MELTON BOROUGH COUNCIL

MEDIUM-TERM FINANCIAL STRATEGY

2012/13 TO 2014/15

D K Garton CPFA
Head of Central Services

Melton
Borough
Council

CONTENTS

1. INTRODUCTION AND BACKGROUND

1.1 The Council and its partners have set out its shared vision for the Borough of Melton in the Melton Sustainable Community Strategy. This is owned and delivered by Melton Community Partnership. The Council supports the strategy though its' Corporate Plan which sets out its priorities, goals and promises.

1.2 Delivering this vision and the priorities supporting it requires the allocation of resources whether they are financial, human or other assets. This Medium-Term Financial Strategy (MTFS) sets out how the Council will structure and manage its finances for the period 1 April 2012 to 31 March 2015 to ensure that the financial resources are available over this period to deliver this vision. It builds on the current MTFS which runs from 1 April 2011 to 31 March 2014. The financial strategy is reviewed on an annual basis.

1.3 The MTFS is the instrument for ensuring that the Council's strategies and policies are implemented in as financially effective way as possible as set out in the policy framework and financial procedure rules contained within the Constitution. The key objectives of the strategy are as follows:-

- To be the financial expression of the Council's aims, objectives, policies and procedures in respect of good financial management and governance.
- To ensure income and expenditure match over the medium-term and set targets so that savings required can be achieved over the next three years.
- To ensure that budget decisions are linked to community and council priorities for improvement.
- To ensure that a strategic approach to financial planning and delivery is maintained and short term decisions are not made at the expense of long-term sustainability.
- To enable the financial effects of potential changes in demand for services, legislative changes and community needs to be considered.
- To enable policy alternatives to be financially evaluated.
- To enable service demands to be matched to likely resources.

1.4 The MTFS is set within the context of a large range of national, regional and local drivers and influences. The document draws together the financial consequences of these drivers to enable Members to issue guidance regarding the magnitude of the 2012/13 Budget and later years (and the Council Tax levels associated with it) to be used for financial planning purposes.

1.5 Following a fire In May 2008 which destroyed two thirds of the Council's headquarters council activity was conducted from a variety of temporary accommodation whilst new methods of working were also piloted and tested. Council staff moved into the replacement offices, Parkside, in September 2011. Parkside is a partnership building which is shared with a variety of partners in a fully integrated manner. Partners commenced moving into the building from October 2011 in phases. The one third remaining refurbished building (Phoenix House) is being marketed as office accommodation. The remaining land and adjoining car park site are currently being sold for retail use which once concluded will result in a sizeable capital receipt for the Council.

1.6 The financial implications of the fire, the subsequent insurance claim and the capital project for the replacement building are nearing their conclusion. The revenue implications of Parkside and Phoenix House will need to continue to be refined during 2011/12 and 2012/13 as snagging issues are resolved and longer term contracts for maintenance finalised.

1.7 The capital receipt from the sale of land will provide options for the Council which will impact significantly on the council's resources; both capital and revenue, depending on the strategy applied for the application of the funds. In the budget forecast set out in Appendix E the best case scenario contains the potential impact on the revenue account of the receipt of the funds and particularly the option of using the funds to repay debt and be debt free with regard to the general fund. The worse case scenario assumes no receipt is received. With regard to capital the council is taking a highly prudent approach and awaiting the receipt before making any funding decisions.

1.8 In addition to the above the other main area bringing uncertainty to the council's finances and therefore impacting significantly on the MTFS are the government's consultation papers relating to the retention of business rates and the localisation of council tax benefit. These are discussed further under section 3.

2. LINKS WITH STRATEGIC AND SERVICE OBJECTIVES AND COUNCIL PRIORITIES

2.1 Members are aware of the importance, particularly in times of financial stringency, of having 'a sustained focus on what matters', i.e. identifying corporate priorities and aligning resource allocation with such priorities. The Council has an approved Corporate Policy Framework.

The purpose of the Council's Framework is to provide a framework for the implementation of desired targets, standards and outcomes. It provides for responding to particular needs or issues, a platform for joined-up working, encourages innovation and provides a mechanism for accountability. The policy framework links to the corporate planning and budget framework through the diagram in Appendix A.

2.2 The Council's vision is structured around three main priorities as set out below. The goals and promises underpinning these are set out in the Council's corporate plan:

- People – Supporting People most in need, with a clear focus on prevention, intervention and the causes of vulnerability.
- Place – Improving Places, where people want to live, work and visit.
- A well Run Council - Good services that are value for money.

2.3 Each priority is supported by objectives and targets which link to national and community strategy priorities and measured by outcomes and metrics so that we know where how we are performing.

