NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

COUNCIL – 23 FEBRUARY 2016

Title of Report	**BUDGET AND COUNCIL TAX 2016/17**
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Purpose of Report	To allow the Council to approve the 2016/17 budgets and the appropriate Council Tax setting resolution.
Reason for Decision	To approve the General Fund, Special Expenses & HRA Revenue budgets and Capital Programmes, and set the Council Tax for 2016/17.
Council Priorities	The budget assists the Council to achieve all its priorities.
Implications Financial / Staff Links to relevant CAT Risk Management Equalities Impact Screening Human Rights Transformational Government	 Detailed in the reports to Cabinet which are provided as background papers to this report. The budget is relevant to all Corporate Action Teams Arrangements are in place for regular monitoring of the Council's revenue and capital budgets. The appropriate management action will be taken where variations are projected. No impact identified. None identified Not applicable

Comments of Head of Paid Service	The report is satisfactory.
Comments of Deputy Section 151 Officer	As report author the report is satisfactory.
Comments of Deputy Monitoring Officer	The report is satisfactory.
Consultees	Cabinet, Policy Development Group, Members of Labour Group, Representatives of the Business Community, Parish Councils, Staff, Trade Unions
Background Papers	Reports and minutes of Cabinet, 9 February 2015: http://minutes-1.nwleics.gov.uk/ieListDocuments.aspx?CId=126&MId=1500&Ver=4
Recommendations	**COUNCIL IS RECOMMENDED**: **1. TO NOTE THE DEPUTY S 151 OFFICER'S COMMENTS ON THE ROBUSTNESS OF THE ESTIMATES AND ADEQUACY OF RESERVES.** **2. TO APPROVE THE TRANSFER OF ANY SURPLUS INCOME OVER EXPENDITURE IN 2016/17 TO THE GENERAL FUND BALANCE AT 31 MARCH 2017 FOR FUTHER CONSIDERATION AFTER COMPLETION OF 2015/16 ACCOUNTS.** **3. THE FORECASTED SURPLUS INCOME OVER EXPENDITURE IN 2015/16 IS TRANSFERRED TO THE SPECIAL PROJECTS RESERVE.** **4. TO APPROVE THE GENERAL FUND AND SPECIAL EXPENSES BUDGETS FOR 2016/17.** **5. TO APPROVE THE SPECIAL EXPENSES PRECEPTS FOR 2016/17.** **6. TO APPROVE THE HRA RENT DECREASE BY 1% (AVERAGE DECREASE £0.83 PER WEEK) FOR 2016/17 (EXCLUDING SHELTERED AND SUPPORTED HOUSING WHICH ARE DEALT WITH IN RECOMMENDATION 12).** **7. TO APPROVE THE INCREASE OF 0.8% (AVERAGE INCREASE £0.05 PER WEEK) IN THE RENT OF GARAGES FOR 2016/17.** **8. TO APPROVE THE AVERAGE INCREASE IN THE HRA SERVICE CHARGES OF 4.92% (£0.16 PER WEEK) FOR 2016/17.**

	9. TO APPROVE THE GROUND RENT INCREASE OF 0.8% (£0.24 PER WEEK) AT APPLEBY MAGNA CARAVAN SITE. **10. TO APPROVE THE INCREASES IN LIFELINE CHARGES OF 0.8% (£0.34 PER QUARTER)** **11. TO APPROVE CENTRAL HEATING CHARGES FOR 2016/17 REMAINING AT THE SAME LEVEL AS FOR 2015/16** **12. APPROVE THE RENT INCREASE OF 0.9% (AVERAGE £0.62 PER WEEK) FOR SHELTERED AND SUPPORTED HOUSING.** **13. TO APPROVE THE HOUSING REVENUE ACCOUNT BUDGETS FOR 2016/17.** **14. TO APPROVE THE PROPOSED COALVILLE SPECIAL EXPENSES AND HRA CAPITAL PROGRAMMES FOR 2016/17 AND PLANNED FINANCING.** **15. TO APPROVE CAPITAL EXPENDITURE IN 2016/17 AND CAPITAL EXPENDITURE IN 2017/18 FOR THE VEHICLE REPLACEMENT PROGRAMME ONLY.** **16. TO APPROVE THE REMAINDER OF THE CAPITAL PROGRAMMES 2017/18 TO 2019/20 AS INDICATIVE ONLY AT THIS STAGE.** **17. TO FREEZE THE DISTRICT COUNCIL TAX FOR 2016/17** **18. TO APPROVE THE FOLLOWING AMOUNTS FOR THE YEAR 2016/17 IN ACCORDANCE WITH SECTION 31B OF THE LOCAL GOVERNMENT FINANCE ACT 1992 AS AMENDED:** **(1) 30,319 BEING THE AMOUNT CALCULATED BY THE COUNCIL, IN ACCORDANCE WITH REGULATION 3 OF THE LOCAL AUTHORITIES (CALCULATION OF COUNCIL TAX BASE) (ENGLAND) REGULATIONS 2012, AS ITS COUNCIL TAX BASE FOR THE YEAR.** **(2) THE AMOUNTS SPECIFIED IN TABLE 1 OF THIS REPORT BEING THE AMOUNTS CALCULATED BY THE COUNCIL, IN ACCORDANCE WITH SECTION 34 OF THE LOCAL GOVERNMENT FINANCE ACT 1992, AS THE AMOUNTS OF ITS COUNCIL TAX BASE FOR THE YEAR FOR DWELLINGS IN THOSE PARTS OF ITS AREA TO WHICH ONE OR MORE SPECIAL ITEMS RELATE.** **19. TO APPROVE THAT THE FOLLOWING AMOUNTS BE NOW CALCULATED BY THE COUNCIL FOR THE YEAR 2016/17 IN ACCORDANCE WITH SECTIONS 31A AND 31B OF THE LOCAL GOVERNMENT FINANCE ACT 1992 AS AMENDED:**

	(1) **<u>DISTRICT / PARISH GROSS EXPENDITURE</u>** **£60,917,099 BEING THE AGGREGATE OF THE AMOUNTS WHICH THE COUNCIL ESTIMATES FOR THE ITEMS SET OUT IN SECTION 31A (2) OF THE ACT.** (2) **<u>INCOME</u>** **£53,959,242 BEING THE AGGREGATE OF THE AMOUNTS WHICH THE COUNCIL ESTIMATES FOR THE ITEMS SET OUT IN SECTION 31A (3) OF THE ACT.** (3) **<u>DISTRICT / PARISH NET EXPENDITURE</u>** **£6,957,857 BEING THE AMOUNT BY WHICH THE AGGREGATE AT 19(1) ABOVE EXCEEDS THE AGGREGATE AT 19(2) ABOVE, CALCULATED BY THE COUNCIL IN ACCORDANCE WITH SECTION 31A (4) OF THE ACT AS ITS COUNCIL TAX REQUIREMENT FOR THE YEAR.** (4) **<u>BASIC AMOUNT OF TAX (INCLUDING AVERAGE PARISH PRECEPTS)</u>** **£229.49 BEING THE AMOUNT AT 19(3) ABOVE, DIVIDED BY THE AMOUNT STATED AS THE COUNCIL TAX BASE IN PARTS OF THE COUNCIL'S AREA, CALCULATED BY THE COUNCIL IN ACCORDANCE WITH SECTION 31 B OF THE ACT AS THE BASIC AMOUNT OF ITS COUNCIL TAX FOR THE YEAR.** (5) **<u>PARISH PRECEPTS/SPECIAL EXPENSES</u>** **£ 2,149,870 BEING THE AGGREGATE AMOUNT OF ALL SPECIAL ITEMS REFERRED TO IN SECTION 35(1) OF THE ACT.** (6) **<u>BASIC AMOUNT OF TAX (BASIC COUNCIL TAX – DISTRICT)</u>** **£158.58 BEING THE AMOUNT AT 19(4) ABOVE LESS THE RESULT GIVEN BY DIVIDING THE AMOUNT AT 19(5) ABOVE BY THE AMOUNT AS STATED AS THE COUNCIL TAX BASE FOR THE WHOLE OF THE COUNCIL AREA, CALCULATED BY THE COUNCIL IN ACCORDANCE WITH SECTION 34(2) OF THE ACT, AS THE BASIC AMOUNT OF ITS COUNCIL TAX FOR DWELLINGS IN THOSE PARTS OF ITS AREA TO WHICH NO SPECIAL ITEM RELATES.** (7) **<u>BASIC AMOUNT OF TAX (PARISHED AREAS)</u>** **THE AMOUNTS LISTED IN COLUMN 5 OF TABLE 2 TO THIS REPORT, BEING THE AMOUNTS GIVEN BY ADDING TO THE AMOUNT AT 19(6) ABOVE, THE AMOUNTS OF THE SPECIAL ITEM OR ITEMS RELATING TO DWELLINGS IN THOSE PARTS OF THE**

