/14 Revised Programme Jan 2014	2014/15	2015/16	2016/17	2017/18
<b>2012-17 DHIP Programme</b>							
Year 1 programme slippage (including Major Aids & Adaptations completed under DHIP)			1,192,450				
Year 1 Programme Additional costs			-				
HCA Funded Properties (90% of pre 2012 failures)		8,500,000	9,026,000	8,560,000	-	-	-
NWLDC Funded Properties (10% + post 2012 failures)	Post 2015/16 as per PIMSS	1,417,000	1,376,000	1,426,667	4,500,000	4,500,000	4,500,000
Major Aids & Adaptations completed under DHIP			453,000				
Enabling Works Provision	Works in addition to core DHIP spec which are essential to complete jobs.	415,000	415,000	415,000	132,000	132,000	132,000
Enabling Works for Decants	Including decs/soft furnishing and decant allowance	30,000	30,000		-	-	-
Asbestos Handling	Disposal of asbestos, following R&D asbestos surveys	450,000	450,000	450,000	50,000	50,000	50,000
Year 3 Scoping Surveys	Assumed cost £164 per survey	225,000	267,000				
Year 4 Scoping Surveys	Assumed cost £164 per survey. Year 1-4 scoping surveys = 4,475 = total stock.						
<b>2012-17 HPIP Programme</b>							
Fire Risk Assessment Remedial Works	Includes provision for fire risk assessment work, including doors, signage, external openings.	80,000	35,500	40,000	40,000	40,000	40,000
Lift Replacement	6 lift replacements at Sheltered Schemes	300,000	-	300,000			
Fire Alarm / Emergency Lighting	Sheltered scheme & communal flats emergency lighting and fire alarm upgrades	340,000	146,000	194,000			
Communal Boilers	4 schemes + Woulds/Cherry Tree	146,000	80,000				
Measham (Riverway) Staircases	Reinforced concrete communal staircase remedial works	60,000	32,000				
Defective floor slabs (red ash floors)/Damp proofing (loughborough rd and other identified in year)	Assumption of average of 25 properties p.a. @ £6k each. Loughborough rd - 17 properties, other - 15 properties pa £2.5k each. Budget originally intended for chemical injection, likely that other remedial works will be completed instead within same budget provision	422,500	300,000	310,000	187,500	187,500	187,500
Fuel swaps (solid fuel to gas supply)	Energy company rebate on fuel swaps income = £12k estimate	67,000	67,000	78,000	25,000	25,000	25,000
In Year Priorities	No current provision held			-	-	-	-
Garage Modernisation	One off £100k provision for demolitions, resurfacing & lighting works	50,000		100,000	-	-	-
Carbon Monoxide Detectors	Potential delivery through solid fuel servicing contractor as will not exceed CV by more than 50%	15,000	15,000	-	-	-	-
DH Works in Voids and Tenanted Properties	Additional provision added 13/14 to reflect historic expenditure trends	1,455,000	850,000	850,000	850,000	850,000	850,000

Major Aids & Adaptations	Expenditure on flat floor shower on DHIP needs a virement of additional costs over standard bathroom to be transferred out of this budget where there is not an active A&A referral @ an approx cost of £1200 pp	380,000	140,000	380,000	350,000	350,000	350,000
Development Site Preparations	Related to decommissioned sheltered schemes. £20k, provision left in for 12/13 for rebuilding wall at Heather House	40,000	40,000	40,000	-	-	-
Insulation Works	Principally external wall works. External grant income anticipated.	525,000	-	660,000	-	-	-
Green & Decent Installations	Pilot costs for 2013/14, recurring budget requirement from 2015/16 for ongoing programme. External grant income anticipated.	125,000	-	125,000	250,000	250,000	250,000
IBS Upgrade (Contract Module)	Provision for repairs data requirements required to support implementation of repairs diagnostics and mobile working. Moved from 2012/13 to 2013/14.	25,000	25,000				
Dynamic Scheduling	Required for Mobile Working (Dynamic Scheduling) project.	34,550	34,550				
Speech Module	Replacement of speech module equipment in hard wired older persons accommodation.			50,000	50,000	50,000	50,000
Capital Programme Delivery Costs	Includes Decent Homes Improvement Programme contingency	763,000	763,000	698,000	623,000	623,000	623,000
Unallocated/Contingency	Contingency prior to 2015/16 incorporated into individual budget lines. For 2015/16 onwards separate provision held to ensure adequate capacity available to meet in years needs as and when identified.			-	500,000	500,000	500,000
<b>Capital Allowances</b>							
Programme to be defined	Review of income from asset disposals will determine capacity within this budget. Potential option of funding works within Other Investment category from this source						
<b>Total Programme Costs</b>		<b>15,865,050</b>	<b>15,737,500</b>	<b>14,676,667</b>	<b>7,557,500</b>	<b>7,557,500</b>	<b>7,557,500</b>
<b>Funding</b>							
A&A Grant Usable balances held @ 31/03/12		2,913,000	4,008,000	1,720,500	613,452	625,296	608,796
Retained Right to Buy Receipts (RTB)	Based on projections from Spreadsheet agreed on 01/11/2012. Target/estimate to be used one year in arrears.	174,000	143,000	203,618	228,344	200,000	200,000
RCCO	Balancing transfer from HRA to be verified through HRA Business Plan Model.	250,000	250,000	490,000	3,250,000	3,250,000	3,250,000
Decent Homes Backlog Funding		8,500,000	9,026,000	8,560,000	-	-	-
Major Repairs Allowance	More detailed work to be undertaken as part of HRA Business Planning and in reference to HRA component depreciation.	3,991,000	3,991,000	3,991,000	3,991,000	3,991,000	3,991,000
Asset Disposals (Capital Allowance)	Income from sale of HRA (non RTB) assets. Target/estimate to be used one year in arrears. (Includes Broughton Street District Heating building).	65,000	40,000	325,000	100,000	100,000	100,000
<b>Total Funding</b>		<b>15,893,000</b>	<b>17,458,000</b>	<b>15,290,118</b>	<b>8,182,796</b>	<b>8,166,296</b>	<b>8,149,796</b>
<b>Cumulative Over / (Under Resource)</b>		<b>27,950</b>	<b>1,720,500</b>	<b>613,452</b>	<b>625,296</b>	<b>608,796</b>	<b>592,296</b>

## NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

## CABINET – 11 FEBRUARY 2014

Title of report	<b>THE TREASURY MANAGEMENT STRATEGY STATEMENT 2014/15 AND PRUDENTIAL INDICATORS 2014/15 TO 2016/17</b>
Key Decision	a) Financial Yes b) Community Yes
Contacts	Councillor Nick Rushton 01530 412059 <a href="mailto:nicholas.rushton@nwleicestershire.gov.uk">nicholas.rushton@nwleicestershire.gov.uk</a>  Chief Executive 01530 454500 <a href="mailto:christine.fisher@nwleicestershire.gov.uk">christine.fisher@nwleicestershire.gov.uk</a>  Head of Finance 01530 454520 <a href="mailto:ray.bowmer@nwleicestershire.gov.uk">ray.bowmer@nwleicestershire.gov.uk</a>
Purpose of report	This report outlines the expected treasury operations for the forthcoming financial year and sets out the Authority's prudential indicators for 2014/15 to 2016/17. It fulfils the key requirements of the Local Government Act 2003: <ul style="list-style-type: none"> <li>• The Treasury Management Strategy Statement in accordance with the CIPFA Code of Practice for Treasury Management in Public Services ;</li> <li>• The Annual Investment Strategy in accordance with the CLG Investment Guidance;</li> <li>• The reporting of the prudential indicators as required by the CIPFA Prudential Code for Capital Finance in Local Authorities.</li> <li>• The Policy for the Annual Minimum Revenue Provision.</li> </ul>
Reason for Decision	These are statutory requirements.
Council Priorities	Value for Money
Implications:	
Financial/Staff	Interest earned on balances and interest paid on external debt, impacts on the resources available to the Authority.
Link to relevant CAT	Could impact upon all CAT's.
Risk Management	Borrowing and investment both carry an element of risk. This risk is moderated through the adoption of the Treasury and Investment Strategies, compliance with the CIPFA Code of Treasury Management and the retention of Treasury Management Advisors (Arlingclose) to proffer expert advice.
Equalities Impact Assessment	Not applicable.
Human Rights	Not applicable.

