Medium Term Financial Strategy 2015/16 to 2019/20

Forward

Welcome to the Medium Term Financial Strategy (MTFS) the Council's key financial planning document.

In the past this document has formed the bridge between the local Sustainable Community Strategy and our Corporate Plan. For this forthcoming period, however, the key plans have been brought together in one document to form the **'Blaby Plan'** This will bring together the Council's Community Plan, the Corporate Plan, the MTFS and the People Strategy.

The previous MTFS gave a three year financial forecast covering 2011/12 to 2014/15 to match the period covered by the government's Spending Review. Whilst this has proved a useful tool with which to drive efficiency and understand affordability it has been necessary to revise the forecasts. Since the publication of the MTFS in September 2011 the economic climate has changed and the funding levels have become more uncertain.

Similarly the 5 year forecast included in the new strategy document will need to be revised on an annual basis. The Council has only received notification of the settlement for 2015/16. No provisional settlement has been released for future years.

Whilst the future funding levels are uncertain it is not unrealistic to assume there will continue to be funding reductions or higher demand placed upon the Authority. With this in mind it is important that the Authority understands the potential future funding gaps so it is best placed to make decisions at an early stage.

Delivery of these savings or generation of additional income can then be planned in a structured manner so as to minimise disruption to our customers.

The priorities have now been identified to form the Blaby Plan as follows:

- A vibrant local economy and job market.
- Residents are healthy, fulfilled and confident for their future
- Safe, strong and happy local communities

Financial resources will continue to be aligned with these priorities and a structured approach taken to meeting any funding gaps that may present themselves. In the pages that follow the key financial information is presented along with the Council's approach to meeting the Funding Gap and ensuring Value for Money.

We would welcome your comments on this strategy or any aspect of the Council's finances. You can make your views known by contacting the Council at finance@blaby.gov.uk

Five Year Financial Forecast

Set out in this section of this document is the forecast of the Council's General Fund financial profile over the next five years. Whilst the Council has only been provided with the settlement figures for 2015/16, there is value in looking at the long term picture in order to be in a position to take a more strategic approach to deliver a financially sustainable Council.

The future funding envelope has therefore been based on information received from external sources taking into account the National picture and applying that to give an estimate of Blaby's future funding position.

The forecast is based on information available at the time of publication but it is recognised that this forecast will be updated each year in February as part of the budget setting process or earlier if any significant changes are identified.

The extent of the funding reductions continue to require Blaby to focus on delivering savings through improvements in efficiency but also to seek opportunities for investment and growth to generate income. The Council continues to identify new and innovative ways of working whilst remaining committed to protecting those services valued and needed by our customers.

The priorities of the Council have now been identified to form the Blaby Plan as follows:

- A vibrant local economy and job market.
- Residents are healthy, fulfilled and confident for their future
- Safe, strong and happy local communities

These fit with the manner in which the Council currently approaches its role to provide services within the district and therefore the financial implications of delivering these objectives do not require any dramatic change in direction or cause any additional financial requirements.

As such the provisional budget for 2015/16 has therefore been used as the base expenditure to roll forward to establish the budget requirement for future years.

Forecast Revenue Budget 2015/16 to 2019/20

		2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Net Direct Expenditure	1	9,901,030	10,016,314	9,340,532	9,033,700	8,711,554
Minimum Revenue Provision	2	668,639	794,266	840,523	945,820	1,044,670
Council Tax Support Grant - Parishes	3	194,741	203,804	203,804	203,804	203,804
Appropriations & Accounting Adjustments	4	60,343	112,525	110,486	60,000	60,000
Contribution to/(from) Earmarked Reserves	5	(1,417,939)	(657,897)	(457,441)	(225,897)	(225,897)
Contribution to/(from) General Fund Balances	6	(40,158)				
Identified Transformational Savings/Income	7		(505,000)			
Additional Savings/additional revenue requirement	8		(413,953)	(662,196)	(669,297)	(582,001)
Net Revenue Expenditure	9	9,366,656	9,550,059	9,375,708	9,348,130	9,212,130