2.4 Service plans for 2012/13 need approving in 2012 and will cover a three year period. The financial implications of the service proposals for 2012/13 and later years are set out in these documents. Service plans are subject to quality control to ensure efforts are concentrated on agreed priorities and any items not consistent with such priorities are challenged. The 2012/13 forward looking service plans will be used to inform the budget setting process for 2013/14 as set out in Appendix B in order to ensure only those growth proposals included in service plans are put forward into the budget setting process and that disinvestments are consistent with corporate and service priorities.

2.5 The council looks to work in partnership where possible to improve outcomes, enhance service provision to the local area and add value to the resources that we spend. The council looks to structure itself and direct its resources to partnership objectives, based on the strategic view that the needs of People and Place should be at the heart of services provision. Where there are shortfalls the Council will aim where possible to re-engineer existing budgets to support partnership initiatives. In addition the Council's Corporate Priority Reserve can be utilised to support a number of initiatives of a non recurring nature as part of its annual budget setting process.

2.6 The Localism Act will look to shift power from central government to local government and a radical shift in that balance. The 5 key measures of the Act of Community Rights, Neighbourhood Planning, Housing, General Power of competence and Empowering cities and other local areas will allow local councils to work in innovative ways and the flexibility to do something new to improve services, drive down costs and enhance the local area.

2.7 Under the Council's Project Appraisal system the Council's Programme Board, determines the relative priority of schemes submitted for funding as part of the budget setting process for 2012/13 for consideration and final approval for funding by Full Council at the budget setting meeting.

2.8 The Council approves a Treasury Management Strategy in advance of each financial year. The Investment Strategy and Debt Strategy contained within the Treasury Management Strategy have informed the revenue budget projections as applicable.

3. COMPREHENSIVE SPENDING REVIEW AND FORMULA GRANT

3.1 Traditionally the Government has conducted Comprehensive Spending Reviews (CSR's) every two years and its purpose is to set out for the forthcoming three-year period, how much the Government is going to spend in cash terms and in which policy areas. The CSR2007 introduced three year grants for the first time providing some certainty of resources over the period it covered.

3.2 The CSR2010 was announced on 20th October 2010 covering the 4 year period 2011-12 to 2014-15. This contained a range of proposals for the public sector and local government. The most significant financial impact was the announcement of a 29% reduction in funding over the 4 year period with much of this front loaded. Details are now emerging; some in the form of consultation papers, in the following areas:

- Council tax freeze grant providing funding for four years for 2011/12 and one year for 2012/13;
- The retention of business rates;
- The localisation of council tax benefit from 2013/14;
- New Homes Bonus to reward communities that build houses;
- Reform of public sector pensions;
- Reform of the HRA.

3.3 Following the CSR2010 the local government finance settlement was announced in December 2010. The two year amounts issued for this Council are set out in the table below. A full review of local government funding commenced in 2011 in order to inform the 2013/14 funding position.

Formula Grant

Financial Year	£	% Reduction
2011/12	3,042,950	15.2
2012/13	2,624,624	12.5

3.4 The Local Government Resource Review will consider the way in which local authorities are funded, with a view to giving local authorities greater financial autonomy and strengthening the incentives to support growth in the private sector and regeneration of local economies. It will look at ways to reduce the reliance of local government on central government funding, increase local accountability and ensure that the benefits of economic growth are reflected in the resources authorities have. The most significant of these are the retention of business rates and the localisation of council tax benefit; both of which the detail is still awaited following consultation. Both these proposals are likely to result in increased financial risk to Councils not just in terms of the funding received compared to current levels but in terms of the volatility of the funding in the future not just year on year but also in year against estimates.

3.5 The consultation relating to the retention of business rates set out proposals for authorities to retain a proportion of business rates growth within their area. Authorities will not be able to set their own business rates. The proposals bring with them significant risks to authorities and uncertainty of income. The main driver is to provide an incentive for Councils to promote economic growth in their area. This system would replace the current Formula Grant system. Preliminary calculations based on a number of assumptions indicate this could result in a loss of significant resources for this Council although until the final scheme is developed and greater clarity received an estimated figure is almost impossible to calculate. The following estimates have been utilised to inform the three year financial plan contained in Appendix E:

Year	£	Basis of Estimate
2012/13	2.6m	Provisional Settlement published 2011
2013/14 and 2014/15 Worse Case	2.5m	NDR Summer Consultation Model produced by Blue Yonder Public Sector Consultants
2013/14 and 2014/15 Best Case	2.6m	As above

3.6 The consultation relating to the localisation of support for council tax benefit proposes reforms to move policy control for council tax benefits from central government to local authorities. The changes will be introduced from 2013/14 and one of the proposals that could have real cost implications for the Council is to reduce expenditure on support by 10%. The proposals could also have major implications on the calculations of the council tax base which are still being assessed in term of the mechanism and the impact. There are concerns as to the ability to implement such a scheme in time for the implementation date of 1 April 2013 due to the need for primary and secondary legislation to implement these changes following which policies would need to be developed and software changes made to IT systems. It is not clear from the consultation document how the potentially high set up costs will be funded. There are also concerns being expressed regarding the impact of these changes on parish precepts as the proposals result in changes to the council tax base calculation.