Transformational Government	Not applicable.
Comments of Head of Paid Service	The report is satisfactory
Comments of Section 151 Officer	The report is satisfactory
Comments of Monitoring Officer	The report is satisfactory
Consultees	None.
Background papers	<p>The “Annual Treasury Management Stewardship Report 2008/09 and Re-Adoption of the CIPFA Revised Code of Practice and Treasury Management Policy Statement” – Cabinet 16 June 2009</p> <p>The “Housing Revenue Account (HRA) Business Plan” – Cabinet 13 March 2012</p> <p><a href="http://prod-modgov:9070/mqCommitteeDetails.aspx?ID=126">http://prod-modgov:9070/mqCommitteeDetails.aspx?ID=126</a></p>
Recommendations	<p><b>IT IS RECOMMENDED THAT CABINET:</b></p> <p><b>1) RE-ADOPT THE CIPFA TREASURY MANAGEMENT IN PUBLIC SERVICES: CODE OF PRACTICE;</b></p> <p><b>AND</b></p> <p><b>2) RECOMMEND THE TREASURY MANAGEMENT STRATEGY STATEMENT 2014/15, PRUDENTIAL INDICATORS -REVISED 2013/14 AND 2014/15 TO 2016/17, AND THE ANNUAL MINIMUM REVENUE PROVISION STATEMENT, FOR APPROVAL BY FULL COUNCIL</b></p>

## 1.0 INTRODUCTION

- 1.1 The Chartered Institute of Public Finance and Accountancy’s Treasury Management in Public Services Code of Practice (the “CIPFA TM Code”) and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators (PIs) on an annual basis. The TMSS also includes the Annual Investment Strategy (AIS) that is a requirement of the CLG’s Investment Guidance.
- 1.2 As per the requirements of the Prudential Code, the Authority adopted the CIPFA Treasury Management Code of Practice at a meeting of the Cabinet on 16 June 2009. The revised CIPFA Treasury Management in The Public Services Code of Practice was published in 2011. The clauses that were adopted in 2009 remain the same under the revised code and are re-submitted for Council approval (Appendix A).
- 1.3 CIPFA has defined Treasury Management as: “the management of the organisation’s investments and cash flows, its banking, money market and capital market

transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

- 1.4 The TMSS and prudential indicators ensure that the Authority complies with statutory, regulatory, and professional (CIPFA) requirements.

The TMSS sets out:

- a. Background information used to determine borrowing and investment requirements (paragraphs 2.2 and 2.3).
- b. Organisational roles and responsibilities (paragraph 1.7).
- c. The role of the Authority’s treasury advisor (paragraph 1.8).
- d. Reporting and monitoring of treasury management activity (paragraph 1.9).
- e. Borrowing and debt rescheduling strategies. General Fund interest payments on existing debt are estimated at £505,694 in 2014/15.
- f. Investment Strategy. Security of capital is the first and most important investment policy objective. Total investment income is estimated at £68,000 in 2014/15 (General Fund - £43k, HRA - £25k).
- g. Treasury Management Prudential Indicators for 2014/15 to 2016/17. These are designed to monitor borrowing limits, debt levels and investment returns.

All treasury activity will comply with relevant statute, guidance and accounting standards.

- 1.5 The Authority is responsible for its treasury decisions and activity. No treasury management activity is without risk. The successful identification; monitoring and control of risk are important and integral elements of treasury management activities. The main risks to the Authority’s treasury activities are:

- Credit and Counterparty Risk (security of investments)
- Liquidity Risk (inadequate cash resources)
- Market or Interest Rate Risk (fluctuations in interest rate levels)
- Inflation Risk (exposure to inflation)
- Refinancing Risk (impact of refinancing on suitable terms)
- Legal & Regulatory Risk (failure to act in accordance with powers or regulatory requirements)

- 1.6 The Treasury Management Strategy Statement reviews:
- the economic background and outlook for U.K. interest rates
  - implications for treasury activity
  - the Authority’s current balance sheet and treasury position
  - the Authority’s Borrowing Strategy
  - the Authority’s Debt Restructuring Strategy
  - the Authority’s Investment Policy and Strategy
  - the Authority’s Interest Apportionment Policy
  - the Authority’s Prudential Indicators 2013/14 to 2016/17
  - the Authority’s Minimum Revenue Position.

- 1.7 Organisational Roles and Responsibilities

In accordance with CIPFA guidance, the roles and responsibilities of the Authority’s Treasury Management function are divided between several responsible officers and are summarised below:

Section 151 Officer – overall responsibility for the treasury management function to include:

Ensuring the organisation of the treasury management function is adequate to meet current requirements:

- Investment, borrowing and debt rescheduling decisions.
- Monitoring adherence to approved Treasury Management Strategy Statement.
- Regular reporting to Members on Treasury Management activity.

Finance Team Manager (Deputy Section 151 Officer) – ensuring that day to day treasury activities comply with the approved Treasury Management Strategy Statement.

Technical Accountant – identification of investment opportunities and borrowing requirements and acts as the Authority’s interface with brokers and counterparties.

## 1.8 The Role of the Authority’s Treasury Advisor

The Authority currently employs Arlingclose Ltd. as treasury advisor to provide the following services; strategic treasury management advice, advice relating to Housing & Capital finance, economic advice and interest rate forecasting, debt restructuring and portfolio review (structure and volatility), counterparty credit ratings and other creditworthiness indicators and training, particularly investment training, for Members and officers.

Arlingclose Ltd is authorised and regulated by the Financial Conduct Authority (FCA). Arlingclose Ltd provide the Authority with timely, clear and regular information about the financial sector to enable the Authority to take pro-active decisions which in turn, helps to minimise risk.

## 1.9 Reporting and Monitoring of Treasury Management Activity

The Treasury Management Stewardship Report for 2013/14 will be presented to the Audit and Governance Committee for scrutiny and then Cabinet as soon as possible after the end of the financial year. As in previous years, the Treasury Management Strategy Statement will be supplemented by in-year reporting of treasury management activity and monitoring of prudential indicators, to the Audit and Governance Committee during 2014/15.

This report, together with all other reports to Council, Cabinet and the Audit and Governance Committee are a public record and can be viewed on the Authority’s website. This demonstrates compliance with CLG Guidance on local government investments, which recommends that the initial strategy, and any revised strategy, should, when approved, be made available to the public free of charge, in print or online.