		2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Revenue Support Grant	10	1,558,579	980,000	507,000	275,000	53,000
Redistributed NNDR	11	1,725,514	2,089,000	2,152,000	2,217,000	2,283,000
New Homes Bonus Grant	12	1,432,940	1,743,133	1,888,721	1,936,291	1,862,610
NNDR Growth	13	200,000	200,000	200,000	200,000	200,000
	14	4,917,033	5,012,133	4,747,721	4,628,291	4,398,610
Council Tax Surplus	15	12,274	12,274	12,274	12,274	12,274
Council Tax	16	4,437,349	4,525,652	4,615,713	4,707,565	4,801,246
Funding Envelope	17	9,366,656	9,550,059	9,375,708	9,348,130	9,212,130

Forecast Assumptions

Set out below is a commentary relating to the key assumptions that have been made in drafting the future financial forecast.
The numbering relates to the lines of the Forecast Revenue Budget table.

1. **Net Direct Expenditure** has been compiled by rolling forward the 2015/16 draft budget numbers and applying inflationary factors where appropriate to the elements. Key areas of note are:

    - Establishment Costs – An increase of 3% has been allowed for year on year in relation to all employee costs
    - Other Costs – Where contractual arrangements exist any contractual uplift has been allowed for and where applicable an inflationary rate of 2% has been included year on year.
    - Income – In this draft estimate no additional uplift has been included on top of the current income levels of 2015/16. Should any substantial income be generated from any new initiatives these will be reflected in the Transformational Savings/Income line 7.

2. **Minimum Revenue Provision (MRP)** is based upon the current level of capital expenditure that results in a MRP charge. The bulk of this charge is related to the purchase of fleet vehicles but Disabled Facility Grants also contribute to this charge. The success of the 'Light Bulb Project' and the future direction of changes to Refuse and Recycling which are being considered in the future by Leicestershire County Council may cause this figure to alter.

3. **Council Tax Support Grant - Parishes** is based on the current level of grant transferred to Parishes. This is based on the actual amount of Council Tax Support specifically awarded within the parish and the impact it has on the parish tax base. This may fluctuate given the caseload.

4. **Appropriations and Accounting Adjustments** represent the New Homes Bonus transferred to Parishes. £50,486 of this is committed to be paid to the Parishes that benefitted in the first year for the full six years. The last year this is payable is 2017/18. The remaining £60k is pending any decision to remove this payment to Parishes.

5. **Contributions to/(from) Earmarked Reserves** represent the release of reserves to support the budget requirement. In 2015/16 and 2016/17 a release of £400k each year is included and a release of £200k for the remaining 3 years. This general release is in addition to more specific reserve releases the main one being £232k per year from the Pickles grant supporting weekly collections.

6. **Contributions to/(from) General Fund Balance** currently shows the gap for 2015/16. Options to close this gap are currently being explored and it is not expected that the gap will remain at this level when the MTFS is presented to Council in February.

7. **Identified Transformational Savings/Income** Work has already commenced to identify and put in place initiatives to generate savings or additional income. Only those that have reached the stage that the financial implications can be estimated have been included within this figure. They include such projects such as Channel Shift, Management Restructure and the investment in the Pavilion.

8. **Additional Savings/Additional Revenue Requirement** Illustrates the level of savings to be found to meet the forecast reduction in funding. The figure in each year is calculated on the basis that that gap is filled within the year in which the shortfall occurs.

9. **Net Revenue Expenditure** is the resulting expenditure figure to match the available funding.

10/11. **Revenue Support Grant/Redistributed NNDR** Together these form the Council's core grant funding. Only figures for 2015/16 have been provided in the settlement notification. No future provisional figures have been provided by Department for Communities and Local Government (DCLG). The Council, along with the other Leicestershire Districts, receive advice from Consultants working with CIPFA who have provided a detailed forecast of potential future funding. It is this forecast that has been used to inform any estimate of future funding.

12. **New Homes Bonus Grant (NHB)** This is the total grant forecast to be received based on the current mechanism and distribution of NHB. It assumes that in later years a constant of £300k will be generated from the increase in new homes in the area. 2016/17 is the 6th year of NHB grant and it is at this point that the income reaches a plateau as the earlier years income falls out and is replaced by the £300k.