4. **WORKING BALANCES/LEVEL OF RESERVES**

4.1 When calculating Budget requirements, relevant authorities are required (by The Local Government Finance Act 1992) to have regard to the level of reserves needed for meeting estimated future expenditure. Reserves can be held for working balance, for contingency purposes (e.g. for emergencies), or as specific (i.e. “earmarked”) funds. A clear protocol (covering purposes, utilisation, management, and review) exists for each reserve held in line with guidance. This is reviewed annually as part of the budget setting approval and is contained in the Council’s Budget Book. The level of working balance an authority agrees is an individual matter for them based on their own unique circumstances, risk profile and risk appetite. It is not appropriate to compare/benchmark against other authorities in order to assess an appropriate level.

4.2 The current projection for the level of working balances is set out in the following table.

Projected working balances:

	General Fund General Expenses £	General Fund Special Expenses £	Housing Revenue Account £
Actual 1 April 2011	640,000	49,166	397,933
Original Budgeted Increase	0	834	920
Supplementary Estimates approved to date	-30,000	0	0
Estimated Overspend (-)/Underspend	80,530	50	2,710
Estimated Balance 31 March 2012	***690,530**	**50,050**	**401,563**

* Due to the financial pressures on the budget it is likely that the actual year end balance will be in line with the £640,000 target balance.

4.3 The target working balance for general expenses of £580,000 was temporarily increased to £640,000 when the 2009/10 budget was set to reflect the risks associated with the economic climate and the impact of this on a number of Council budgets, particularly income streams. The calculation has been updated for any changes in assumptions and is set out in Appendix C. It can be seen that the revised figures produce a mid-point of £680k. The size of this midpoint against the current working balance is primarily due both to the impact of the recession on the uncertainty of income levels and the effect this had in 2008/09 and the estimated cost of emergency expenditure which takes into account the financial impact of the fire. Such events are extreme in their own right but to experience all at the same time leads to such a high impact on working balance estimates. Not all factors are likely to occur in any one financial year and the current enhanced level of £640k is within the range. As such it was approved by the Policy Finance and Administration Committee that in order to prevent unnecessary cuts in expenditure to increase the working balance at a time when the budgets are already extremely tight that the position be monitored and the temporary increase approved in 2009/10 be retained.

4.4 With regard to the £50,000 working balance for special expenses (Melton Mowbray) there is no justification for amending this amount based on prior year’s history of supplementary estimates.

4.5 The Housing Revenue Account (HRA) working balance was last increased to £250,000 in 2005/06. Past comparisons with other housing authorities suggested this was a reasonable level within the subsidy system. However, there is a history of overspending on this account following the experience of the last three financial years. The reform of the HRA and the buying out of the subsidy system will mean more risk is retained locally, particularly with regard to treasury management activity. As such it is considered that the level of the HRA working balance should be reviewed and increased in line with the increased risk. The cost of a 1% increase in interest rates on the new debt totals £260k pa and therefore the proposal is to increase the working balance to £500k with the need to review annually. It has been previously agreed that, should there be a surplus over the working balance then this is available to support change initiatives or to accelerate the achievement of the decent homes standard.

4.6 In addition to the working balance the Council maintains general reserves for general and special expenses. It has been the policy to utilise these reserves for funding non-recurring items of capital and revenue expenditure that meet the Council's priorities. It is recommended that this policy be reaffirmed. The predicted position on these general reserves is set out in the following table.

	Corporate Priorities Reserve General Expenses £	**General Reserve Special Expenses £**
As at 1 April 2011	848,067	67,993
Latest Budgeted Increase/Reduction (-) 2011/12	-262,200	32,736
Funding Capital Schemes in 2011/12	-187,000	0
Committed Funds	0	0
Estimated Balance 31 March 2012	**398,867**	**100,729**

4.7 Due to the previous low level of the General Reserve Special Expenses a budget was set for 2011/12 that enabled funds to be transferred into this reserve in order to build the reserve up to a level that would provide funding for capital schemes or revenue items of a non recurring nature. As a result of this policy coupled with an underspend in the 2010/11 financial year this reserve now has a more healthy balance and is available to support projects of this nature.

5. INFLATION FORECAST

5.1 The Government's target for inflation is 2% CPI (Consumer Prices Index). Actual CPI has been well above this target and is likely to remain so into 2012. Downward pressure on wages and prices is expected to bring the actual rate to below the target however the timing of this is difficult to predict in the current climate although it is predicted that it will start to fall during the year.