	COUNCIL'S AREA MENTIONED, DIVIDED IN EACH CASE BY THE AMOUNT STATED AS THE COUNCIL TAX BASE IN PARTS OF THE COUNCIL AREA, CALCULATED BY THE COUNCIL IN ACCORDANCE WITH SECTION 34(3) OF THE ACT AS THE BASIC AMOUNTS OF ITS COUNCIL TAX FOR THE YEAR FOR DWELLINGS IN THOSE PARTS OF ITS AREA TO WHICH ONE OR MORE SPECIAL ITEMS RELATE. (8) <u>DISTRICT /PARISH COUNCIL TAX RATES</u> THE AMOUNTS SET OUT IN TABLE 3 TO THIS REPORT BEING THE AMOUNTS GIVEN BY MULTIPLYING THE AMOUNTS AT 19(6) AND 19(7) ABOVE BY THE NUMBER WHICH, IN THE PROPORTION SET OUT IN SECTION 5(1) OF THE ACT, IS APPLICABLE TO DWELLINGS LISTED IN A PARTICULAR VALUATION BAND DIVIDED BY THE NUMBER WHICH IN THAT PROPORTION IS APPLICABLE TO DWELLINGS LISTED IN VALUATION BAND D, CALCULATED BY THE COUNCIL IN ACCORDANCE WITH SECTION 36(1) OF THE ACT AS THE AMOUNTS TO BE TAKEN INTO ACCOUNT FOR THE YEAR IN RESPECT OF CATEGORIES OF DWELLING LISTED IN DIFFERENT VALUATION BANDS. 20. <u>MAJOR PRECEPTING AUTHORITIES</u> THAT IT BE NOTED THAT THE AMOUNTS SET OUT IN TABLE 4 TO THIS REPORT ARE THE AMOUNTS NOTIFIED BY LEICESTERSHIRE COUNTY COUNCIL, LEICESTERSHIRE POLICE AND CRIME COMMISSIONER AND THE COMBINED FIRE AUTHORITY IN ACCORDANCE WITH SECTION 40 OF THE LOCAL GOVERNMENT FINANCE ACT 1992 AS THEIR PRECEPTS FOR 2016/17 FOR EACH OF THE CATEGORIES OF DWELLINGS LISTED. 21. <u>COUNCIL TAX RATES – ALL BANDS</u> THAT, HAVING CALCULATED THE AGGREGATE IN EACH CASE OF THE AMOUNTS AT 19(8) (TABLE 3) AND 20 (TABLE 4) ABOVE, THE COUNCIL IN ACCORDANCE WITH SECTION 30(2) OF THE LOCAL GOVERNMENT FINANCE ACT 1992 HEREBY SETS THE AMOUNTS OF COUNCIL TAX FOR THE COUNCIL'S AREA FOR THE YEAR 2016/17 FOR EACH OF THE CATEGORIES OF DWELLINGS AS SHOWN IN TABLE 5. 22. <u>REFERENDUMS RELATING TO COUNCIL TAX INCREASES</u> TO NOTE THAT THE RELEVANT BASIC AMOUNT OF COUNCIL TAX FOR 2016/17 IS NOT EXCESSIVE.

1.0 INTRODUCTION

1.1 The Council is required to approve the General Fund, Housing Revenue Account and Special Expenses Budgets for 2016/17 together with their respective Capital Programmes.

1.2 It also has a statutory requirement under the Local Government Finance Act 1992 (as amended) to set the Council Tax for its area for a financial year by 11 March of the preceding financial year.

1.3 This action of setting the Council Tax (recommendations 17 to 22) flows from the approval of the budgets and capital programmes. The wording of the recommendations for this is largely prescribed.

1.4 The Council Tax setting part of this report is based on the assumption that Leicestershire County Council approve the precept the Council has been informally advised of and it may be necessary to amend parts of this report when the Council receives formal notification.

1.5 As the relevant meetings of this body may not take place until after the issue of this report, any changes made by them will be reflected in a revised paper which may need to be tabled at the meeting.

1.6 The 2016/17 General Fund, Housing Revenue Account and Special Expenses budgets together with the respective Capital Programmes were considered by Cabinet on 9 February 2016. The detailed reports are set out as below:

- General Fund and Special Expenses Revenue Budgets – Section 2.
- Housing Revenue Account Budget and Rent decrease – Section 3 (as updated from the Cabinet meeting).
- Capital Programmes – Section 4.
- Council Tax Setting – Section 5.

1.7 **Robustness of Estimates and Adequacy of Reserves**

1.7.1 The Local Government Act 2003 requires the Council’s Chief Financial Officer (Section 151 Officer or his Deputy) 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.

1.7.2 Taking into account identified risks, the Deputy Section 151 Officer, as required by Section 25 of the Local Government Act 2003 considers that the estimates which form the General Fund and Special Expenses budget are robust; the proposals are deliverable and will produce a balanced budget for 2016/17.

1.7.3 The Housing Revenue Account estimates are similarly considered to be robust.

1.7.4 The budget report to Cabinet shows the estimated position for the Council’s revenue reserves. Taking account of the Council’s financial control mechanisms and the fact that the Council will, of necessity, continue its drive to produce more economies and efficiencies, the Deputy Section 151 Officer considers that the overall level of reserves is adequate.

1.8 **Consultation Process**

1.8.1 General Fund and Special Expenses Revenue Budget 2016/17

The responses from the Trade Unions, Town & Parish Councils and the Federation of Small Businesses are attached at Appendix 1a. The Cabinet's Revenue Budget Proposals and draft Capital Programmes were presented to the Policy and Development Group meeting on 6 January 2016. The comments of Policy Development Group are included in the minutes attached at Appendix 1b.

1.8.2 Housing Revenue Account (HRA) Budget Proposals for 2016/17

Consultation on the Housing Revenue Account 2016/17 draft budget proposals (as approved by Cabinet on 8 December 2015) has been completed via the Council's website and via hard copy upon request. The formal consultation closed on 16 January 2016 and no comments were received.

Members of the Performance and Finance Working Group (The Council's Resident Involvement technical finance working group who were consulted on 17 December 2015) were supportive of the recommended proposals.

The Tenants and Leaseholders Consultation Forum were consulted on the budget proposals at their meeting of 25 January 2016. They were interested in the type of properties that might be sold in future, and wished assurance that proceeds from property sales would be re-invested to support future improvements to the existing stock, but were supportive of the proposals.