13. **National Non Domestic Rates (NNDR) Growth** Up to now the Council has released no additional income from growth in business rates. This decision was taken whilst the impact of appeals and the accounting treatment of the Localisation

of Business Rates were fully understood. A significant provision has built up from the outcome of the Business Rate growth. Whilst some of this provision will be utilised to account for the impact of valuation appeals which have reduced the growth, it is appropriate to recognise some of this provision within the revenue budget going forward and that future growth will continue. Taking this into account an amount of £200k has been identified to be released on an ongoing basis throughout the forecast.

15. **Council Tax Surplus** represents the amount of Council Tax Collected above the anticipated collection rate.

16**. Council Tax** represents the expected revenue received from Council Tax billed. In 2015/16 and future years an increase of 1.99% has been included for each of the years.

Financial Risks

- **New Homes Bonus (NHB)** When the New Homes Bonus commenced it was a non-ring fenced grant introduced to encourage the building of new housing. This, in effect, was top sliced from the existing funding streams for local government and therefore has provided as alternative source of funding as the core grant has been reduced. In the early years Blaby was in the position to support local housing schemes with some of the New Homes Bonus, however in recent years, it has been necessary to include the NHB as a source of funding to underpin the budget requirement.

  In 2013 there was consultation on proposals to re-align the distribution of the NHB to reallocate 40% of that currently distributed to Blaby into a fund to support local infrastructure. There was strong opposition to this proposal and no such re-distribution occurred.

  The risk has not however, gone away and currently there is a suggestion that the NHB will undergo a review of how it is distributed. This has arisen mainly from the fact that some southern authorities have benefitted greatly from the building of new developments and have actually seen an increase in their funding level with the NHB being generated at a higher level than their core funding has reduced.

  Blaby currently is underpinning the budget requirement by approx. **£1m** a year with NHB.
  Blaby has not benefitted from NHB over and above the core funding reductions. Needless to say it poses a substantial risk to the Council if the NHB changes significantly.

- **Localisation of Business Rates.** The scheme introduced in 2013/14 which allowed Local Authorities to benefit from growth in Business Rates has proved complex especially given the issue of the valuation appeals which have made it difficult to assess growth. The Autumn Statement suggests that the Localisation of Business Rates scheme will be revised and consultation will be sought on the subject in 2015/16. Whilst this isn't an immediate risk we have now started to build some income into the financial forecast **of £200k per annum** and any changes to the scheme may impact on this.

- **County Council Funding Reductions.** The County Council has openly illustrated the level of funding cuts that they will be required to make over the coming years. In this financial year we have seen the financial impact of this start to feed through. Whilst we can plan to mitigate any obvious impacts of this, some are more subtle and the increased demand that result from this is difficult to quantify financially. This is a considerable risk to which we will put financial values to as and when we are in a position to do so.

Efficiency and Meeting the Future Funding Gap

The forecast detailed on page 5 illustrates the extent of the reduction in financial resources that the Council may face in the future.
To date the Council has made great strides in meeting the financial challenge and an ethos to spend money or generate income effectively and efficiently is embedded at all levels within the organisation.

The previous MTFS included detail of the plans within 'Project Hermes', the Council's savings project which was successful in delivering savings through numerous restructure initiatives.

The current project which will deliver the future efficiencies to 'Close the Gap' is more transformational in design.
Whilst plans have not yet been fully explored to fill all gaps within future years considerable progress has been made already to meet the gaps in the earlier years with the following initiatives:

- **Channel Shift** – a project to enable customers to transact electronically with the Council where able to. Designed both to reduce the costs associated with servicing that demand whilst also allowing customers to transact with the Council at a time convenient to them. Initial estimates suggest a saving of £275k per annum may be saved if 50% of customers utilise this form of communicating with the Council, if all services identified develop the necessary on-line capability.

- **Management Restructure** - as with all organisations the Council needs to consider its priorities and the resource required to support this with regard to management of the organisation. A new structure is yet to be defined but needs to be a sustainable structure. It is anticipated that this will generate a saving of £100 - £200k.