5.2 The last pay award for local government was April 2009 and there remains considerable pressure on keeping awards at a low level.

5.3 On the basis of these estimates and taking into account the likely financial position of local government the Council's Policy, Finance and Administration Committee resolved a nil general increase in both pay and non pay budgets but where budget holders have knowledge of price rises; adjustments can be made to these budgets to reflect actual price changes. This will help ensure increases are generally made only where needed and help to reduce the overall pressure on the Council's finances. A similar policy was followed with regard to the 2011/12 budget and whilst effective at limiting budget increases is not a long term viable solution.

5.4 A Charging Policy has been agreed by the council and is attached as Appendix D. This provides guidance on the annual setting of various fees and charges and the linkages to the annual budget setting process. A recent study has been undertaken in partnership with other council's to review the current level of charges. An action plan will be developed during the coming year to address the areas highlighted in the report.

6. REVENUE BUDGET

6.1 The Council's budget strategy has been to set a balanced budget (i.e. to ensure that net revenue expenditure, with the exception of funding for capital/new initiatives, is met from Council Tax and Government grants). This strategy was also based on ensuring that working balances were retained at a sufficient level to meet any unforeseen expenditure that could not reasonably be budgeted for.

6.2 The Original Revenue Budget for 2011/12 is summarised below:-

	General £	**Melton Mowbray £**	**Other £**	**Total £**
Net Expenditure met by:	5,882,420	482,470	14,110	6,379,000
External Support	-3,042,950	0	0	-3,042,950
Council Tax	-2,836,530	-517,010	-13,271	-3,366,811
Collection Fund Deficit	5,830	0	0	5,830
Surplus (-)/Deficit for Year	8,770	-34,540	839	-24,931
Transfer to /from (-) Reserves/Balances	-8,770	33,706	0	24,936
	0	-834	839	5
Balance b/fwd 1 April 2011	-640,000	-49,166	-839	-690,005
Balance c/fwd 31 March 2012	-640,000	-50,000	0	-690,000

6.3 A balanced budget was set for 2011/12 with an overall nil increase in Council Tax in order for the Council to take advantage of the Council Tax Freeze Grant. The use of the reserves for general expenses was to contribute to the funding of non-recurring items in the revenue budget.

6.4 The purpose of the financial plan is to use financial modelling to forecast, at an overview level, what the Council's Net Budgets could potentially be for the forthcoming three financial years. Commencing with the current (2011/12) revenue budget, it will seek to determine changes thereto – some committed, some not; some increasing expenditure/reducing income, some reducing expenditure/increasing income; some triggered by legislative changes, some for other reasons. As far as practicable, it also incorporates the financial implications of schemes aimed at meeting the Council's priorities.

6.5 The end product of this exercise will be a three-year forecast, consistent with the Council priorities including indicative surpluses and deficits. This can then be used by members to devise a strategy for approaching future service and financial planning decisions.

6.6 For general expenses the budget forecast for the period 2012/13 to 2014/15 is attached at Appendix E. This forecast incorporates both known and anticipated changes to the budget in the coming years. Some of the key issues affecting the Council in future as set out in Appendix E are:

- The level of capital receipts and estimates regarding the timing of these being received, expended and the strategy developed for their use including the major receipt from the Sale of land on Nottingham Road**;**
- Inflation levels including pay and interest rates particularly in the current economic climate;
- Changes to external funding such as the retention of business rates, localisation of council tax benefit and associated funding, benefit administration grant, universal credit, partnership projects, homelessness prevention grant, New Homes Bonus etc;
- The impact of the development and funding of the Waterfield Leisure Pool
- The revenue costs and income from Parkside and Phoenix House;
- The impact and timing of disinvestment and efficiency reviews.
- Demand led income budgets such as building control and planning fees particularly in the current economic climate.
- The IT resources required to support the new ways of working and future strategy;
- The reform of the HRA and the creation of two loan pools and allocation of debt management costs and investment interest as a result;
- The outcome of the current external review of fees and charges.

6.7 One of the major issues continuing to affect the Council's budget is the current economic climate. The impact of this on the Council's financial position continues to be felt with income from investments remaining low and income from planning, building control and land charges continuing to remain deflated. In addition there continues to be financial pressure on certain services such as homelessness and benefits as they respond to the increasing needs of the community.

6.8 A key financial implication for the future for any local authority is that of an older population. This will put greater revenue pressure in the future on such services as benefits, leisure, community safety and engagement with older people.

6.9 In order to keep Council Tax increases within the capping limit, at an affordable level for residents and to benefit from the council tax freeze grant in 2012/13, the following deficit/surplus will need to be addressed through analysis of service options. They are at this stage only an indication as budgets and forecasts continue to be refined. A number of items are also awaiting further information to support a more robust estimate.