## 2.0 THE TREASURY MANAGEMENT STRATEGY STATEMENT 2014/15

### 2.1 The purpose of this Treasury Management Strategy Statement is to set out for approval

- The Borrowing Strategy 2014/15 (APPENDIX B)
- The Debt Rescheduling Strategy 2014/15 (APPENDIX C)
- The Annual Investment Strategy 2014/15 (APPENDIX D)
- The Apportionment of Interest Strategy 2014/15 (APPENDIX E)
- The Prudential Indicators 2014/15 to 2016/17 (APPENDIX F)
- The Annual Minimum Revenue Provision (APPENDIX G)

### 2.2 Economic Background.

- The Bank of England’s Monetary Policy Committee (MPC) through its recent forward guidance is committed to keeping policy rates low for an extended period using the Labour Force Survey unemployment rate of 7% as a threshold



for when it would consider whether or not to raise interest rates, subject to certain knock-outs. Unemployment was 7.4% in the three months to October 2013, but is not forecast to fall below the threshold until 2016, due to the UK's flexible workforce.

- The flow of credit to households and businesses is slowly improving but is still below pre-crisis levels. The fall in consumer price inflation from the high of 5.2% in September 2011 to 2.0% in December 2013 will allow real wage increases (i.e. after inflation) to slowly turn positive and aid consumer spending.
- Stronger growth data in 2013 (0.4% in Q1, 0.7% in Q2 and 0.8% in Q3) alongside a pick-up in property prices mainly stoked by government initiatives to boost mortgage lending have led markets to price in an earlier rise in rates than warranted under Forward Guidance and the broader economic backdrop. However, with jobs growth picking up slowly, many employees working shorter hours than they would like and benefit cuts set to gather pace, growth is likely to only be gradual. Arlingclose forecasts the MPC will maintain its resolve to keep interest rates low until the recovery is convincing and sustainable.
- In the US expectations for the slowing in the pace of asset purchases ('tapering') by the Federal Reserve and the end of further asset purchases will remain predominant drivers of the financial markets. The Federal Reserve did not taper in September and has talked down potential tapering in the near term. It now looks more likely to occur in early 2014 which will be supportive of bond and equity markets in the interim.
- Credit outlook: The credit risk of banking failures has diminished, but not dissipated altogether. Regulatory changes are afoot in the UK, US and Europe to move away from the bank bail-outs of previous years to bank resolution regimes in which shareholders, bond holders and unsecured creditors are 'bailed in' to participate in any recovery process. This is already manifest in relation to holders of subordinated debt issued by the Co-op which will suffer a haircut on its conversion bail-in to alternative securities and/or equity. There are also proposals for EU regulatory reforms to Money Market Funds which will, in all probability, result in these funds moving to a VNAV (variable net asset value) basis and losing their 'triple-A' credit rating wrapper. Diversification of investments between creditworthy counterparties to mitigate bail-in risk will become even more important in the light of these developments.

### 2.3 Outlook for UK Interest Rates:

The Authority's treasury advisor's current central case forecast for the UK Bank Rate is set out below.

<b>March 2014</b>	<b>June 2014</b>	<b>Sept. 2014</b>	<b>Dec. 2014</b>	<b>March 2015</b>	<b>June 2015</b>	<b>Sept. 2015</b>	<b>Dec. 2015</b>	<b>March 2016</b>
0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%

The Authority's treasury advisor has forecast that the Bank Rate will remain flat until late 2016.

## 3.0 IMPLICATIONS FOR TREASURY ACTIVITY

- 3.1 The economic outlook, the financial health of sovereign states, major banks and investment counterparties and the regulatory changes that are anticipated, still provide major challenges and risk for treasury activity, particularly investment activity, during financial year 2014/15.

- 3.2 The principles in the proposed suite of treasury policies remain broadly unchanged from previous years - borrowing will be prudent, minimise borrowing costs and maintain the stability of the debt maturity portfolio. Debt rescheduling should achieve interest savings, carry minimal risk and maintain the stability of the debt maturity portfolio. Investments will be prioritised and based upon the principles of security, liquidity and yield.
- 3.3 The Treasury Management Strategy Statement will be monitored throughout the year and, if necessary, amended and brought back to Members for approval.

#### 4.0 THE AUTHORITY'S CURRENT BALANCE SHEET AND TREASURY POSITION

- 4.1 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). Usable reserves and balances are the underlying resources available for investment. The CFR, balances and reserves are the core drivers of Treasury Management Activity. The estimates, based on the current Revenue Budget and Capital Programmes, are set out below:

	<b>31 Mar 14 Estimate £m</b>	<b>31 Mar 15 Estimate £m</b>	<b>31 Mar 16 Estimate £m</b>	<b>31 Mar 17 Estimate £m</b>
CFR	91.759	91.407	90.549	89.812
Balances & Reserves	6.000	6.000	6.000	6.000
<b>Net Balance Sheet Position</b>	85.759	85.407	84.549	83.812

- 4.2 The Authority's level of physical debt and investments is linked to these components of the Balance Sheet. Market conditions, interest rate expectations and credit risk considerations will influence the Authority's strategy in determining the borrowing and investment activity against the underlying Balance Sheet position. The Authority's current strategy is to maintain borrowing and investments below their underlying levels (internal borrowing).
- 4.3 CIPFA's 'Prudential Code for Capital Finance in Local Authorities' recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. The Authority expects to comply with this recommendation during 2014/15.

**THE REVISED CIPFA CODE OF PRACTICE FOR TREASURY MANAGEMENT 2011**

This Council re-adopts the four key recommendations of the CIPFA Code of Practice for Treasury Management.

1. The Council will create and maintain, as the cornerstones for effective treasury management:
  - A treasury management policy statement, stating the policies and objectives of its treasury management activities
  - Suitable treasury management practices (TMP's) setting out the manner in which the Council will seek to achieve those policies and objectives and prescribing how it will manage and control those activities.
2. The Council will receive reports on its treasury management policies, practices and activities including as a minimum, an annual strategy and plan in advance of the year, a midyear review and an annual report after its close, in the form prescribed in the TMP's.
3. The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Cabinet and for execution and administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the Council's policy statement and TMP's and CIPFA's Standard of Professional Practice on Treasury Management.
4. The Council's Audit and Governance Committee is responsible for ensuring effective scrutiny of the treasury management strategy, policies and activity.

## BORROWING STRATEGY 2014/15

The Authority currently holds loans totalling £87.5m (£79.1m HRA and £9.4m General Fund). This is a decrease of £1m on the previous year (£80.1m HRA and £9.4m General Fund) and is part of the Authority's strategy for funding previous years' capital programme and for the self-financing of the HRA, which was presented to Cabinet on 17<sup>th</sup> January 2012 in the "Housing Revenue Account (HRA) Business Plan".

The Authority prefers to maintain maximum control and minimise risk over its borrowing activities whilst preserving flexibility on its loans portfolio. Capital expenditure levels, market conditions and interest rate levels will be monitored during the year in order to minimise borrowing costs over the medium to longer term. A prudent and pragmatic approach to borrowing will be maintained to minimise borrowing costs without compromising the longer-term stability of the portfolio, consistent with the Authority's Prudential Indicators.

Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, at this time it is more cost effective to borrow internally or on a short term basis.

By utilising internal or short-term borrowing, the Authority is able to reduce overall treasury risk and net borrowing costs, despite the foregone investment income. This is likely to be beneficial whilst official interest rates remain low however the benefits of this strategy will be monitored to ensure the most effective outcome for the Authority.

In addition, the Authority may borrow short-term loans to cover unexpected cash flow shortages.