- **Pavilion Investment** – this project is a prime example of the Council utilising financial resources to invest in initiatives that generate income whilst also meeting its priorities. An investment of approximately £370k to refurbish an area of the Pavilion Leisure Centre and return a net income of £65k per annum in it's second year of operation is a good example of how the Council might utilise its Reserves to fund 'spend to save initiatives'.

Those initiatives listed above are examples which have so far been well defined. However the Senior Leadership Team, with Members involvement, is exploring further initiatives which:

- Investigate opportunities to invest and generate income streams
- Introduce further partnership working in the Narborough Offices both to maximise the use of the office space and generate revenue but also to deliver a better/joined up service to residents.
- Develop the Economic Development Strategy and work in partnership with our business partners in the District to recognise their social responsibility as well as improve the economic wellbeing of the residents.
- Understand the future increases in the taxbase and business rate income given the development of Lubbesthorpe and commercial development in the area.

- Continue to instil Systems Thinking across the organisation seeking to eliminate waste and empower staff whilst also ensuring customer needs are met.

All Blaby staff understand the future financial challenges and are encouraged to be part of the process to ‘fill the gaps’ and ‘explore opportunities’.

Plans are already in place to provide training for any future Members to ensure they understand the finances of the Council at an early opportunity and are in a position to support and understand any decisions that may be put forward to them to be made.

The financial challenge ahead is considerable, however Blaby has illustrated an ability to meet such challenges in the past with a positive approach that has enable staff to find sustainable solutions and deliver effectively.

Whilst it is recognised that not all financial gaps will be filled totally in each year, the Council is committed to delivering the long term savings in a structured manner and utilising balances and reserves where necessary.

Value For Money

Value for money (VFM) is achieved where costs are relatively low, there is high productivity and the outcomes produced are successful.

Value for money is important because:

- It enables the Council to provide the best possible level of services and achieve the best possible outcomes for our residents within a set level of expenditure.
- It helps demonstrate accountability to the residents of the District.
- It helps to demonstrate a sense of pride for those delivering the service.

The Council uses a number of sources to ensure it is delivering VFM in all service areas. A number of indications of the VFM that Blaby District Council deliver are detailed below:

- **Local Government Inform report** – Illustrating how Blaby compares to other District Council's across the East Midlands and the rest of England. Broad areas included within this report are Housing, Planning and Development, Environmental Services and Culture, Recreation and Sport.

- **Retention of the Customer Service Excellence Award** wherein 2015 the Council has retained the overall Customer Service Excellence Award, attaining 'Compliance Plus' scores for the following elements:
  - 1.3.4 Setting customer satisfaction targets
  - 2.1.1 Corporate commitment to service delivery
  - 2.2.4 Front-line staff input to service development
  - 3.4.1 Beneficial partnerships
  - 3.4.3 Working with the wider community.

  And were awarded a further two compliance plus awards for:
  - 1.1.3 – Hard to Reach and disadvantage focus
  - 3.3.2 – Access channel evaluation and improvement

- **Budget Survey Results** in both 2014 and 2015 whereby, of those residents surveyed, 65% to70% agreed that an increase in Council Tax should be introduced to help retain services in future.
  In total, 1,271 completed questionnaires in 2015. This means we can be 95% confident that the district-level results are accurate to within +/- 3%. In other words, if 50% of our sample responded in a certain way to a question in the survey, we can be confident that the actual figure for the overall district population will be between 47% and 53%.

- **Findings of the External Auditors** as stated in the Independent Auditors' Report to the Members of Blaby District Council within the Statement of Accounts 2013/14. **"**Blaby District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014."

Financial Management

The overarching objective of the Medium Term Financial Strategy is to ensure the Council's financial resources are utilised effectively and efficiently to support the Council's priorities and key services.

The financial framework underpins the manner in which officers work and guides the decision making in the Authority. The key aspects of the framework are:

- To work within the financial forecasts and budgets
- To communicate regularly with all staff on the financial position of the Council in order that finance becomes embedded as part of the natural decision making process.
- To maintain a structured approach to the setting of service plans and budgets aligned to the priorities within the Blaby Plan.
- To maintain a prudent level of working balances
- To work towards achieving a balanced budget but utilising balances where appropriate to deliver initiatives which give longer term benefits.
- To bridge any projected shortfall between resources and expenditure in a sustainable manner.
- To set the budget with regard to :
    - Setting realistic income targets
    - To realise savings through the budget setting where expenditure is no longer required.
- To give priority to investing capital resources in schemes which contribute to the achievement of the Council's priorities.
- To demonstrate a positive return on investment prior to resource being committed to new investment/income generating initiatives.