Estimated Deficit/Surplus (-):

Year	Worst Case Scenario £000	Best Case Scenario £000
2012/13	593	-820
2013/14	802	-508
2014/15	9	-431

6.10 The Comprehensive spending Review introduced a new Council Tax Freeze Grant for the four years covered by the review. Where council's freeze council tax a grant will be made available based on a 2.5% increase. This was available for a four year period in respect of 2010/11, which the Council took advantage of, and for one year in relation to 2012/13. The funding for the initial four year period is set to be incorporated into the retention of business rates calculation however the subsequent grant for 2012/13 is not and the council will have to find the resource from its own funds in 2013/14.

6.11 With regard to the HRA, a thirty year business plan is at a draft stage and will be finalised as part of the move to self financing from 1 April 2012. An extract from the Plan is attached at Appendix F. Whilst there will no longer be a requirement to pay into the subsidy system it will be necessary to service the new debt. In addition to a new HRA asset management strategy it will be necessary to formulate an HRA treasury management strategy, which with the proposed increased working balance and its review will manage the new risks involved with self financing.

7. CAPITAL BUDGET

7.1 The Council has a five-year capital programme. The Programme Board are taking a proactive approach in ensuring a realistic and affordable programme is developed that meets the Council's priorities and objectives as set out in the various strategies set out in the Corporate Policy Framework.

7.2 The available resources available to support the capital programme are limited. For the HRA there is support by way of borrowing up to the borrowing cap and for 2011/12 the Major Repairs Allowance (MRA). In 2012/13 onwards the MRA will be replaced with cash backed depreciation and revenue contributions up to the level that would have previously been covered by MRA. Capital receipts from the sale of Council houses has declined substantially in the current economic climate and at the current very low levels will impact on the HRA. For General Fund services the Council receives no general supported borrowing from the Government. As such the Council is very much reliant on external funding opportunities such as grants and third party contributions. Since the introduction of more specialist property management expertise into the organisation the Council has benefited from capital receipts from the sale of surplus land, both General Fund and HRA, however the general disposal programme will continue to be monitored according to market conditions, which has seen a weakening in property and land prices in the market with the odd exception where receipts have exceeded expectations. Proceeds from surplus HRA land may be limited in the future if the land is transferred at less than market value to support housing initiatives. The Council does have a significant sale in progress relating to land being sold for retail however until this is certain no capital projections have been included in this strategy. Once a capital receipt is certain the Council will need to consider the use the funds could be put in terms of capital. Such a large receipt would significantly impact on the Council's ability to support its priorities and other significant projects such as the Cattle Market.

7.3 In addition to capital receipts the Council does hold non-earmarked reserves which can be utilised to support corporate priorities, although these have declined over the past year as major projects such as the Cattle Market and the new Council Offices project have had a need to draw on these. As revenue reserves there is also pressure for these reserves to support revenue expenditure.

7.4 The opportunity to utilise unsupported borrowing does exist but as this would impact on the Revenue Account, where capacity is limited, this source should be primarily reserved for invest to save schemes. As a guide this would cost approximately £85 per annum per £1,000 borrowed based on an assumed interest rate of 4.5% on a loan of 25 years. Where an asset has a life below 25 years provision for the repayment of that debt will need to be over a shorter period in line with the life of the asset. Of course should the Council opt to utilise the anticipated capital receipt to become debt free with regard to the General Fund this option would go against this policy. Whilst there continues to be no requirement to set aside a provision for the repayment of debt within the HRA it is a requirement that a voluntary Minimum Revenue Provision (MRP) is provided for within the General Fund for any unsupported borrowing at a rate in line with the life of the asset.

7.5 The likely availability of capital funding over the next three years for all Council funds is set out below:

Assumptions made:

- Capital receipts are assumed in respect of a number of land holdings which have been approved as being surplus to requirements. These will be sold at auction subject to a reasonable market reserve expectation being achieved. As set out above no allowance has been included for the sale of land at Nottingham Road to Sainsbury's.

- Previous policy has been to utilise £130,000 per annum of HRA capital receipts to fund General Fund housing schemes. Due to the decline in Council house sales predicted receipts are below this amount. Following a meeting of CSA on 26 June 2010 in order to ensure the on-going stability of the business plan under self financing it was agreed that these receipts will ring-fenced to the HRA from 1 April 2012.

- There will no longer be supported borrowing on the HRA, the Council was instead encouraged to bid for funding for decent homes backlog. We were successful and have been provisionally allocated £395k for 2013/14.

- The use of the Corporate Priorities Reserve is shown at the maximum available over the three-year period.

- Disabled Facility Grant (DFG) estimates are based on bids submitted; actual grant will vary but the assumption is that funding will continue at the existing level.