Policy Development Group considered the proposals at their meeting of 6 January 2016. As a result of their feedback, including comments from Councillor N Clarke about the Decent Homes standard, the proposals in this report will ensure that the decency standard is maintained for 100% of the housing stock in all future years of the business plan.

1.8.3 Capital Programmes – General Fund, Coalville Special Expenses and HRA 2016/17 to 2020/21

Consultation with the business community was undertaken by letter through the Leicestershire, Northamptonshire and Rutland Federation of Small Businesses.

The Cabinet's draft Capital Programmes were also presented to the Policy Development Group at its meeting on 6 January 2016. The comments of Policy Development Group are included in the minutes attached at Appendix 1b.

2.0 GENERAL FUND AND SPECIAL EXPENSES REVENUE BUDGET 2016/17

2.1 The draft General Fund and Special Expenses budget proposals for 2016/17 were considered by Cabinet on 9 February 2016 and are recommended to Council for approval. See recommendations 1 to 5, as set out at the front of this report.

2.2 Members are asked to note that on 9 February 2016 the Government laid before Parliament the details of the Final Local Authority Grant Settlement for 2016/17. The final figures for Revenue Support Grant and redistributed NNDR allocation remain unchanged from those provisionally notified and included in the budget. However the Council has received a Transitional grant of around £26k for two years commencing from 2016/17, and this grant will be credited to the General Fund. Transitional grant has been awarded to Councils which have seen the sharpest reductions in the Revenue Support Grant.

2.3 Local Income and Increased Efficiencies

2.3.1 As part of the culture of managing resources efficiently and effectively throughout the year the managers have continued to work hard to keep service budgets down and absorb the effects of inflation within existing budgets. These are effectively savings made in advance. As plans are in place to keep reserves at adequate levels, the projected budget surplus is available to fund one-off initiatives in 2016/17 which will be considered by Cabinet in due course.

2.4 Government Funding Changes

2.4.1 The Government announced the Provisional New Homes Bonus payments and the Provisional Local Government Finance Settlement for 2016/17 on 17 December 2015. Our provisional 2016/17 New Homes Bonus has been set at £2.773m. This is £350k higher than assumed in the MTFS and reflects the work the Council's officers have done to bring empty homes back into use and ensuring that new homes qualify for New Homes Bonus at the earliest opportunity. As part of the Provisional Settlement Announcement the Government began a consultation about reducing the cost of making New Homes Bonus payments by over a half from 2017/18.

2.4.2 The latest budget position compared with the Medium Term Financial Strategy is summarised in the table below:

	2016/17
	£000
Shortfall Projected in MTFS -September 2015	260
Changes in Funding:	
Additional New Homes Bonus in 2016/17	(350)
Additional Business Rates	(973)
Collection Fund Surplus	(295)
Impact of Provisional Finance Settlement 2016/17	198
Council Tax	(25)
Changes in the Base Budget	
Various changes to the Budget	103
Shortfall/(Surplus)	(1,082)

2.5 **2016/17 General Fund Revenue Budget**

2.5.1 Pay and Prices Inflation

Provision has been included within the budget for the agreed cost of living pay increase to staff covering the period to 31 March 2017. There is also provision for a further increase of 1% in employer's superannuation contribution. Inflation has been included where there is a contractual obligation for increases in costs

2.5.2 Collection Fund

The Council is required to estimate the 31st March 2016 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). A surplus of £345k is projected for this Council. The MTFS assumed a surplus of £50k.

2.5.3 Central Government Funding

Funding from the Government in respect of Revenue Support Grant, National Non Domestic Rates (NNDR) and New Homes Bonus has a significant influence on the Council's spending plans. The allocations for 2016/17 are compared with the MTFS in the table below:

	MTFS	Provisional Settlement	Change
	£000	£000	£000
Revenue Support Grant	1,318	1,120	-198
Baseline Funding/Business Rates	1,983	2,200	217
New Homes Bonus	2,423	2,773	350
Total	**5,724**	**6,093**	**369**

The Settlement assumes £2.200m in locally retained Business Rates. This figure will vary depending on actual yields but is unlikely to fall by more than 7.5% because of safety net arrangements. Under the arrangements from April 2013 district councils are allocated 40% of increases and decreases in Business Rates paid. There is also a system of levies and safety nets which reduces our share of increases to 20% but at the same time provides a safety net which limits our losses to 7.5% of our funding baseline, which for this authority works out at approximately £165k in 2016/17. As the Council is participating in local pooling arrangements with other councils in the county next year, the safety net will be funded locally so is less secure than the national safety net arrangements which apply when there is no local pooling. In light of our forecasted business rates in the current year and taking into consideration other factors such as organic growth, new business and appeals provisions a figure of £2.955M figure is included in 2016/17 budget.

2.5.4 New Homes Bonus

The Government has announced provisionally that the Council will receive £2.773m in New Homes Bonus in 2016/17. This is £350k more than was assumed in the Medium Term Financial Strategy approved by Cabinet on 22 September 2015. 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 currently made for six years but this could fall to four, three or even two years from 2017/18 following the Government's current consultation. Other changes being consulted on include reductions where Local Plans are delayed, reductions where homes are only built following appeal and possibly only for additional homes over a pre-determined baseline. This Council's response to the consultation will be considered by Cabinet at its meeting on 8 March 2016.

The MTFS assumes that each year all our New Homes Bonus will be used to support the Revenue Budget and this means that in 2016/17 almost £2.8m expenditure on our mainstream services will be funded in this way.

2.5.5 Council Tax

In 2016/17 Government Grant is not available to help Councils which freeze or reduce their Council Tax. Increases in the District's Council Tax would be limited to 2% otherwise a referendum would be triggered. If the Council was to increase its Council Tax by 2% in 2016/17 it would generate an additional £96k.

The Council began its policy of freezing the Council Tax seven years ago, before the introduction of Government freeze grants, and will continue with this policy into 2016/17.

The income expected to be generated from the Council Tax will increase from £4.704m in the current year to £4.808m in 2016/17 as a result of increases in the tax base.

2.5.6 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 28 January 2016 approved an increase of £32k or 2.7% which is attributable to contractual obligations, inflation and service costs. This has been built into the base budgets.

2.5.7 Medium Term Financial Strategy (MTFS)

The MTFS approved in September 2015 projected that £2.157m further ongoing savings would be required by 2019/20. The outcome of the Government's consultation on reducing new Homes Bonus payments and Business Rates Income is likely to have the greatest influence on a revised MTFS.

2.5.8 General Fund Reserve

The uncommitted balance on the General Fund is £2.7m. In addition to the uncertainties around future New Homes Bonus income there are a number of other future risks which signal the need for balances to be at higher than historical levels. The Cabinet is already aware of the volatility which the localisation of Business Rates brings to the Council's finances. Similarly other local income including Income from the sale of recyclables and to a lesser extent Car Park charges, continue to be difficult to predict. It is prudent to retain the General Fund Balance at this level due to uncertainties stated above.

2.5.9 Earmarked Reserves and Provisions

The Council's earmarked General Fund revenue reserves and provisions stood at £12.2m at 1 April 2015. A review of the committed expenditure against these reserves has been undertaken and it is estimated that around £10.5m will remain at 31st March 2016. All of this is earmarked for a particular use in the future; it is therefore not available for the Council's general use.

2.5.10 Revenue Budget Contingency

This has been set at £100k for 2016/17. These resources would normally only be called upon if there were unexpected increases in costs or loss of income during the year and they could not be met from underspendings elsewhere. This contingency has not been called upon in the last three years. Although 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.

2.6 **General Fund 2015/16 – Projected Outturn**

2.6.1 The summary budget shown at Appendix 2a shows the 2015/16 budget, projected outturn and 2016/17 budget. A surplus of £1.596m has been projected for 2015/16.