Underpinning the Council's decision making process is a prudent approach to the stewardship and management of its financial resources. This is reflected in the Council's service and financial planning process, its treasury management of borrowings and investments and in the management of its reserves and balances.

The following pages give an insight into how these work in practice.

Service and Financial Planning

The Council has defined service and financial planning as "an integrated approach to effectively planning the delivery of the Council's services in accordance with its corporate objectives and within the available resources". The Council has in place procedures, including those set out in the Constitution, to ensure that the financial implications of all proposed policies and actions, whether capital or revenue (including the revenue implications of capital investment) receive due consideration before commitments are entered into. All decisions which fall within the policy and budgetary framework, referred to as "key decisions" are required to be subject to Cabinet Executive approval. Additionally the Constitution allows for decision making under delegated powers subject to appropriate internal checks and the option of call-in by the Scrutiny Commission. The informal Cabinet Executive plays a key role in ensuring that all new significant strategic investments are considered in the context of the Council's corporate and policy objectives.

Budget and Budget Monitoring Process

The annual budget process is carried out within a framework agreed by the Cabinet Executive. It is designed to facilitate an inclusive approach and balances priorities with emerging service pressures within the constraints of the financial envelope - which is made up of the funding available from both central government and the local Council Taxpayer. The process is also structured to encourage challenge and scrutiny by Members and senior officers. This includes a Scrutiny Commission Finance & Resources working group which shadows the development of the budget and incorporates a "Select Committee" approach to challenging Cabinet portfolio holders on the final budget proposals before they go before full Council. The diagram overleaf sets out the framework within which the annual budget process is conducted.

The structured approach adopted by the Council involves:

- Prior consultation with partners, businesses and residents to establish priorities and inform the process

- Seminars for Members and officers to outline key issues.

- Effective communication of overall timescales and key dates to all stakeholders.

- Regular meetings with political leadership to provide strategic input and political dimension into process.

- Establishment of clear links between corporate plan portfolio statements, service plans and allocation of resources.

- Draft budget proposals reviewed jointly by Member portfolio holders, Group Managers and Finance Division.

- Provision of challenge and feedback on portfolio priorities and overall budget proposals by the Scrutiny Commission.

Audit Opinion and System of Internal Control

A key element of good financial management is to ensure that appropriate checks and balances are in place and that the Council's financial systems provide timely, reliable and accurate information to support the Council's business activities. The Council prides itself on the quality of its accounting and internal control systems in place to support the production of its financial information.

The Council has in place an Audit Committee which meets every quarter and receives reports from both the internal and external auditors relating to its financial affairs. The Committee is also charged with dealing with matters of governance.

In their report to "those charged with governance", in respect of the 2013/14 financial year, the Council's external auditors, PriceWaterhouseCoopers, advised as follows:-

"We have completed the majority of our audit work and expect to be able to issue an unqualified audit opinion on the Statement of Accounts after their approval by the Authority, and prior to 30 September 2014."

This opinion provides an independent view on the Council's financial management performance.

Balances and Reserves

Balances and reserves are held generally for the following main purposes:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing during the course of a financial year
- A contingency to cushion the impact of unexpected events or emergencies including meeting the cost of one-off items of expenditure
- A means of building up funds, often referred to as earmarked reserves, to meet known or predicted liabilities – these are separately held as discrete reserves

When reviewing its medium term financial plans and preparing its annual budgets the Council gives consideration to the establishment and maintenance of balances and reserves.

Balances

The Council has adopted a formal policy, which forms part of the Council's Constitution, in relation to the utilisation of balances. In particular it requires the General Fund balance to be maintained at no lower than 10% and no higher than 25% of its General Fund net revenue expenditure budget each year. There are also specific rules in relation to the in-year use of the General Fund balance to provide a degree of flexibility for the Cabinet Executive to manage the in-year finances.