- Repairs & Renewals Fund – refers to Council Property and Vehicles & Equipment (including Christmas Lighting) and the estimate for 2012/13 represents the balance remaining on these funds. These figures also include sums predicted set aside for the replacement of the computer servers and phone system.

- Planning Delivery Grant (PDG) - The estimate for 2012/13 for the PDG represent the remaining grant allocation which is available for use for capital purposes.

Potential Sources of Capital Funding

	Prov. 2011/12 £000	Projected 2012/13 £000	2013/14 £000	2014/15 £000
General Expenses				
Unsupported Borrowing	1,353	1,659	0	0
Capital Receipts	430	0	200	0
Grants - Decent Homes	11	0	0	0
- DFG	100	100	100	100
- Repairs and Renewal Fund	5	413	153	153
- PDG	1	2	0	0
Corporate Priorities Reserve	145	133	133	132
Third Party Contributions:				
- New Council Offices	2,332	0	0	0
- Cattle Market Phase 1	140	0	0	0
- Car Park Contributions	7	0	0	0
- Section 106 Receipts	21	13	13	12
Total Available Funding	4,545	2,320	599	397
Of which:				
Ringfenced to individual type of scheme		2,100	266	265
Not Scheme Specific		133	333	132

	Prov. 2011/12 £000	Projected 2012/13 £000	2013/14 £000	2014/15 £000
Special Expenses (MM)				
General Reserve	0	34	34	33
Total Available Funding	0	34	34	33

	Prov. 2011/12 £000	Projected 2012/13 £000	2013/14 £000	2014/15 £000
Housing Revenue Account (HRA)				
Decent Homes Funding	0	0	395	0
Major Repairs Reserve	1,214	0	0	0
Cash Backed Depreciation	0	1,000	1,025	1,051
Revenue Contribution to Capital	0	935	702	720
Capital Receipts	0	54	55	56
Total	1,214	1,989	2,177	1,827

7.6 As can be seen from the above tables the availability of funding for non-scheme specific resources is limited to the Corporate Priorities Reserve and capital receipts. The Corporate Priorities Reserve may be required to support non-recurring revenue schemes which meet the Council's priorities. The capital programme for the next 3 years is likely to be affected by the pressure on capital receipts, with the exception of the sale of Nottingham Road, so unless projects are funded by other means there is a limited likelihood of projects being funded.

7.7 There are a number of pressures on these resources. The Council's Capital Strategy and Asset Management Plan are due for a refresh and will assist in identifying the capital needs of the council's asset base. Also mentioned earlier is the pressure from an aging population. This is likely to put pressure on capital resources particularly in the area of housing such as decent homes, adaptations and sheltered accommodation.

7.8 The special expense reserve is at a more healthy balance and is available to support capital projects.

7.9 Following self financing on 1 April 2012 all HRA expenditure will be funded from the Housing Revenue Account. The government, as part of the settlement, will place a cap on HRA borrowing which is expected to be the amount of the debt settlement. This will restrict our ability to raise funds for capital projects in the future.

8. FINANCIAL MANAGEMENT AND MONITORING

8.1 The delivery of the MTFS requires robust management and monitoring arrangements. These are set out in the Council's budget setting, monitoring and control protocol. This is contained within the Council's Budget Manual.

8.2 There is a programme of training for budget holders. All new budget holders receive basic training from their service accountant on the policies, procedures, and forms etc., set out in the budget manual. They also receive training on the use of the Oracle financial system on request. Training has been provided periodically for all budget holders on local government finance through the use of external facilitators. This is now provided through the Finance Advisory Network's training and development forum for service managers.

8.3 The policy of seeking external funding for capital projects and working in partnership with other local authorities to attract funding to supplement the Council's own resources will continue and will be vital in ensuring that sufficient resources are available to deliver the programme of capital works.

9. CONSULTATION ARRANGEMENTS

9.1 An extensive consultation exercise was undertaken during 2010/11 via a questionnaire which sought to obtain the public's views on overall value for money in addition to those areas the public would like to see reduced/remain the same or in a limited number of areas increased. The questionnaire was made available on the web and in paper form and promoted through a number of channels. This was linked to the substantial reductions in central government funding. The outcome of this consultation informed not only the development of disinvestment proposals for 2011/12 but also 2012/13 and continues to assist members in determining customer's views and priorities as they relate to service provision. It is intended that the exercise will be developed for later financial years so that consultation can be built on and improved.