2.6.2 The main reasons for the projected surplus in 2015/16 are as follows:

Retained Business Rates	£ 1,033m	
Planning and Development Fees	£ 600k	
Legal Income	£ 51k	£ 1.684m
Salaries/Vacancy Management	£ (22k)	
Other more minor variances (net)	£ (66k)	£ (88k)
Total		**£ 1.596m**

2.6.3 Since 1 April 2013 local authorities have been sharing the benefit of additional business rates with Central Government. Any reductions in business rates including closures and rating appeals are also shared. Although currently the Projected Outturn assumes an increase of £1.033M in Business Rates Income this could change when the Council's accounts are closed and audited in the summer.

2.6.4 In paragraph 2.5.8 it was explained that the General Fund Reserve should be retained at a level of £2.7m. The projected surplus of £1.596m will be over and above the minimum level of reserves required. This report recommends that this surplus of £1.596m is transferred to the Council's Special Projects Reserve at the year end. This will be duly consulted on and reported at Cabinet after the closure and external audit of the accounts.

2.7 **Revenue Budget 2016/17 – Proposals in Summary**

2.7.1 The following table summarises the headline figures for 2016/17 as contained in Appendix 2a.

Expenditure	**2016/17**
	£
Chief Executive's Department	5,331,820
Director of Services	5,668,400
Non Distributed Costs & Other	132,040
Corporate Items & Financing	1,206,021
Recharges Out of General Fund	(1,418,150)
Transfer to Balances/Reserves	1,081,912
2016/17 Budget Requirement	**12,002,043**
Funding Sources	
Formula Grant – RSG	1,120,000
National Non Domestic Rates	2,955,534
New Homes Bonus	2,773,081
Council Tax	4,807,987
Transfer from Collection Fund	345,441
Total Funding Available	**12,002,043**

2.8 Special Expenses

2.8.1 <u>Coalville Special Expenses</u>

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 included in Appendix 2b. It incorporates the information considered by the Coalville Special Expenses Working Party on 15 December 2015.

2.8.2 <u>Other Special Expenses</u>

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 included in Appendix 2b.

3.0 HOUSING REVENUE ACCOUNT (HRA) BUDGET PROPOSALS FOR 2016/17

3.1 The draft Housing Revenue Account budget proposals for 2016/17 were considered by Cabinet on 9 February 2016 and are recommended to Council for approval. See recommendations 6 to 13, set out at the front of this report.

3.2 Members are asked to note that Government changed their position regarding the rent decrease requirement on 27 January 2016, as explained in the addendum to the Cabinet report circulated to all Members. The change exempted all sheltered and supported properties from the requirement to decrease their rent. The information in this section has therefore been amended to reflect this and the decision of Cabinet.

3.3 The 2016/17 budget, the proposed HRA capital programme and the 30 year business plan referred to in this report include the impact of the proposals contained within the addendum which was considered at Policy Development Group on 6 January 2016.

3.4 Revised Budget 2015/16

3.4.1 The budgeted outturn position for 2015/16 was a £183k surplus. The overall forecast for the current year at period 9 shows £2k surplus. This is largely as a result of the reduction in expected rent due to a higher than predicted level of empty properties, the loss in Supporting People grant for older persons services and additional staffing costs in the Responsive Repairs team.

3.4.2 The balance on the Housing Revenue Account at 31 March 2016 is estimated to be £5.3m. This balance significantly exceeds our agreed minimum working balance on the HRA of £1m and this has been developed to provide a loan repayment reserve provision for the future repayment of debts taken out on a maturity repayment basis, within the HRA Business Plan. The first maturity loans of £10m and £3m fall due for repayment on 28 March 2022. It is proposed that the balances over the £1m minimum working balance on the HRA be transferred to a savings reserve for the purposes of repaying these loan commitments, and the ensuing interest would also be used for the same purpose.

3.5 2016/17 Budget Overview

3.5.1 Budget proposals are based on prices and levels of charges for council housing related services at September 2015 plus known increases, for example contractual obligations.

3.5.2 Repairs and maintenance of dwellings expenditure (Appendix 3a – line 1) in 2016/17 is anticipated to total £5.3m.

3.5.3 Supervision and management expenditure (Appendix 3a – line 4) in 2016/17 is expected to be £2.8m.

3.5.4 For 2016/17, the level of revenue contribution to capital outlay (RCCO) is proposed to reduce from £2.6m in 2015/16 to nil. This is as a result of the inclusion of new build proposals for the brownfield site (Coalville), Greenacres and Willesley sites (as approved by Cabinet on 10 November 2015). This revises the 2015/16 capital programme to cover the cost of land acquisition in 2015/16 and the spreading of development expenditure over 2016/17 and 2017/18 ahead of properties being delivered by Q3 2017/18.

3.5.5 The budget for 2016/17 is estimated to produce an operating surplus of £2.46m, which will increase the estimated balance on the Housing Revenue Account at 31 March 2017 to

£7.75m. It is proposed that these balances (less the £1m minimum operating balance on the account) be transferred to a loan repayment reserve for the purposes of repaying the £10m and £3m maturity loans which fall due in 2021/22. This is a revised position when compared to the draft budgeted operating surplus presented to Cabinet on 8 December 2015 which was £2.45m, due to a number of budget changes since this date (see Appendix 3b).

3.5.6 Savings of £2.46m will therefore be realised in 2016/17, and future predicted savings that will be made are as follows:

- 2017/18 - £1.6m
- 2018/19 - £0.0m
- 2019/20 - £0.3m
- 2020/21 - £1.1m
- 2021/22 - £0.0m

3.6 **2016/17 Budget – Rents**

3.6.1 During 2014, the Government announced that from 2015/16 rent guidance required rent increases to be via a formula of September CPI + 1% for the next 10 years.

3.6.2 On the introduction of that guidance the Government's former rent restructuring policy ceased from 2015/16, with the exception of re-letting properties at the converged rent level ('target rent') on re-let.

3.6.3 Following a review of the number of properties at target rent at that time, Cabinet agreed to adopt an accelerated convergence approach which increased 2014/15 rents following the new guidance of CPI + 1% and also continued to converge rents not already at the target rent at an accelerated rate of up to £4 per week. Cabinet also agreed to the expansion of the approach to letting properties at target rent to include transfers for existing tenants. This approach was approved on the basis of achieving a more equitable outcome with similar rent values being charged for similar properties, and as a result 48% of properties were at target rent at April 2015. In addition, it was previously proposed that this accelerated convergence be followed for the 2016/17 rent increase which would have seen the number of properties at target rent move to 94% with the remaining 6% by 2019/20.

3.6.4 At January 2016, 53% of properties are currently at target rent.

3.6.5 Government proposals announced in the Summer Budget in respect of the four year rent reduction have confirmed that Local Authorities' must adhere to this regime. As a result, rents for 2016/17 must be based on the 2015/16 level and reduced by 1%. The ability to converge rents has been removed and properties can only be moved to target rent upon re-let.

3.6.6 On 27 January 2016 the Government issued some clarification and guidance concerning the 1% rent reduction as it will apply to supported housing. It was confirmed that supported housing rents would be excluded from the 1% rent reduction for 2016/17 only whilst a review of this type of accommodation is completed.

3.6.7 The Government has made clear that there is intended to be a wide definition of "supported housing" used when implementing this change and it specifically includes sheltered accommodation for older people, and supported accommodation for vulnerable groups. Regulations will be made to incorporate all the properties included in the guidance, once the Welfare Reform and Work Bill receives Royal Assent.