The main criteria for utilisation of the balances are to:

- Meet unforeseen expenditure arising during the course of any one financial year.
- Support the introduction of key service initiatives
  - Mitigate the impact of changes in statutory requirements/regulations.
  - Accommodate fluctuations in investment income arising from interest rate changes.
  - Meet any shortfall from reduction in income from fees and charges and variations in government subsidy
  - Assist in evening out year on year changes arising out of statutory requirements/regulations.
  - Supporting the stability of the Council's finances by providing a source of funding in times of uncertainty, e.g. as in the current economic climate

The General Fund Revenue balance at the 31st March 2015 is estimated to stand at £2.739m, equivalent to 25% of 2014/15 revised net revenue expenditure budget. The Council plans to utilise the General Fund balance during 2015/16 financial year to contribute £40k to support the General Fund Expenditure in 2015/16.

No further releases are planned unless there are adverse income/expenditure variances which cannot be dealt with under the existing virement arrangements. The Council's General Fund balance plays an important part in maintaining the financial stability of the authority primarily by:

a) Meeting unforeseen additional expenditure and reductions in income during the course of the financial year.

b) Meeting the cost of one-off items of expenditure

c) Supporting the stability of the Council's finances by providing a source of funding in times of uncertainty.

Earmarked Reserves

The Council also maintains specific revenue reserves, a number of which are described in the table alongside, and which are reviewed on an annual basis.

The General Fund Reserve is planned to be utilised with a release of £400k in 2015/16 and 2016/17 with a further release of £200k for the remaining 3 years. This general release is in addition to more specific reserve releases.

Earmarked Reserves	Estimated Balance as at 31.03.15 £
Leisure Centre Renewals Fund	(85,342)
Computer Room Environment	(100,000)
Licensing Reserve	(22,399)
Insurance Reserve Fund	(100,000)
Leaseholds Covenant	(14,000)
Special Schemes Reserve - capital	(167,477)
Capital Earmarked Reserves	***(489,218)***
Special Schemes Reserve - revenue	(72,020)
General Fund Reserve	(2,067,639)
Ongoing Projects Reserve	(74,838)
Elections Reserve	(156,000)
Choice Based Lettings Reserve	(33,055)
New Home Bonus	(1,013)
LAMS Default Reserve	(229,021)
Economic Development Reserve	(50,000)
Broadband Reserve	(50,000)
Community Rights Reserve	(48,724)
Waste Collection Reserve	(695,544)
Council Tax Support Reserve	(231,154)
Parish New Homes Bonus Reserve	(204)
NNDR Income Reserve	(1,702,381)
Revenue Earmarked Reserves	***(5,411,593)***
Total - All Earmarked Reserves	**(5,900,811)**

Treasury Management

The Council's approach to Treasury Management is detailed in its annual Treasury Management Strategy Report which is approved by Council in February of each year in conjunction with the budget determination process. The underlying theme remains one of caution in that, in terms of investment, the limitation of exposure of capital to risk is of primary significance and the pursuit of high returns is of secondary importance. In managing debt the objective is to secure the stability of the Council's longer term financial position rather than seeking to make short-term one-off gains which may lead to higher costs in the long term.

Investments

As at the 31st March 2015 the Council's investments are estimated to total £13.6m comprising of £11.6m invested through the money markets, and £2.0m deposited in the Local Authority Mortgage Scheme (LAMS). The total income generated from the investments during 2015/16 is expected to be just under £0.2m, including interest on the LAMS investments.

Borrowings

The Council's borrowings at the 31st March 2015 are estimated to stand at £3.9m, of which 65% represents fixed interest rate maturity loans with the remaining 35% being fixed rate annuity loans. This takes into account a £1m maturity loan repaid in March 2015, which the Council does not now plan to replace. Currently all of this debt is sourced through the Public Works Loan Board (PWLB).

In terms of the remaining portfolio, £1.0m matures in March 2016 and approximately £0.6m of annuity loans will drop out during 2015/16. This would leave a core debt, without taking into account any potential new borrowing, of £2.3m.