9.2 Businesses continue to be consulted through an on line survey based on draft council budget proposals.

Appendix A

New Corporate Policy Framework

Overarching Strategies

- Melton Community Strategy
- People Strategy
- Corporate Plan
- Medium Term Financial Strategy
- Locality Commissioning Plan

Service or Subject Strategies

Place	People	Well Run Council
Local Development Plan	Youth Strategy	Procurement Strategy
Melton Housing Strategy	Anti Poverty Strategy	ICT Strategy
Capital Strategy and Asset Management Plan	Community Involvement Strategy	Customer Service Strategy and Standards
Civil Contingency and Emergency Plans (including Business Continuity Plans)	Social Inclusion and Community Cohesion Strategy	Single Equalities Scheme

Partner Strategies

Places	People
Leicestershire Local Transport Plan/ Car Park Strategy	Leicestershire Supporting People Strategy 2010
Business Improvement District Business Plan	Locality Based Partnership
Economic Development Strategy	Melton Community Safety Strategy

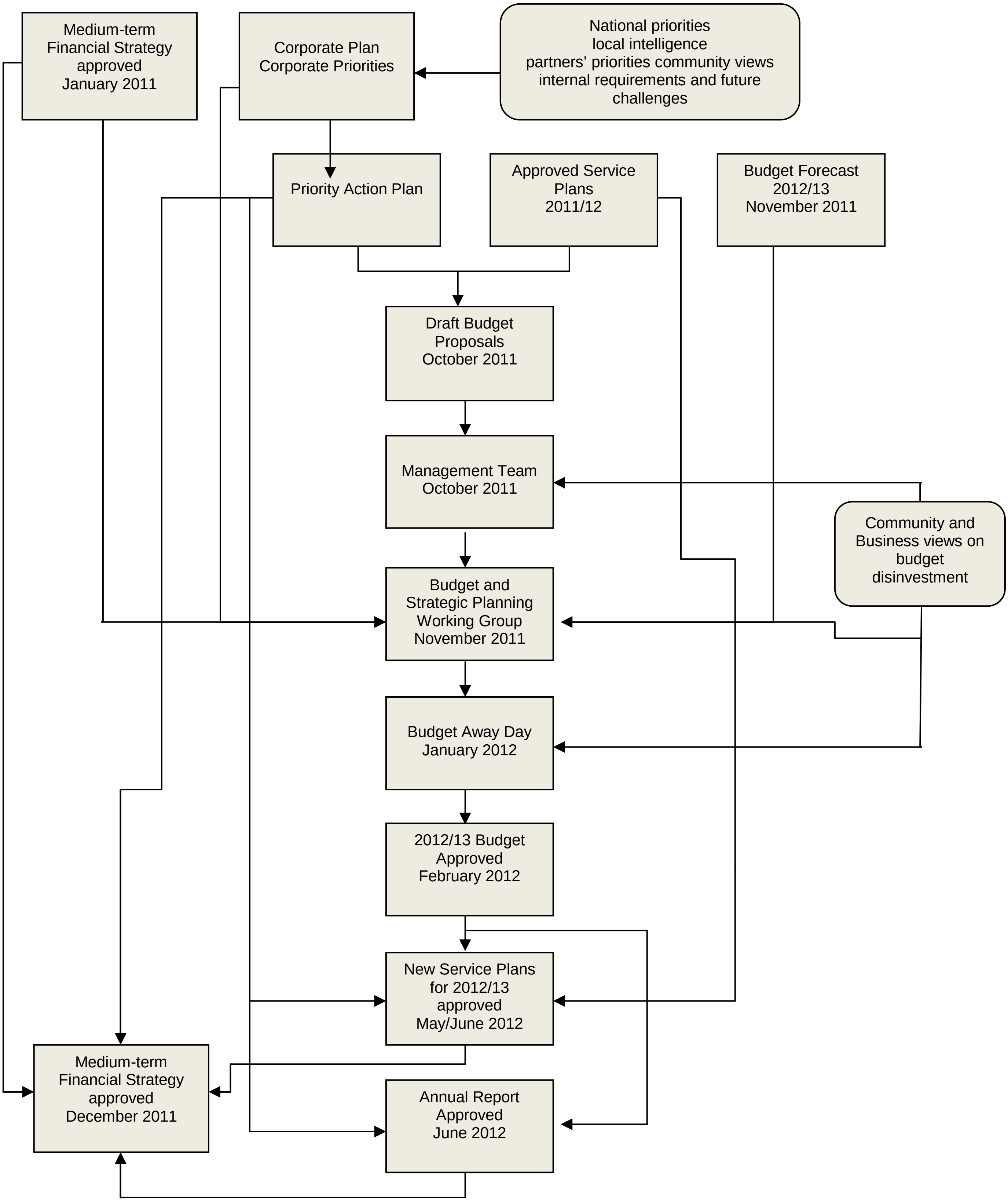
Leicestershire Together Commissioning Boards

- **All working within the LT framework**

- **Health and Wellbeing**
- **Children and Young People**
- **Safer Communities**
- **Environment**
- **LEP**