The approved sources of long and short term borrowing are:

- Internal borrowing
- Public Works Loans Board
- UK local authorities
- Any institution approved for investments
- Any other bank or building society authorised by the Prudential Regulation Authority to operate in the UK.
- Capital market bond investors
- UK public and private sector pension funds (except Leicestershire County Council Pension Fund)
- Special purpose companies created to enable joint local authority bond issues

The Authority has previously raised the majority of its long-term borrowing from the Public Works Loan Board but it continues to investigate other sources of finance, such as local authority loans and bank loans that may be available at more favourable rates.

The Authority holds two LOBO (Lender's Option Borrower's Option) loans totalling £7.4m as part of its total borrowing of £87.5m, where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. These LOBO's have options during 2014/15 and although the Authority understands that the lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority will take the opportunity to repay LOBO loans at no cost if it has the opportunity to do so.

Borrowing activity will be reported in the annual Treasury Management Stewardship Report and supplemented with in-year Treasury Activity Reports to the Audit and Governance Committee.

## DEBT RESCHEDULING STRATEGY 2014/15

The Authority will continue to maintain a flexible policy for debt rescheduling.

The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. However, the lower interest rate environment has adversely affected the scope to undertake meaningful debt restructuring although occasional opportunities arise. The rationale for rescheduling will be one or more of the following:

- Savings in interest costs with minimal risk.
- Balancing the volatility profile (i.e. the ratio of fixed to variable rate debt) of the debt portfolio.
- Amending the profile of maturing debt to reduce any inherent refinancing risks.

Any rescheduling activity will be undertaken within the Authority's Treasury Management Policy and Strategy. The Authority will agree in advance with its treasury advisor, the strategy and framework within which debt will be repaid / rescheduled, should opportunities arise. Thereafter, the Authority's debt portfolio will be monitored against equivalent interest rates and available refinancing options on a regular basis. As opportunities arise, they will be identified by the Authority's treasury advisor and discussed with the Authority's officers.

All rescheduling activity will comply with accounting and regulatory requirements and will be reported in the annual Treasury Management Stewardship Report and supplemented with in-year Treasury Activity Reports to the Audit and Governance Committee.

## ANNUAL INVESTMENT STRATEGY 2014/15

### Background

Guidance from CLG on Local Governments in England requires that an Annual Investment Strategy (AIS) be approved by Full Council.

### Investment Policy

Both the CIPFA Code and the CLG Guidance require the Authority to invest its funds prudently. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. The Authority's investment priorities are:

- security of the invested capital;
- liquidity of the invested capital;
- An optimum yield which is commensurate with security and liquidity.

The Authority will not borrow money in advance of need for the purpose of investing at a higher rate. The speculative practice of borrowing purely in order to invest is unlawful.

### Investment Strategy

There is no intention to restrict investments to bank deposits, and investments may be made with any public or private sector organisations that meet the Authority's counterparty criteria. This reflects a lower likelihood that the UK and other governments will support failing banks as the bail-in provisions in the *Banking Reform Act 2014* and the EU *Bank Recovery and Resolution Directive* are implemented. In addition, the Authority may invest with organisations and pooled funds without credit ratings, following an external credit assessment and advice from the Authority's treasury management adviser.

The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

The Authority compiles its cash flow forecast on a pessimistic basis, with receipts underestimated and payments over-estimated to minimise the risk of the Authority having to borrow on unfavourable terms. Limits on investments are set with reference to the Authority's Medium Term Financial Plan and cash flow forecast. This also determines the maximum period for which funds may prudently be committed.

The Section 151 Officer, under delegated powers, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements and Prudential Indicators.

## **INVESTMENT GUIDANCE AND COUNTERPARTY CRITERIA**

In accordance with CLG Guidance, investments fall into two categories, Specified and Non-Specified.

Specified Investments: The CLG Guidance defines specified investments as those:

- Denominated in pound sterling
- has a maximum maturity of 1 year
- not defined as capital expenditure by Legislation
- invested with one of:
  - the UK Government
  - a UK local authority, parish council, community Council
  - a body or investment scheme of 'high credit quality'

The Authority defines 'high credit quality' organisations as those having a credit rating of A- or higher that are domiciled in the UK, or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds 'high credit quality' is defined as those having a credit rating of A- or higher.

Non-Specified Investments: Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality.

The Authority's investments are made with reference to the Authority's cash flow, the outlook for the UK Bank Rate, money market rates, the economic outlook and advice from the Authority's treasury adviser.

To minimise the risk of investment losses in the case of a default, the maximum that will be lent to any one organisation (other than the UK Government) will be £5 million. A group of banks under the same ownership or a group of funds under the same management will be treated as a single organisation for limit purposes. Limits will also be placed on investments in brokers' nominee accounts (*e.g. King & Shaxson*), foreign countries and industry sectors as below:



	<b>Cash limit</b>
Any single organisation, except the UK Central Government	£5m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£5m per group
Any group of pooled funds under the same management	£5m per manager
Negotiable instruments held in a broker's nominee account	£5m per broker
Foreign countries	£5m per country
Registered Providers	£5m in total
Building Societies	£5m in total
Loans to small businesses	£2m in total
Money Market Funds	£15m in total

The Authority may lend or invest money using any of the following instruments:

- interest-bearing bank accounts
- fixed term deposits and loans
- callable deposits and loans where the Authority may demand repayment at any time (with or without notice)
- callable deposits and loans where the borrower may repay before maturity
- certificate of deposit
- bonds, notes, bills, commercial paper and other marketable instruments
- shares in money market funds and other pooled funds

### **Counterparty Criteria**

The Authority may invest its surplus funds with any of the counterparties in the table below, subject to the limits shown:

<b>Counterparty</b>	<b>Cash limit</b>	<b>Time limit †</b>
Banks, other organisations and securities whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is:	AAA	10 years*
	AA+	5 years*
	AA	4 years*
	AA-	3 years*
	A+	2 years
	A	1 year
	A-	
UK Central Government (irrespective of credit rating)	unlimited	50 years**
UK Local Authorities (irrespective of credit rating)	£5m each	50 years**
UK Registered Providers of Social Housing whose lowest published long-term credit rating is A- or higher	£3m each	10 years**
UK Registered Providers of Social Housing whose lowest published long-term credit rating is BBB- or higher and those without credit ratings	£2m each	5 years
UK Building Societies without credit ratings	£1m each	1 year
Money market funds and other pooled funds	£5m each	n/a
Any other organisation, subject to an external credit assessment and specific advice from the Authority's treasury management adviser	£3m each	3 months
	£1m each	1 year
	£100k each	5 years

† the time limit is doubled for investments that are secured on the borrower's assets

\* but no longer than 2 years in fixed-term deposits and other illiquid instruments

\*\* but no longer than 5 years in fixed-term deposits and other illiquid instruments

**Current Account Bank:** Following a competitive tender exercise held in 2013, the Authority's current account is held with Co-operative Bank Plc which is currently rated below the minimum A- rating. The Authority does not hold investments with this bank and manages the risk by maintaining an overnight balance that is estimated to be close to zero.

**Registered Providers:** Formerly known as Housing Associations, Registered Providers of Social Housing are tightly regulated by the Homes and Communities Agency and retain a high likelihood of receiving government support if needed. The Authority will consider investing with unrated Registered Providers with adequate credit safeguards, subject to receiving independent advice.