Future Proposals

The Council's 2015/16 budget has been compiled on the basis that it will borrow a further £2.5m to finance new capital expenditure and maturing debt during the year. However, there are strong reasons for deferring further borrowing at the present time. Firstly, because borrowing currently costs around 2% to 2.5% and investment rates are only around 0.6%, there is a "cost of carry" associated with new borrowing. This means that there would be a cost to the Council until such time as investment rates rise or cash balances reduce as reserves are spent. In addition to this the Council is currently holding a significant level of cash balances, so to increase borrowing by a further £2.5m as planned, would create more pressure in terms of credit risk and finding suitable counterparties for investment.

However, the Council's underlying need to borrow is expected to rise to £9.3m by the end of 2017/18. If no further borrowing is undertaken in the meantime the Council will have effectively "internally borrowed" to the tune of £7.0m. Whilst reserves remain at the current level this is sustainable, but it is expected that some borrowing will be taken during 2015/16 to reflect the rise in the underlying borrowing requirement and the potential risk of PWLB rates increasing due to uncertainties over the outcome of the forthcoming election.

Capital Resources and Expenditure

Capital Resources

The strategy in relation to the provision of funding for capital schemes is based upon:-

- Utilising available capital receipts including those generated from the disposal of the Council's own surplus assets (such as the former garage sites).
- Maximising, where possible, any central government capital expenditure allocations, e.g. the grant to support disabled facilities works.
- Maximising additional funding from other external sources, including all regional and sub-regional agencies and private sector sources such as developers.
- Working with partners to maximise capital contributions to delivery of shared priorities.
- Accessing long term borrowing through the PWLB and other approved institutions.
- Utilising revenue contributions to capital where appropriate to assist in containing overall on-going revenue costs.
- Maintaining earmarked reserves to meet specific capital liabilities (i.e. the leisure centres).

The table below sets out the proposed sources to fund the forward capital investment programmes.

	2015/16 £m	**2016/17 £m**	**2017/18 £m**
Borrowing	1.773	0.821	1.038
Capital Receipts	1.275	1.000	- - -
Government Grant	0.193	0.193	0.193
Total	**3.241**	**2.014**	**1.231**

Capital Expenditure

The Council's approach to capital investment is to ensure that resource allocation is effectively linked to its service planning objectives.

As part of the budget setting process officers are required to submit bids for projects to be included in the forward capital programme. Each proposed project must demonstrate that:

- It meets corporate and service priorities, or
- It supports the delivery of a statutory service, or is a result of contractual or legal obligation, or
- It will generate more income and/or provide improved facilities.

This approach ensures that the Council is able to accurately determine the affordability of capital investment proposals, and associated priorities which would maximise the benefits for the community.

The net revenue implications of projects for which bids are successful must be clearly identified given the Council's limited revenue resources.

The latest 3 year Capital Programme is shown in the table below:

	2015/16 £m	2016/17 £m	2017/18 £m
New Build	1.500	1.000	- - -
Asset Maintenance	0.025	- - -	- - -
Community Development	0.334	0.135	0.135
Fleet Vehicles	0.947	0.444	0.661
Environmental Services	0.015	0.015	0.015
Private Sector Housing	0.420	0.420	0.420
Total	**3.241**	**2.014**	**1.231**

2015/16 Capital Programme

The most significant project included in the 2015/16 Capital Programme is the relocation of the depot from its existing site in Littlethorpe to the Leicestershire County Council site at Whetstone. The building of the new depot was originally envisaged to cost £4.0m, to be funded through a combination of borrowing and capital receipts. Delays carrying out surveys and ensuring that the proposed site poses no issues in terms of design and layout have meant that the estimated cost has now risen to between £4.6m and £5.0m. This additional cost is likely to fall in 2016/17. Competitive selection of suppliers and the fixing of inflationary increases should ensure that the project is delivered close to the lower of the two estimates.

The programme allows for the replacement of four refuse vehicles and two pedestrian sweepers along with a number of smaller vehicles, at a cost of £0.95m. The need to replace vehicles is assessed on a case by case basis, and the Council's sound maintenance programme ensures that vehicle lives are extended as far as possible.

Another significant element of the Capital Programme is the provision of Disabled Facilities Grants to residents needing various adaptations to their properties. The budget for this is £0.4m, funded through a combination of borrowing and government grant.