3.6.8 The void target included in the budgeted rental income is a projected loss of income of 1.8%.

3.6.9 As a result of the 1% rent reduction for 2016/17, budgeted rental income is £254k less than the budgeted figure in 2015/16. However, this is now partially offset by an increase in sheltered and supported accommodation rents of £62k leaving a net reduction of £192k.

3.6.10 Since its inception, the long term HRA business plan has had a core assumption that future rents will increase by 2.5% per annum (notwithstanding the four year 1% rent reductions from 2016) and this was a standard, benchmark assumption across most social housing landlords. In view of government policy and the outlook for inflation, it is now considered prudent to change this assumption to an annual 1.5% increase. This was addressed in the report to Policy Development Group in January.

3.6.11 Changing the core assumption for rents has led to significant re-modelling of the HRA business plan. The final budget proposals in this report have therefore changed from those upon which the December Cabinet report was based. There has been a particular focus on identifying areas where expenditure can be reduced (e.g. re-profiling or reducing the capital programme) or additional income can be generated (e.g. disposals of sites / properties).

3.6.12 Proposed savings, and a number of accounting and budget estimate amendments, have been made from 2015/16, which are set out in Appendix 3b. The largest of the savings or income increases is a reduction in RCCO, for which more detail is provided in 3.8.3 below. The introduction of a new service charge is expected to yield income of £153k and the reduction in the bad debt provision will save £46k. Removing one-off items from 2015, together with some smaller reductions in net expenditure bring the total savings to £3.2m.

3.6.13 The most significant adverse movements are the removal of Supporting People funding from Leicestershire County Council, amounting to £328k and the reduction in rent income, due to the 1% rent reduction and falling property numbers, totalling £254k. Other adverse movements come to £137k, making a total adverse movement of £719k.

3.7 Service Charges, Fees and Other Charges

3.7.1 Approximately one third of the Council's properties have a service charge, covering a range of items such as communal heating, communal lighting, maintenance of communal areas and the new charge implemented following Cabinet approval in September 2015 in respect of the older persons service. Service charges are covered by Housing Benefit, whilst all other fees and charges are not.

3.7.2 For 2016/17 average weekly service charges are proposed to be increased by 4.92%.

3.7.3 Central heating charges are proposed to be maintained at existing levels, as a result of a forecast freeze on energy prices anticipated for 2016/17.

3.7.4 Garage rent levels are proposed to rise by 0.8% which is in line with the Retail Prices Index (RPI) as at September 2015.

3.7.5 Appleby Magna Caravan Site is a General Fund asset but managed by the Housing Service. Ground rents for the site are proposed to be increased by RPI of 0.8% on the anniversary of each individual rent agreement in 2016/17.

3.7.6 It is proposed that Lifeline Charges are increased by RPI of 0.8% from April 2016.

3.7.7 Shop leases are proposed to rise by an average of 14% as agreed by Cabinet in November 2014.

3.7.8 A table detailing each charge increase can be found in Appendix 3c.

3.8 **HRA Business Plan**

3.8.1 Significant annual surpluses on the HRA are required in future years in order to meet the loan repayment commitments in the HRA Business Plan. As detailed in 2.2 and 3.6 above, it is proposed that existing balances and future annual surpluses are transferred to a savings reserve for the purposes of repaying these loans. The first maturity loans to fall due do so in 2021/22 and are for £3m and £10m. Please see Appendix 3d for a schedule of HRA loans.

3.8.2 As a result of the proposals for 2016/17 and the inclusion of new build proposals which will bring in additional longer term rental income, the overall impact on the HRA Business Plan is as follows:

- Savings of £0.1m will be needed by 2024/25.
- Further savings of £1.3m will be required in 2035/36.
- The next funding shortfalls occur in year 26 (2041/42) and continue to the end of the business plan period in 2045/46, totalling £17.9m. This arises as a result of maturity loans of £33.8m coming up for repayment in 2041/42, and the council's treasury management strategy during this era will guide the council's response.

3.8.3 Revenue contribution to capital outlay (RCCO) for 2016/17 is reduced to nil. Future amounts are forecast to be required in order to support new build proposals, as detailed in 3.5.4 above, as follows:

RCCO

- 2016/17 – nil
- 2017/18 - £0.43m
- 2018/19 - £2.27m
- 2019/20 - £0.8m

3.8.4 At one development site, following consultation with the developer, the Council has been able to negotiate the delivery of a number of gifted units as part of the Section 106 planning agreement. Please see Cabinet report of 22 September 2015 on Emerging Issues Affecting Affordable Housing Delivery. This will allow the Council to assume ownership of a reduced number of units at a peppercorn value to be managed as rented accommodation within the HRA. This provides a significant financial advantage to the HRA business plan as a long term rental income stream is obtained for nil cost. In order to further boost the HRA balance sheet going forward, it is proposed that the Council investigates negotiating similar arrangements with developers on other sites.

4.0 CAPITAL PROGRAMMES – PROPOSED GENERAL FUND, COALVILLE SPECIAL EXPENSES AND HOUSING REVENUE ACCOUNT (HRA) PROGRAMMES 2016/17 TO 2020/21

4.1 The proposed General Fund, Special Expenses and HRA Capital Programmes for 2016/17 to 2020/21 were considered by Cabinet on 9 February 2016 and are recommended to Council for approval. See recommendations 14 to 16, at set out at the front of this report.

4.2 **General Fund - Estimated Outturn 2015/16**

4.2.1 The projected outturn for 2015/16 on General Fund schemes totals £2,078,759. This is a managed decrease of £51,241 on the original budget for the year of £2,130,000.

4.2.2 This managed decrease is caused by the following:

Schemes carried forward from 2014/15	**£**	**£**
Network Upgrade,	89,360	
Improving Customer Experience (ICE),	5,000	
Disabled Facilities Grant,	165,000	
Refuse Vehicle and Refuse Kerbsider,	168,000	
Car Park(Retention Element)	1,585	
South Street Car Park Ashby – Resurfacing	19,900	
Hermitage Recreation Grounds – AWP access area	11,500	
Coalville Market Upgrade (Phase 1a)	1,500	
Coalville Market Upgrade (Phase 2)	100,000	
Materials Separating Technology – Linden Way Depot	8,018	
Total		**569,863**
Additional Approved Schemes 2015/16		
Improving Customer Experience (ICE 2),	200,000	
Information Management	100,000	
Additional Disabled Facilities Grant	62,000	
Total		**362,000**
Planned Slippage 2015/16		
Disabled Facilities Grant – Slippage into 2016/17	(283,000)	
Refuse Vehicle - Slippage into 2016/17	(168,000)	
Digger - Slippage into 2016/17	(126,000)	
Well Being Centre - Slippage into 2016/17	(400,000)	
Hermitage Recreation Grounds – AWP access area – Slippage into 2016/17	(11,500)	
Total		**(988,500)**
Various small Over/Underspends identified		5,396
Total Managed Decrease		**(51,241)**

Funded by:		
Disabled Facilities Grant	62,000	
S106 Contributions	(400,000)	
Revenue Contributions to Capital	10,629	
Value For Money Reserve	309,518	
Other Reserves	(18,000)	
Internal Borrowing	(15,388)	
		(51,241)

The total planned financing of the General Fund expenditure totalling £2,078,759 in 2015/16 is as follows:

	£
Disabled Facilities Grant	298,050
S106 Contributions	0
Revenue Contributions to Capital	159,959
Value for Money Reserve	378,018
Other Reserves	206,620
Internal Borrowing	1,036,112
Total	**2,078,759**

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

4.2.4 The carried forward schemes shown in paragraph 4.2.2 above represents expenditure which was originally expected and budgeted for in 2014/15 but which has slipped into 2015/16 and for which the budgeted financing has also been carried forward.