**Building Societies:** The Authority takes additional comfort from the building societies' regulatory framework and insolvency regime where, in the unlikely event of a building society liquidation, the Authority's deposits would be paid out in preference to retail depositors. The Authority will therefore consider investing with unrated building societies where independent credit analysis shows them to be suitably creditworthy. The Government has announced plans to amend the building society insolvency regime alongside its plans for wide ranging banking reform, and investments in lower rated and unrated building societies will therefore be kept under continuous review.

**Money Market Funds:** These funds are pooled investment vehicles consisting of money market deposits and similar instruments. They have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager. Fees of between 0.10% and 0.20% per annum are deducted from the interest paid to the Authority. Funds that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts, while funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

**Other Pooled Funds:** If the Authority has substantial cash balances available for investment over the medium term, it will consider using pooled bond, equity and property funds that offer enhanced returns over the longer term, but are potentially more volatile in the shorter term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

**Other Organisations:** The Authority may also invest cash with other organisations, for example by making loans to small businesses. Because of the higher perceived risk of unrated businesses, such investments may provide considerably higher rates of return. They will however only be made following a favourable external credit assessment and on the specific advice of the Authority's treasury management adviser.

**Risk Assessment and Credit Ratings:** The Authority uses long-term credit ratings from the three main rating agencies Fitch Ratings, Moody's Investors Service and Standard & Poor's Financial Services to assess the risk of investment default. The lowest available counterparty credit rating will be used to determine credit quality, unless an investment-specific rating is available. Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made
- any existing investments that can be recalled or sold at no cost will be
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that an 'A-' rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

**Policy on Use of Financial Derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Head of Finance, having consulted the Portfolio Holder for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness.

All Investment activity will be reported in the annual Treasury Management Stewardship Report and supplemented with in-year Treasury Activity Reports to the Audit and Governance Committee.

**APPORTIONMENT OF INTEREST STRATEGY 2014/15**

The Localism Act 2011 required Local Authorities to allocate existing and future borrowing costs between the Housing Revenue Account and the General Fund.

Accordingly, the Authority notionally split its existing debt into General Fund and Housing Revenue Account as detailed in the 'Borrowing Strategy'. Any future borrowing will be assigned in its entirety to the appropriate revenue account.

Interest payable and any other costs arising from long-term loans (for example, premiums and discounts on early redemption) will be charged to the appropriate revenue account.

Interest received on investment income is budgeted to be apportioned between General Fund and the Housing Revenue Account based on an estimated cash flow position. For 2014/15, the budgeted investment income is £68,000 and is apportioned as follows: £43,000 General Fund and £25,000 Housing Revenue Account. Any over or under achievement of investment income is apportioned on this basis, at the end of the financial year.

## PRUDENTIAL INDICATORS

### 1 Background

The Local Government Act 2003 requires the Authority to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

### 2. Gross Debt and the Capital Financing Requirement

This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that the debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional increases to the capital financing requirement for the current and next two financial years.

The Section 151 Officer reports that the Authority has had no difficulty meeting this requirement in 2012/13, nor is there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

### 3. Estimates of Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax and in the case of the HRA, housing rent levels.

<b>Capital Expenditure</b>	<b>2013/14 Approved £m</b>	<b>2013/14 Revised £m</b>	<b>2014/15 Estimate £m</b>	<b>2015/16 Estimate £m</b>	<b>2016/17 Estimate £m</b>
Non-HRA	1.779	2.031	2.496	1.122	1.281
HRA	15.865	15.738	14.677	7.558	7.558
<b>Total</b>	<b>17.644</b>	<b>17.769</b>	<b>17.173</b>	<b>8.680</b>	<b>8.839</b>

Capital expenditure will be financed or funded as follows:

<b>Capital Financing</b>	<b>2013/14 Approved £m</b>	<b>2013/14 Revised £m</b>	<b>2014/15 Estimate £m</b>	<b>2015/16 Estimate £m</b>	<b>2016/17 Estimate £m</b>
Capital receipts	0.239	0.183	0.529	0.328	0.300
Government Grants	8.873	9.255	8.784	0.224	0.224
Major Repairs Allowance	0.000	3.991	3.991	3.991	3.991
Reserves	3.048	2.635	1.852	0.000	0.017
Other Contribution-s106	0.000	0.055	0.115	0.000	0.000
Grants - Other	0.000	0.000	0.013	0.000	0.000
Revenue contributions	4.213	0.448	0.649	3.388	3.399
<b>Total Financing</b>	<b>16.373</b>	<b>16.567</b>	<b>15.933</b>	<b>7.931</b>	<b>7.931</b>
Supported borrowing	0.000	0.000	0.000	0.000	0.000
Unsupported borrowing	1.271	1.202	1.240	0.749	0.908
<b>Total Funding</b>	<b>1.271</b>	<b>1.202</b>	<b>1.240</b>	<b>0.749</b>	<b>0.908</b>
<b>Total Financing and Funding</b>	<b>17.644</b>	<b>17.769</b>	<b>17.173</b>	<b>8.680</b>	<b>8.839</b>

#### 4. Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The definition of financing costs is set out in the Prudential Code.

The ratio is based on costs net of investment income.

<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>2013/14 Approved %</b>	<b>2013/14 Revised %</b>	<b>2014/15 Estimate %</b>	<b>2015/16 Estimate %</b>	<b>2016/17 Estimate %</b>
Non-HRA	10.22	10.08	10.14	9.83	10.18
HRA	14.68	15.87	14.91	14.78	14.65
<b>Total (Average)</b>	<b>12.95</b>	<b>13.59</b>	<b>13.31</b>	<b>13.21</b>	<b>13.25</b>

#### 5. Capital Financing Requirement

The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and its financing.

<b>Capital Financing Requirement</b>	<b>2013/14 Approved £m</b>	<b>2013/14 Revised £m</b>	<b>2014/15 Estimate £m</b>	<b>2015/16 Estimate £m</b>	<b>2016/17 Estimate £m</b>
Non-HRA	13.619	13.591	14.248	14.421	14.740
HRA	79.155	78.168	77.159	76.128	75.072
<b>Total CFR</b>	<b>92.774</b>	<b>91.759</b>	<b>91.407</b>	<b>90.549</b>	<b>89.812</b>

#### 6. Actual External Debt

This indicator is obtained directly from the Authority's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

<b>Actual External Debt as at 31/03/2013</b>	<b>£m</b>
Borrowing	88.510
Other Long-term Liabilities	0.055
<b>Total</b>	<b>88.565</b>

## 7. Incremental Impact of Capital Investment Decisions

This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and Housing Rent levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

<b>Incremental Impact of Capital Investment Decisions</b>	<b>2013/14 Approved £</b>	<b>2013/14 Revised £</b>	<b>2014/15 Estimate £</b>	<b>2015/16 Estimate £</b>	<b>2016/17 Estimate £</b>
Increase in Band D Council Tax	2.55	2.59	2.99	2.32	2.63
Increase in Average Weekly Housing Rents	3.76	3.76	4.30	3.40 *	3.29 *

\*The Government is proposing to change the basis of the calculation of rents from 2015/16 and has recently consulted on this but the outcome is as yet undetermined. The estimates for 2015/16 and 2016/17 are based on one of four potential options and are therefore subject to change, when a new method has been agreed.

## 8. Authorised Limit and Operational Boundary for External Debt

The Authority has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Authority and not just those arising from capital spending reflected in the CFR.

The **Authorised Limit** sets the maximum level of external debt on a gross basis (i.e. excluding investments) for the Authority. It is measured on a daily basis against all external debt items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities). This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Authority's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.