Partnership Working

Partnership working makes up a key part of the Council's approach to delivering its priorities efficiently and well.

These partnerships include:

Shared service arrangements
These arrangements increase capacity, resilience or deliver financial savings. For example:

- Land charges service delivered by Blaby for Hinckley & Bosworth Borough Council.

- ICT services partnership including Blaby District Council, Hinckley & Bosworth Borough Council, Oadby & Wigston Borough Council and Melton Borough Council and Steria.

- Internal audit service where North West Leicestershire District Council provide services to Blaby District Council.

- Parking enforcement involving all Leicestershire District Councils

- Emergency planning involving all Leicestershire District Councils, the County and City Councils, Health, Police and the Fire and Rescue service

Strategic partnerships
These drive system wide transformation and operational efficiencies. For example:

- Community Safety Partnership across Blaby and Hinckley & Bosworth

- Housing Services Partnership involving all Leicestershire District Councils, the County Council, and third sector providers

Operational partnerships
These bring together public sector organisations, and business partners to drive the delivery of growth. For example:

- Junction 21 Partnership involving the District, County, local businesses, the Chamber of Commerce, and the Leicester and Leicestershire Economic Partnership

- Lubbesthorpe Strategic Consultative Committee including the council, developers and parish councils.

The Council has developed numerous partnerships and actively builds relationships in order to deliver better outcomes for residents. It is a way of working that has been recognised as one of the compliance plus elements within the Customer Service Excellence Assessment which was retained by the Authority in February 2015.

Glossary

Best Value
A duty placed on local councils that came into force in April 2000 with the aim of improving the effectiveness, efficiency, economy and quality of local services.

Best Value Accounting
A standard method of presenting financial information that has been recommended by CIPFA. Compliance with the Service Accounting Code of Practice should facilitate comparisons to be made between different local authorities.

Budget
A statement of the Council's policy, expressed in financial terms, illustrating the cost of delivering services for a financial year.

Capital Charges
Charges to services for the use of assets. Includes depreciation and notional interest on capital assets used by services.

Capital Expenditure
Expenditure on the acquisition of fixed assets or expenditure that adds to the life or value of an existing fixed asset.

Capital Financing Costs / Financing of Capital
Costs associated with borrowing to finance capital expenditure. Includes capital expenditure financed by revenue and debt management costs.

Capital Programme
The authority's plan of capital works for the future years. Expenditure on the acquisition of fixed assets or expenditure that adds to the life or value of an existing fixed asset.

CIPFA
Chartered Institute of Public Finance and Accountancy

Council Tax
A property tax introduced in 1993/94. Each residential property is placed in one of the eight council tax valuation bands determined by its estimated market value on 1st April 1991. There are discounts including where only one adult lives in the property. Bills are also reduced for properties with people on low incomes, some people with disabilities and some other special cases.

DCLG
Department of Communities and Local Government.

A Government office which brings together key responsibilities for regional and local government, fire, housing, planning and regeneration.

Earmarked Reserves
Reserves which are set aside for specific purposes.

Minimum Revenue Provision (MRP)
A sum of money statutorily chargeable to revenue on an annual basis which acts as a proxy for depreciation in meeting the capital costs of assets.

National Non Domestic Rates (Business Rates)
The business rate poundage is the same for all non domestic rate payers and is set annually by the Government. Income from business rates is divided amongst the following organisations: Central Government (50%), Blaby (40%), Leicestershire County Council (9%), the Combined Fire Authority (1%).

Precept
The income which Councils require to be raised from Council tax.

Provision
An amount set aside for future liabilities/losses.

Prudential Code
The Local Government Act 2003 replaced detailed central government controls over the level of local authority capital expenditure with a system of self regulation based upon a requirement to ensure that capital expenditure plans are affordable, sustainable and prudent, as prescribed in CIPFA's prudential code.

Reserves and Balances
Savings or funds set aside to finance future spending pressures and unknown contingencies.

Revenue Expenditure
Expenditure that the Council incurs on the day to day costs of providing services including salaries and wages, running expenses of premises and vehicles as well as the annual repayment of debt charges.