4.3 General Fund Capital Programme 2016/17 to 2020/21 – Individual Schemes

4.3.1 The programme for 2016/17 to 2020/21 detailed in Appendix 4a 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 2016/17:

4.3.2 <u>Desktop Equipment Upgrade (£42,000)</u>

The Council's desktop PCs are currently on average over 5 years old and reaching the end of their economic life. Some work has been done in 2015-16 to replace the oldest equipment and to extend the life of existing equipment through investment in a virtual desktop computing environment. The virtual environment reduces the load on the desktop equipment and simplifies management by running software on high-power servers in the computer room instead of on the desktop PCs.

This scheme will further extend the virtual desktop environment and replace 100 of the oldest PCs with solid state thin client devices. As well as providing a more stable and reliable desktop computing environment, this investment will simplify any future move to remote or home working since the solid state thin client devices are easily supported remotely.

4.3.3 ICT Security Infrastructure (£63,000)

The Council's network is currently secured using separate products from three different resellers. This scheme will replace the Council's security infrastructure with a single unified threat management solution which is scalable to support the Council's future demands. A direct cost saving in the ICT revenue budget of £19,000 per annum from 2017-18 onwards will be realised as a result of this investment.

4.3.4 HR / Payroll System (£50,000)

The current HR/Payroll system contract (Selima) is due to expire in March 2017. This scheme and purchase of a new/upgraded system will require time for implementation, testing and dual running. The potential timescales for this project requires that we go out to tender in Jan/Feb 2016 with contract award likely to be around July/August 2016.

4.3.5 Access Road, High Street Car Park, Measham - Resurfacing (£25,000)

Proposed resurfacing of the NWLDC-owned part of the private access road serving NWLDC's public car park situated off High Street, Measham – to address defects and maintain an acceptable surface condition.

4.3.6 Hermitage Recreation Grounds – Surface Dressing (£11,500)

This scheme was originally agreed as "Hermitage Rec Grounds AWP Access Area, Whitwick - Resurfacing" in the 2014/15 Capital Budget presented to Cabinet on 11 February 2014. The original scheme was to resurface selected parts of the access area. The scheme has been expanded to incorporate surface dressing of the Lakeside Pavilion access and car park, the (original) access road leading to the All Weather Play Area and the access road leading to the slipway at Hermitage Lake – to seal and protect the surfaces from the weather, extend their life and improve their appearance.

4.3.7 Hood Park Leisure Centre Car Park, Ashby - Resurfacing (£15,000)

Resurfacing of the main vehicular route / traffic aisle through the long axis of the car park. Resurfacing is required to address the defects and maintain an acceptable surface condition.

4.3.8 North Service Road Car Park, Coalville (£32,250)

Proposed improvements to the site to address defects, maintain the vehicular and pedestrian surfaces in an acceptable condition and to potentially improve the layout and appearance (subject to detailed design).

4.3.9 Coalville Park – Reconfigure Depot and replace building (£95,000)

As part of the annual Property Services building survey, a garage at the Coalville Park depot has reached its end of life and requires urgent replacement. In addition, following annual increases in business, the size of the team, vehicles and equipment it is necessary to reconfigure and create more space and appropriate working environments at the depot. The cost at this stage is an estimate awaiting formal costings.

4.3.10 Hood Park Leisure Centre Fitness Suite Air Conditioning (£15,000)

Replacement of three 10 year old wall mounted Air Conditioning Units within the fitness suite. The units use refrigerant R22 which from the end of 2015 will be illegal to use. Consequently, within 6 months the units will effectively become obsolete and unusable. The three new units will not only use the legal, non ozone depleting refrigerant R410a, but they will also have internal inverters thus reducing energy consumption and significantly improving efficiency.

4.3.11 Hood Park Leisure Centre Wellbeing Centre (£400,000)

The last major facility improvement to Hood Park Leisure Centre was completed in 2001 with the addition of an indoor swimming pool, fitness studio, squash courts and ancillary facilities. Since this time, demand for health and fitness facilities has increased and housing developments in the Ashby area have been approved and built. Through the planning process, S106 requests were made for leisure and recreation facilities to ensure that the leisure centre could continue to provide adequately for the health and fitness needs of residents. The Council has to date received just over £390,000 from developments in order to develop a Health & Wellbeing Centre at Hood Park Leisure Centre.

The proposed facility area to be converted into the Health & Wellbeing Centre is the existing male and female dry side changing rooms. These changing rooms are part of the original building dating back to the 1970's. They were built to service the sports hall usage but the 2001 development has added further 1st floor changing room capacity and squash change capacity which it is felt could accommodate displaced usage.

The Authority has also been in discussion with Leicestershire Partnership Trust (NHS) who wish to relocate some of its services, such as physiotherapy, from the closure of Ashby Hospital to the Leisure Centre. The Authority feels that this would be beneficial to residents and presents a pathway from rehabilitation into on-going physical activity in a one-stop-shop health environment. The NHS have indicated they will pay for the relevant capital works and enter into a lease arrangement with revenue contributions for their spatial requirements. They are keen to progress this arrangement as a priority and proposals are at an advanced stage with the focus from both parties currently on facilitating this within the existing female dryside changing room in early to mid 2016.

Once the potential arrangement with LPT has been resolved, focus will then turn towards NWLDC's element of the Wellbeing Centre. This development, if progressed, could include new fitness equipment tailored for targeted groups including the elderly, people with disabilities, GP referrals and young children. The equipment will also be suitable for those who are starting out for the first time in a gym environment.
By developing our facility, it will free up capacity in the fitness suite which is experiencing significant demand at peak times. This was reinforced through the Wigan Leisure Trust commissioned 'Latent Demand' report which highlighted that if the centre had increased fitness facilities, it would increase its usage and membership base leading to increased income generation.

4.3.12 Fleet Replacement Programme

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.

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.

Approval is sought to amend the 2016/17 Fleet budget from £1,039,000 to £1,333,000, an increase of £294,000. The slippage of two vehicles (Refuse Vehicle £168,000 and Digger £126,000 as represented in the table in Paragraph 4.2.2) from the 2015/16 fleet programme to the 2016/17 programme. The total fleet budget for 2016/17 is therefore £1,333,000.

The changes in the 2016/17 budget, due to slippage are reflected in the table below:

Vehicle	**Original Budget**	**Revised Budget**
Refuse Kerbsider (End of Lease)	344,000	344,000
Refuse (3x refuse vehicles. End of Lease and End of Life)	325,000	493,000
Market Vehicles/Cars (End of Life)	19,000	19,000
Vans - Small (4x End of Lease but Reduced to 2)	22,000	22,000
Vans - Medium (2x End of Lease)	28,000	28,000
Vans - Pickup (End of Life)	19,000	19,000
Bin Lifter (New for refuse vehicle)	20,000	20,000
Tractor Plant & Digger (End of Life Baler, loading shovel and Tractor)	215,000	341,000
Mowing Machines (2x End of Lease)	47,000	47,000
TOTAL	**1,039,000**	**1,333,000**

In order to progress with the 2017/18 purchases approval is sought for the following vehicles:

	£
Refuse (1 x refuse vehicle. End of Life)	170,000
1 x HGV mechanical sweeper (End of lease)	120,000
1 x 7.5T caged vehicle (End of life)	40,000
2 x mini-sweepers (End of life)	130,000
Vans Medium – 12 x transit, 1 x caged (end of life or lease)	170,000
Total	**630,000**

4.3.13 <u>Waste Services HGV’s and LGV’s (approx £460,000)</u>

The existing Heavy Goods waste vehicles, including one waste collection vehicle, one mechanical sweeper, one 7.5 tonne caged tipper and two mechanical mini-sweepers are to be replaced as part of the annual vehicle replacement programme to ensure reliability of waste and street cleansing service delivery.