The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

<b>Authorised Limit for External Debt</b>	<b>2013/14 Approved £m</b>	<b>2013/14 Revised £m</b>	<b>2014/15 Estimate £m</b>	<b>2015/16 Estimate £m</b>	<b>2016/17 Estimate £m</b>
Borrowing	97.100	97.100	99.914	97.579	97.025
Other Long-term Liabilities	1.000	1.000	0.700	0.700	0.700
<b>Total</b>	<b>98.100</b>	<b>98.100</b>	<b>100.614</b>	<b>98.279</b>	<b>97.725</b>

The Operational Boundary links directly to the Authority's estimates of the CFR and estimates of other cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

The Section 151 Officer has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next meeting of the Council.

<b>Operational Boundary for External Debt</b>	<b>2013/14 Approved £m</b>	<b>2013/14 Revised £m</b>	<b>2014/15 Estimate £m</b>	<b>2015/16 Estimate £m</b>	<b>2016/17 Estimate £m</b>
Borrowing	95.100	95.100	97.914	95.579	95.025
Other Long-term Liabilities	0.500	0.500	0.500	0.500	0.500
<b>Total</b>	<b>95.600</b>	<b>95.600</b>	<b>98.414</b>	<b>96.079</b>	<b>95.525</b>

## 9. Adoption of the CIPFA Treasury Management Code

This indicator demonstrates that the Authority has adopted the principles of best practice.

<b>Adoption of the CIPFA Code of Practice in Treasury Management</b>
The Authority has re-affirmed adoption of the CIPFA Treasury Management Code within this strategy, 11 February 2014.

The Authority has incorporated the changes from the revised CIPFA Code of Practice into its treasury policies, procedures and practices.

## 10. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

These indicators allow the Authority to manage the extent to which it is exposed to changes in interest rates. The Authority calculates these limits on net principal outstanding sums (i.e. fixed rate debt net of fixed rate investments).

The upper limit for variable rate exposure has been set to ensure that the Authority is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

	<b>Existing (Benchmark) level 31/03/13 %</b>	<b>2013/14 Approved %</b>	<b>2013/14 Revised %</b>	<b>2014/15 Estimate %</b>	<b>2015/16 Estimate %</b>	<b>2016/17 Estimate %</b>
<b>Upper Limit for Fixed Interest Rate Exposure</b>	100	100	100	100	100	100
<b>Upper Limit for Variable Interest Rate Exposure</b>	50	50	50	50	50	50



The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Authority's treasury management strategy.

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

#### 11. Maturity Structure of Fixed Rate borrowing

This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

<b>Maturity structure of fixed rate borrowing</b>	<b>Lower Limit for 2014/15 %</b>	<b>Upper Limit for 2014/15 %</b>
under 12 months	0	20
12 months and within 24 months	0	20
24 months and within 5 years	0	20
5 years and within 10 years	0	50
10 years and within 20 years	0	50
20 years and within 30 years	0	60
30 years and within 40 years	0	50
40 years and within 50 years	0	50
50 years and above	0	0

#### 12. Upper Limit for total principal sums invested over 364 days

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Authority having to seek early repayment of the sums invested.

	<b>2013/14 Approved £m</b>	<b>2013/14 Revised £m</b>	<b>2014/15 Estimate £m</b>	<b>2015/16 Estimate £m</b>	<b>2016/17 Estimate £m</b>
<b>Upper Limit</b>	5	5	5	5	5

## ANNUAL MINIMUM REVENUE PROVISION STATEMENT

### Background

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP). Although there has been no statutory minimum since 2008, the Local Government Act 2003 requires the Authority to have regard to the Department for Communities and Local Government's Guidance on Minimum Revenue Provision (the Guidance) most recently issued in 2012.

In February 2008 the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 [Statutory Instrument 2008/414] were approved by Parliament and became effective on 31 March 2008. These regulations replaced the formula based method for calculating MRP which existed under previous regulations under the Local Government Act 2003. The new regulations required a local authority to determine each financial year an amount of MRP which it considers to be prudent. Linked to this new regulation, the Department of Communities and Local Government (CLG) produced Statutory Guidance which local authorities are required to follow, setting out what constitutes a prudent provision.

The CLG Guidance recommends that before the start of the financial year, a statement of MRP policy for the forthcoming financial year is approved by the Full Council. The broad aim of the Policy is to ensure that MRP is charged over a period that is reasonably commensurate with the period over which the capital expenditure which gave rise to the debt provides benefits. In the case of borrowing supported by Revenue Support Grant, the aim is that MRP is charged over a period reasonably commensurate with the period implicit in the determination of that grant. MRP is not required to be charged to the Housing Revenue Account. Where a local authority's overall CFR is £nil or a negative amount there is no requirement to charge MRP.

The move to International Financial Reporting Standards (IFRS) means that Private Finance Initiative (PFI) schemes and Operating Leases may be brought on Balance Sheet. Where this is the case, such items are classed in accounting terms as a form of borrowing. CLG has therefore proposed amending the Capital Finance Regulations to ensure that the impact on the Revenue account is neutral, with MRP for these items matching the principal repayment embedded within the PFI or lease agreement.

In the case of the Housing Revenue Account (HRA) and following the implementation of the new self-financing arrangements from April 2012, the structure of the debt that was incurred to fund the self-financing was based on the principal being repaid over the life of the HRA business plan, which also takes into account the 'old' HRA debt. For 2014/15, the MRP for HRA is determined by the amounts of principal repaid on the loans that were taken out on an annuity basis.

### MRP Options:

Four options for prudent MRP are set out in the CLG Guidance. Details of each are set out below:

#### Option 1 – Regulatory Method.

MRP under this option, is the amount determined in accordance with the 2003 regulations. In effect, this is 4% of the total Capital Financing Requirement (CFR) excluding HRA borrowing and Adjustment A. Adjustment A is an accounting adjustment to ensure consistency with previous capital regulations. Once calculated this figure is fixed. For this Authority, Adjustment A is fixed at £606,250.49.

Option 2 – CFR Method.

MRP under this option is the same as option 1 but ignores Adjustment A. In effect, this is 4% of the CFR less HRA borrowing.

Option 3 – Asset Life Method.

Where capital expenditure on an asset is financed either wholly or in part by borrowing or credit arrangements, MRP is determined by the life of the asset. For example, if the asset life is 5 years, then the MRP for that asset will be based on 20% of the capital expenditure (unsupported borrowing), per year for 5 years.

Option 4 - Depreciation Method.

Under this option, MRP would be based on the provision required under depreciation accounting. It would also take into account any residual value at the end of the life of the asset. For example, if the asset life was 5 years and the residual value was anticipated to be 10% of the asset value, then the MRP for that asset would be based on 20% of the capital expenditure (unsupported borrowing) less 10% residual value per year for 5 years.

**MRP Policy for 2014/15:**

The Authority will apply Option 1 in respect of supported capital expenditure.

The Authority will apply Option 2 in respect of unsupported capital expenditure.

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## NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

## CABINET – 11 FEBRUARY 2014

Title of report	<b>MINUTES OF THE COALVILLE SPECIAL EXPENSES WORKING PARTY</b>
Key Decision	a) Financial No b) Community No
Contacts	Councillor Alison Smith MBE 01530 835668 <a href="mailto:alison.smith@nwleicestershire.gov.uk">alison.smith@nwleicestershire.gov.uk</a>  Director of Services 01530 454555 <a href="mailto:steve.bambrick@nwleicestershire.gov.uk">steve.bambrick@nwleicestershire.gov.uk</a>  Head of Community Services 01530 454832 <a href="mailto:john.richardson@nwleicestershire.gov.uk">john.richardson@nwleicestershire.gov.uk</a>
Purpose of report	To consider the recommendations made by the Coalville Special Expenses Working Party.
Reason for Decision	To progress Coalville Special Expenses projects and programmes.
Council Priorities	Value for Money
Implications:	
Financial/Staff	As set out within the budget.
Link to relevant CAT	None.
Risk Management	N/A
Equalities Impact Assessment	None discernible.
Human Rights	None discernible.
Transformational Government	None.
Comments of Head of Paid Service	The report is satisfactory
Comments of Section 151 Officer	The report is satisfactory
Comments of Monitoring Officer	The report is satisfactory
Consultees	Members of the Coalville Special Expenses Working Party

Background papers	Agenda and associated documents of the meeting held on 17 December 2013; <a href="http://prod-modgov:9070/ieListDocuments.aspx?CId=131&amp;MId=157&amp;Ver=4">http://prod-modgov:9070/ieListDocuments.aspx?CId=131&amp;MId=157&amp;Ver=4</a>
Recommendations	<b>TO APPROVE THE RECOMMENDATIONS MADE BY THE COALVILLE SPECIAL EXPENSES WORKING PARTY AS DETAILED WITHIN THE MINUTES ATTACHED AT APPENDIX 1.</b>

## 1.0 INTRODUCTION

1.1 The Coalville Special Expenses Working Party meets on a quarterly basis to consider financial issues which affect the special expenses area. As the group reports directly to Cabinet, all recommendations made will be sent to the first available Cabinet meeting after the group have met for final approval.

## 2.0 TERMS OF REFERENCE

- To consider budget and financial issues which either solely or predominantly affect the special expenses area alone and to make recommendations back to Cabinet.
- To consider possible project options regarding the allocation of surplus reserves which have been examined by the relevant budget officers and to make recommendations to Cabinet.

MINUTES of a meeting of the COALVILLE SPECIAL EXPENSES WORKING PARTY held in the Board Room, Council Offices, Coalville on TUESDAY, 17 DECEMBER 2013

Present: Councillor N Clarke (Chairman)

Councillors R Adams, D Everitt, J Geary, R Johnson, J Legrys, M Specht, L Spence and M B Wyatt

Officers: Mr L Brewster, Mr J Knight, Mr G Lewis, Mr J Richardson

**20. APOLOGIES FOR ABSENCE**

Apologies were received from Councillor P Clayfield.

**21. DECLARATION OF INTERESTS**

Councillor M B Wyatt declared a disclosable pecuniary interest in Item 4 – Capital Projects Update, as a member of Broom Leys Allotment Society, and left the meeting for the consideration of that project. He also declared a disclosable non pecuniary interest in any reference to Coalville, as a business owner in the Town Centre.

Councillors J Geary, R Johnson and J Legrys declared a disclosable non pecuniary interest in Item 4 – Capital Projects Update, as regular supporters of Coalville Town FC and members of the Owen Street Recreation Ground Pavilion Management Committee.

Councillor L Spence also declared a disclosable non pecuniary interest in Item 4 – Capital Projects Update as a supporter of Coalville Town FC.

Councillor J Legrys also declared a disclosable non pecuniary interest in Item 5 – 2013/14 Events Update due to his involvement with Hermitage FM.

Except where stated otherwise, the above named Members remained in the meeting.

**22. MINUTES**

Consideration was given to the minutes of the meeting held on 8 October 2013.

Councillor M B Wyatt advised that he had no involvement with Coalville Town FC and asked that this be reflected in the Declaration of Interests.

RESOLVED THAT:

Subject to the above amendment, the minutes of the meeting held on 8 October 2013 be approved and signed by the Chairman as a correct record.

**23. CAPITAL PROJECTS UPDATE**

The Leisure Services Team Manager presented the report to Members.

He provided the Working Party with an update on each of the ongoing projects.

#### Coalville Park Improvements

The 400m jogging circuit with 100m markings had now been installed. This included the current long and triple jump world records, which it was hoped would act as an inspiration to users.

#### Owen Street Recreation Ground

Electrical works had now been completed and attention had returned to the floodlights. The approached contractor had not been forthcoming in making recommendations for potential improvements. Consequently, an alternative contractor had now been engaged.

In terms of the changing room development, two plans had been developed by Property Services, an ideal and a scaled down solution, both of which significantly exceeded budget. Consequently, a contractor that had been recommended by the football club had begun work devising a scheme of works within budget.

It was confirmed that it was unlikely that the project would be supported by the Big Society Fund given that the development would only focus on one club and one sport. However, officers at the County Council had confirmed that they would be willing to discuss the project and its eligibility in more detail before the deadline for the next round of bids closed.

It had been recommended by the Council's Asset Management Group that a long-term lease be issued to the football club rather than a license. As such, approval would now be sought from the Council's Corporate Leadership Team before the proposed lease is sent to the club for consideration. It was stated that this option gave the club more autonomy to use the area as they saw fit. Similarly, this option allowed the club to access various funding sources that required a lease as a prerequisite for applying.

Councillor M B Wyatt stated that, in his opinion, it was important to ensure that the changing room contract is put out to tender and enquired whether it was intended to do so. The Leisure Services Team Manager responded that it was his understanding that a tender would be necessary but that indicative costs would be sought first of all.

Councillor M B Wyatt stated that he had been made aware that the club had a fund of around £30,000 available and enquired whether this would be utilised for the project. The Leisure Services Team Manager confirmed that he had been unaware of such a fund but that he would liaise with the Management Committee on the issue.

Councillor L Spence stressed that transparency was a key factor in any procurement project and agreed with Councillor M B Wyatt that the contract be put out to tender.

Councillor M B Wyatt asked whether clauses would be inserted into the contract stipulating that the land must be used for sporting purposes. The Leisure Services Team Manager confirmed that this would be the case.

#### Thringstone Miners Social Centre

It was confirmed that the Thringstone Miners Social Centre Management Committee had liaised with both the District and County Councils with regard to footpath diversions and the movement of a street light in order to facilitate a grass training pitch on the former



Clover Place play area. Provisional costs were now being sought for the groundworks and various sources of funding were being looked at.

Councillor L Spence praised the plans for the area and suggested that they were a fantastic use of derelict land. However, he queried the long and costly process in arranging the extinguishment of the footpath and suggested that the club had insufficient resources for such a process. The Leisure Services Team Manager responded that there were outstanding funds available for the project and that the trustees were aware of this.

#### Cropston Drive BMX Track and Wheeled Sports Facility

It was confirmed that two bids had been received for the project and that these were currently being evaluated. Once this had taken place, the final proposals would be presented to consultees before work began on the project in the Spring.

Councillor M B Wyatt stated that he was aware of one particular stakeholder that had not yet been consulted on the plans, despite being one of those who initially instigated the project. The Leisure Services Team Manager apologised that this was the case and confirmed that this would be done.

#### Broom Leys Allotments

Having declared an interest in this item Councillor M B Wyatt left the meeting.

It was stated that the project was now virtually completed. The excavation works and main pipe laying for the water feed to the site had now been finished. Severn Trent Water had undertaken their inspection and the water supply had been connected. It was anticipated that the backfilling of the excavation would be completed shortly.

Councillor M B Wyatt returned to the meeting.