4.3.14 Medium Vehicles (approx £170,000)

Thirteen medium / small vehicles are to be replaced across the fleet for 2017/18 as part of the annual vehicle replacement programme. These include three transit vans for the Waste Services Team and nine transit vans and one caged vehicle for the Housing Team. These are essential for service delivery and to control maintenance costs of increased repairs to ageing vehicles.

The General Fund Capital Programme (2016/17) will be funded by:

	£
Disabled Facilities Grants	298,050
S106 Contributions	400,000
Revenue Contribution	135,920
Reserves	282,790
Internal Borrowing	1,681,750
Total	**2,798,510**

4.4 **Coalville Special Expenses – Estimated Outturn and Individual Schemes**

4.4.1 The Projected outturn for 2015/16 is £172,606. This is all slippage from 2014/15 on the following projects:

	£
Cropston Drive BMX Track	9,783
Thringstone Miners Social Centre	4,913
Urban Forest Park - Footway & Drainage Improvements	39,025
Owen Street – Floodlights	779
Owen Street – Changing Rooms	115,564
Thringstone Bowls Club – Toilet Block	2,542
Total	**172,606**

4.4.2 There are no new schemes agreed at present for 2016/17.

4.5 **HRA Capital Programme – Estimated Outturn 2015/16 and 2016/17 - 2020/21**

4.5.1 The HRA Capital programme (Appendix 4b) covers in detail the capital schemes for the period 2016/17 to 2020/21.

4.5.2 Planned spend in 2016/17 and onwards mainly consists of:

4.5.3 Maintaining Decency Programme

The Decent Homes standard was introduced by Government to drive up the quality of social housing across the country. The standard sets a range of indicators for different elements of tenants' homes.

After the Authority successfully completed its Decent Homes Improvement Programme and achieved 100% decency across the housing stock in March 2015, there is no further Government Grant available for the foreseeable future.

The Authority is forecast to spend £6.154 million in 2015/16 and will continue to invest in the Maintaining Decency Programme to maintain the level of decency across the Housing Stock

The Maintaining Decency Programme for 2016/17 will invest £2.947 million in improving tenants' homes, with an additional £1.327 million of other planned investment in improvements to our properties also taking place.

4.5.4 Other Planned Investment Programme

In addition to delivering the Maintaining Decency 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.

4.5.5 New Build/Affordable Housing Programme

In Autumn 2014, the Authority commissioned Housing Quality Network (HQN) to undertake an options appraisal on how the Authority could increase the number of council-owned homes through new build and acquisitions. The HQN report was concluded in January 2015 and a number of recommendations from the report were subsequently approved by Cabinet on 10 November 2015. The Authority has committed to build new homes at three different sites:

Brownfield site, Coalville (if acquired)	- 12 homes
Greenacres, Coalville	- 10 homes
Willesley Estate, Ashby	- 8 homes
Total	- 30 homes

4.5.6 Other Schemes / Miscellaneous

There are various other schemes in the Housing Capital Programme as per Appendix 4b.

A new line of Disposal of High Value Assets has been included in Appendix 4b. This is due to the Government's new Housing and Planning Bill currently going through Parliament. The introduction of 'Right to Buy' for Housing Tenants Association tenants will require contributions from local authorities to subsidise Housing Associations and support the discount to be granted to those tenants.

It is currently suggested that local authorities must make a payment to the Government based on the market value of high value housing likely to become vacant during the year, less any allowable deductions. The amount will be formula based and payable in advance. There are, as yet, no firm details of the formula to be applied and as a result, an indicative amount of £500,000 per annum has been included in the capital programme going forward.

4.5.7 Future Funding

Since its inception, the long term HRA business plan has had a core assumption that future rents will increase by 2.5% (notwithstanding the annual 1% rent reductions from 2016 for four years) and this was a standard, benchmark assumption across most social housing landlords. In view of government policy and the outlook for inflation, it is now considered prudent to change this assumption to 1.5%. This has a significant impact on future rental income flows, and additional efficiencies and savings will have to be identified within the Housing Service going forward.

Changing this core assumption required a fundamental re-modelling of the HRA business plan, with a particular focus on identifying areas where expenditure can be reduced or additional income can be generated.

4.5.8 Capital Programme Proposals

The capital Programme can be adjusted by either generating additional income from the disposal of poorly performing assets (properties or land), or reducing / re-profiling the expenditure planned over the lifetime of the Business Plan. Our proposals are detailed below:

Sale of sites and empty properties - to generate income and reduce the need for significant investment in properties with high repairs needs, a programme of selective sales is being recommended. We propose that £900,000 is raised through disposing of properties or sites (including decommissioned sheltered blocks and/or garages) in 2016/17, and in each of the following two years. Projected sales income then falls to £750,000 from 2019/20 onwards. The properties will be selected based on their Net Present Value (NPV), which measures the financial value of a property over a period of time by comparing rental income with investment needs. High performing properties need little investment and generate an excess of rental income, whilst low performing properties require significant improvement work and, by comparison, generate insufficient rental income. We propose to sell those empty homes with the lowest NPV, and target 3 bedroom properties, of which we have a disproportionately high number compared to 1 and 2 bedroom properties. The latter are the type of properties for which there is the highest demand from home-seekers on the waiting list.

Re-profiling of capital improvements expenditure 2018/19 to 2024/25 – For non-decency improvements (i.e. parking schemes, paths, driveways, walls / fencing, outbuildings) a planned programme of works for future years had been outlined in the Asset Management Strategy which was approved by Cabinet on 20 October 2015. Peaks of expenditure had originally been planned in the years over 2019 - 2023, which coincides with other significant budget pressure to re-pay two loans of £10m and £3m in March 2022. By re-profiling some of the capital expenditure back from these years, and spreading it over subsequent periods, we have ensured the business plan has a smoother expenditure profile, and also has capacity to repay the two loans in full.

By making these adjustments, it means that we can maintain the predicted level of expenditure required to maintain all homes at or above the Decent Homes standard in future. As a result, we are aiming to ensure that no properties fail to meet the Decent Homes standard going forward.

Aids and Adaptations budget – significant investment was made through the Decent Homes programme in installing level access showers instead of like for like bathroom replacements in many ground floor flats and bungalows. It is therefore projected that the budget requirement for this work will reduce over time. Furthermore, as more properties have received adaptations in recent years as part of this programme, more efficient utilisation of these properties by existing and future tenants will reduce the need to carry out new works. We have therefore reduced the projected budget allocation for future years, although we are still aiming to invest £250,000 per annum in this area by 2020.

Programme Delivery Costs – a provision is made within the capital programme to fund the staff responsible for delivering the programme. Previously, the budget assumed one full time post would be required to support our new build programme, after the successful completion of the three pilot schemes. In view of the future need to dispose of sites, the future new build programme may now be less ambitious than originally envisaged. Furthermore, any future new build schemes would require us to borrow funds, although there is available headroom within the Housing Revenue Account to do so. Therefore, the costs associated with new build delivery have been reduced to 0.5 of a full time post.

4.6 **Capital Resources**

4.6.1 The resources estimated to be needed to finance the General Fund programme 2016/17 to 2020/21 totals £6,805,560 and is as follows:

	£
2016/17	2,798,510
2017/18	1,175,970
2018/19	1,801,970
2019/20	228,000
2020/21	801,110
Total	**6,805,560**

4.6.2 Details of the planned funding of the programmes are included in Appendix 4a. Funding is in place in 2016/17 for the Disabled Facilities Grants Scheme (£716,760) and Wellbeing Centre (£400,000) consisting of £298,050 Disabled Facilities Grants, £282,790 of reserves and £135,920 of Revenue Contribution and £400,000 of S106 Contributions. The remaining schemes (£1,681,750) can be funded through either leasing or borrowing depending on value for money and provision has been made in the 2016/17 Revenue Budget.