#### Urban Forest Park

It was confirmed that the new piece of play equipment had now been installed. In terms of the footway and drainage improvements, it was stated that schemes of work were currently being produced and that Ward Members would be consulted once these had been finalised.

Councillor J Legrys stated that he still had concerns that the work would lead to potential gas emissions. The Leisure Services Team Manager proposed that annual gas emission tests took place in order to allay any fears of emissions.

Councillor J Geary stated that he was surprised that the site was ever considered suitable for recreational use. He expressed concerns that the site could prove to be costly to maintain, particularly if annual gas emission tests were necessary. He suggested that any expenditure on the site be closely monitored and reiterated Councillor J Legrys' concerns regarding gas emissions. The Head of Community Services responded that the project was being funded by a Section 106 Agreement and that there were therefore stipulations that required the money to be spent in this location.

Councillor N Clarke asked Officers to confirm the specifications of the Section 106 Agreement. The Head of Community Services confirmed that he would do so and would report this back to Members.

## Melrose Road Play Area

It was confirmed that the project had now been completed and that there was an outstanding balance of £1,988. It was proposed that this money be used to improve and upgrade the flooring under the original play equipment as it had deteriorated.

Councillor D Everitt remarked on the success of the project. He stated that he had recently visited the site himself and that he had been impressed with the number of families that were making use of the facility.

Councillor L Spence stated that the play hub had been beneficial to the local community and that the concept should be replicated elsewhere in the District in the future.

RESOLVED THAT:

The progress on 2013/14 Capital Projects be noted.

## **24. 2013/14 EVENTS UPDATE**

The Cultural Services Team Manager presented the report to Members.

He provided Members with an update on each event.

### Food and Drink Festival

The Coalville Town Team delivered their Food and Drink Festival on 23 November. It was reported that this year's event proved to be a popular event offering a wide variety of stalls, live music and entertainment.

Councillor M B Wyatt stated that he had received lots of positive feedback from residents regarding this event and suggested that the event should be continued next year.

Councillor J Legrys congratulated the Coalville Town Team for having organised such a superb event. He applauded the various individuals that had contributed their own money towards the event and stated that he was grateful that individual traders were willing to do this.

### Christmas in Coalville

The event successfully took place outside Coalville Market on 30 November. It was stated that the area was more effectively programmed than in previous years and that it appeared that more people had attended. A short survey had been conducted on the day in which 84% of respondents had rated the event as either good or excellent. Feedback from local traders had also been complimentary, however, it had been noted that the location had pulled footfall away from the shopping precinct.

Councillor M B Wyatt stated that the Coalville Town Team should be encouraged to take responsibility for the event in future years. He added that this year's lights switch on had been disappointing and that residents had not been inspired by it. He felt that the Coalville Town Team had the expertise required to improve the event going forward.

Councillor J Legrys stated that he had seen various negative comments from the public on social media regarding the lights switch on. He stated that next year consideration should be given to combining the Food and Drink Festival and the Christmas in Coalville events.

Councillor M B Wyatt countered that local businesses preferred two separate events being held. He explained that holding two events benefitted local traders as it encouraged people to visit the town centre on both weekends.

Councillor J Geary stated that he felt there had been a noticeable improvement in the Christmas lights this year. He suggested that the lights in Coalville compared favourably to their equivalents in Ashby-de-la-Zouch and Swadlincote. He stated that thought should be given to holding two separate events over the same weekend next year and added that there were various permutations that could be considered.

Councillor L Spence stated that there was undoubtedly room for improvement in future years but that the Working Party should be proud that it had pushed forward with improvements to the Christmas lights. He suggested that it was highly likely that next year's event would be limited by the current financial constraints. He concluded that, consequently, a single event led by the Coalville Town Team ought to be considered next year. As such, he proposed that the Working Party ought to liaise with the Coalville Town Team to establish whether they would favour such an approach.

The Head of Community Services suggested that the Coalville Town Team could be invited to the next meeting of the Events Task and Finish Group. He added that there was certainly potential for the two events to work well alongside each other given that the Christmas in Coalville event centred on the Market Hall, whilst the Food and Drink Festival was based at the shopping precinct. He noted that if the two events were merged that consideration would need to be given to the timing of the event to ensure that the Christmas lights were not switched on too early.

Councillor L Spence stated that the lights in Coalville were noticeably late in being turned on this year compared to other local towns. He felt that there would not be an issue in moving the lights switch on to coincide with the Food and Drink Festival if necessary.

Councillor J Legrys countered that the Working Party had previously decided not to switch the lights on this early due to residents' complaints that the Christmas period was too drawn out. He stated that local traders ought to be consulted and that no decision should be made until discussions had taken place with the Coalville Town Team.

Councillor R Johnson referred to the free car parking promotion that was currently taking place on Saturdays. He stated that he had seen users paying for tickets despite not having needed to and suggested that all meters should be covered to avoid confusion. The Head of Community Services confirmed that all meters had signs above them that explained the promotion and that additional signage had recently been installed to prevent any further confusion.

The consensus of Members was to invite representatives of the Coalville Town Team to the next meeting of the Events Task and Finish Group to discuss the 2014/15 Events Programme.

RESOLVED THAT:

- a) The progress on 2013/14 Events and provisional plans for 2014/15 Coalville Events be noted.
- b) Cabinet be recommended to approve the actions detailed within the minute above.

## **25. 2013/14 PERIOD 7 FINANCE REPORT (REVENUE AND CAPITAL)**

The Head of Community Services presented the report to Members.

He confirmed that outturn figures were projected to be underspent at the end of period seven and that this would allow a modest contribution to balances. He confirmed that the period eight figures were now available and that they showed that the projected underspend had increased to £7,300.

He went on to state that both the minutes of the last meeting and those of the Events Task and Finish Group, as well as Councillor M B Wyatt's suggestions had now been reported to Cabinet. Furthermore, Councillor N Clarke had attended the meeting and had made representations regarding the funding of Remembrance Day. It had been agreed that the Portfolio Holder for Community Services would attend a future meeting of the Events Task and Finish Group to discuss budget matters further.

Councillor J Geary queried the spending on Gracedieu Woods and asked how this money was spent. The Head of Community Services confirmed that the sum covered the cost of maintaining the area.

Councillor M B Wyatt referred to the 'Love Hinckley' campaign that was currently being promoted in the town and stated that it had grasped residents' imaginations. He suggested that it might be worthwhile to develop a similar scheme in Coalville. It was agreed to discuss this with the Coalville Town Team in order to avoid any duplication.

Councillor J Legrys stated that the artwork on the Phoenix Green Bridge needed to be refreshed. He enquired as to how he could make a bid for funding such a project. The Cultural Service Team Manager agreed to investigate this further and report back at the next meeting.

Councillor N Clarke stated that the Whitwick Pit Disaster Memorial was in need of restoration and queried whether it was situated within the Working Party's area. The Head of Community Services agreed to establish who was responsible for the memorial and report back to Members.

RESOLVED THAT:

- a) The report be noted.
- b) Cabinet be recommended to approve the actions detailed within the minute above.

## **26. DATES OF FUTURE MEETINGS**

Members noted the dates of the future meetings.

The next meeting will be on Tuesday, 15 April 2014 at 6.30pm in the Board Room.

The meeting commenced at 6.30 pm and closed at 7.35 pm.

Councillor M B Wyatt left the meeting at 6.42pm and returned at 6.43pm.

Councillor J Legrys left the meeting at 7.30pm.