4.6.3 The following resources are budgeted to be available for financing the Housing Revenue Account Programme in 2016/17. An estimated surplus of £644,000 can be carried forward to 2017/18.

	£
Usable Balances	1,531,000
Retained Right to Buy Receipts	238,534
Right to Buy Receipts – Attributable debt	658,722
Use of Right to Buy 'One for One' reserve	496,919
Major Repairs Allowance	4,983,603
Asset Disposals (Capital Allowance)	900,000
Total Resources	**8,808,778**
Less Budgeted Expenditure	8,164,778
Surplus to be carried forward to 2017/18	**644,000**

4.7 **Procurement Routes**

4.7.1 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.

4.7.2 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 it a right not to award a contract, should Council not approve the budget.

4.7.3 Waste Services, Vans, Cars, Plant and Equipment

As part of the Fleet, Plant and Equipment Replacement Programme, replacements will need to be made to some of the Council's vehicles, equipment and plant. Officers will select the most appropriate public sector framework for each item, considering which offers value for money for the Council at the time of procurement.

Cabinet is asked to delegate award of the subsequent contracts for vehicles, equipment and plant to the Director of Services in consultation with the Portfolio Holder.

4.7.4 Car Park Resurfacing

The Council will need to resurface four car parks/roads in the 2016/17 financial year, Access Road to High Street Car Park, Measham; Hermitage Recreation Grounds; Hood Park Leisure Centre Car Park and North Service Road Car Park, Coalville.

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 £83,750, so below the thresholds which would require the authority to advertise the opportunity in Europe. At this value, it is a Band D contract requiring a formal tender process, pursuant to CPR 5.16.

To assist officers with scheduling the pre-procurement work and on-site delivery of the larger resurfacing schemes before winter, 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 the CPR, according to its own value. This would bring all four schemes into Band B (Small) Contracts, all requiring three written quotations be sought and opening up the opportunities in the first instance to suitable businesses registered on the Buy Local portal.

Pursuant to CPR 3.2, Cabinet is asked to grant a waiver to CPR 5.16 so that each of the four resurfacing programmes can be treated as individual contract opportunities and procured in accordance with the CPR relevant 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.

5. 0 SETTING THE COUNCIL TAX

5.1 The wordings of the recommendations for setting the Council tax are prescribed and are explained below.

5.2 **Recommendations 18(1) and 18(2)**
The amount shown in these recommendations are the Council Tax Base for the 2016/17 year (Recommendation 18(1)) and the Council Tax Base for 2016/17 for those areas where Parish Precepts and/or Special Expenses apply (Recommendation 18(2)) both as shown in Table 1.

5.3 **Recommendation 19(1)**
The amount at Recommendation 19(1) is the Council's estimated gross expenditure for 2016/17 including the Special Expenses plus the parish precepts as notified to the District Council under the Local Government Act 1972 together with any increase in reserves. It is calculated as follows:

	£
District Gross Expenditure	58,109,509
Parish Precepts	1,725,678
Surplus of Income over Expenditure	1,081,912
Total	60,917,099

5.4 **Recommendation 19(2)**
This is the District Council's estimated gross income for 2016/17 from fees, charges, rents, specific and general Government grants, reserves and the transfer from the Collection Fund and has been calculated as follows:

	£
Fees and charges, rents, specific Government Grants	46,765,186
Formula Grant	1,120,000
National Non Domestic Business Rates	2,955,534
New Homes Bonus	2,773,081
Transfer from Collection Fund	345,441
Total	53,959,242

5.5 **Recommendation 19(3)**
This is the Council's Council Tax Requirement and is the difference between gross expenditure at 19(1) above and gross income at 19(2) above. It is calculated as:

	£
Gross Expenditure	60,917,099
Less Gross Income	53,959,242
Total	**6,957,857**

5.6 **Recommendation 19(4)**
This figure represents the basic amount of Council Tax and is calculated by applying the formula given in Section 31B of the Local Government Finance Act 1992:

Where:

- R is the Council's Council Tax Requirement, i.e. as Recommendation 19(3) above
- T is the Council Tax Base

Therefore: $\dfrac{\text{£6,957,857 (R)}}{\text{30,319 (T)}}$ **= £229.49**

5.7 **Recommendation 19(5)**
This is the total of all the Special Expenses and the precepts of local precepting authorities i.e. Parish Councils as follows:

	£
Special Expenses	424,192
Parish Precepts	1,725,678
Total	**2,149,870**

5.8 **Recommendation 19(6)**
This figure is arrived at by deducting from the amount of basic Council Tax at Recommendation 19(4) the sum of the Special Expenses plus parish precepts (recommendation 19 (5) divided by the District Council Tax base):

$$\text{£229.49} - \left(\frac{\text{£2,149,870}}{\text{30,319}}\right) = \underline{\textbf{£158.58}}$$

This represents the basic amount of Council Tax (at Band D level) for those parts of the District's area where there are no parish precepts or Special Expenses. The parish precepts and/or Special Expenses, where applicable, are in addition to this.

5.9 **Recommendation19 (7)**
The amounts referred to here are the additional basic levels of Council Tax to meet the parish precepts and/or Special Expenses set out in Recommendation 19(5). They are calculated by dividing the parish precept and/or Special Expenses by the Council tax base for that part of the Council's area, and adding the result to the Council Tax amount calculated in Recommendation 19(6) above.

5.10 **Recommendation 19(8)**

These amounts are calculated by applying, either to the basic amounts of Council Tax at Recommendation 19(6) (no parish precept and/or Special Expenses), or to the basic amounts of Council Tax at Recommendation 1687) (where there are parish precepts and/or Special Expenses), the proportions listed in Section 5(1) of the Local Government Finance Act 1992 as they relate to the proportion allocated to Band D as follows:

Valuation Band	Proportion of Basic Council Tax
A	6/9
B	7/9
C	8/9
D	9/9
E	11/9
F	13/9
G	15/9
H	18/9

5.11 **Recommendation 20**

In issuing their precepts for the financial year 2016/17 Leicestershire County Council (subject to County Council meeting), Leicestershire Police and Crime Commissioner and the Combined Fire Authority have informed the billing authority (i.e. North West Leicestershire District Council) of the total amount payable and also the amount of Council Tax for each valuation band. There will be an update at the District Council meeting should the County Council's information change.

5.12 **Recommendation 21**

This amount is calculated by adding together the amounts in recommendation 19(8) and the amounts in Recommendation 20. This gives the total amount of Council Tax payable for each valuation band in each part of the Council's area. These amounts will, in some cases, be reduced by discounts including Council Tax Support discounts which replaced Council Tax Benefits from 1 April 2013.

5.13 **Recommendation 22**

The Localism Act 2011 has amended the Local Government Finance Act 1992 in such a way as to require the Council to determine whether the Council's relevant basic amount of Council Tax each year is "excessive". A referendum is now triggered in those authorities where an increase is so determined. The question of whether an authority's relevant basic amount of Council Tax is excessive or not must be decided in accordance with a set of principles determined for the year by the Secretary of State.

The Secretary of State has now indicated that the Authority's basic amount of Council Tax for 2016/17 would be considered excessive if it is more than 2% greater than its relevant basic amount of Council Tax for 2015/16. For 2016/17 Parish Councils are again not included in the principles.

As no increase in Council Tax is being recommended in those parts of the District in which no parish precepts apply (i.e. in the District element of the Council Tax plus appropriate Special Expenses element) there is no question of the basic amount of Council Tax for 2016/17 being determined as excessive.