Appendix B

Corporate Planning and Budget Framework 2012/13



Appendix C

LEVEL OF WORKING BALANCE

	As at 2010 Range (£'000)	As at 2011 Range (£'000)
Adequacy of inflation or interest rate provisions in budgets Nationally agreed pay awards can be uncertain, as can price and interest rate changes, and are outside the control of individual local authorities.	Up to 230	Up to 240
Effects of Capital Finance As cash flow on capital expenditure is often difficult to predict accurately, any expenditure which cannot be financed from other sources would need to be either charged to revenue balances at the year end or, with the introduction of the prudential code, covered by additional borrowing within the defined limits. The repayment of this would need to be financed from the revenue account.	Up to 290	Up to 100
Cash Flow Management The availability of resources to assist cash flow management can avoid the need for potentially expensive short-term borrowing for revenue.	Up to 50	Up to 50
Debt Collection Expenditure/Uncertainty of Income Although proper bad debt provisions are made in accordance with the Guidance Note to the Code of Practice on Local Authority Accounting, a significant surge in bad debts or sudden reduction in income would impact on revenue balances. Uncertainty of income also occurs because of the unpredictability of the annual grant settlement (though the move to three-year settlements has helped in this respect).	-210 to 380	-210 to 380
Unpredictable and demand-led expenditure Unpredictable expenditure and volatile or demand-led budget heads may be managed through a robust budgetary control system. However, as budgets become tighter, flexibility to accommodate the unexpected recedes and mandatory demand-led items represent unavoidable expenditure which will always require financing. Procedures for allowing supplementary estimates will influence the need for balances	160-300	100-300
Emergency Expenditure One example of unpredictable expenditure is the cost of emergencies, which by their nature are unforeseen and any uninsured costs must be financed. A Government scheme may partially protect from the huge costs of such events but significant costs will still have to be covered from reserves or balances.	Up to 240	Up to 240
Management of Change Local authorities need to have available resources to manage change (redundancy and retraining) and take advantage of investment opportunities which will produce future savings. The lack of such resources could stifle effective management.	Up to 160	Up to 160
Overall Range Midpoint	-50-1,650 800	-110-1,470 680

Corporate Charging Policy

What services are covered?

It is the Council's policy that service users should make a direct contribution to the cost of providing services (both discretionary and statutory) at their point of use except where:

- The service in question is delivered to all residents or households equally and which could therefore be considered to be funded from Council Tax;
- The administrative costs associated with making a charge would outweigh any potential income;
- There is no legal basis for making the charge;
- Charging may be counterproductive i.e. it may result in a substantial reduction in usage of the service;
- It is difficult to establish the beneficiary.

How should the amount to charge be determined?

Where the council controls the level of the charge to be made for a given service, it is the Council's policy that the charge should be such that it covers the actual cost of providing the service (including overheads). It is recognised that this will not be appropriate in all circumstances and the actual amount proposed will need to take into account:

- Any relevant Council strategies and policies and any subsidy or concessions given;
- Market conditions and prices charged by competitors;
- The need to avoid any potential distortion of the market which might otherwise occur from pricing services below the levels charged by private sector concerns for similar services;
- The need to avoid any exploitation of customers who have no option but to use the Councils' services;
- The desirability of increasing usage of any given service;
- The possibility of increasing income to the Council.

Consideration should be given in all cases as to whether VAT is applicable. Advice on this matter can be provided by Financial Services.

All discretionary fees and charges will be set in line with the approved charging policy for that service and should fall into one of the categories set out in the following table:

Charging Strategy	Objective
Commercial Charges	The Council aims to cover the cost of providing the service and make a surplus
Full Cost Recovery	The council aims to recover the costs of providing this service from those who use it
Subsidised	The council wishes users of the service to make a contribution to the costs of providing it. This might be to meet a service objective or allow competition with other providers
Free	The Council chooses to make the service available at no charge to meet a service objective
Statutory	Charges are determined in line with legal requirements

The resulting charging structure should not be too complicated. It should be clear and cost effective to collect.

Which service users should receive a subsidy?

In some circumstances it may be appropriate to consider offering subsidy to all users or certain key groups where this is consistent with achieving the Council's objectives. Recognising this, it is Council policy that when charges are reviewed, concessions where appropriate, should be considered for certain groups. In some circumstances concessions may not be appropriate and it will be necessary to consider the impact on income levels before introducing a concession.

The policy of the council is to offer concessions to those on income support.

It is not appropriate to fix a level of concession in this policy as this would remove all discretion; however, a concession up to 50% of the charge may be appropriate in some cases.

How will any surplus income be used?

Income that is derived from charging for services will firstly be used to offset the cost of providing the service. Any surplus is then returned to the General Fund to be distributed as required by Members. This enables resources generated through charging to be used wherever the highest priority exists and for a corporate view to be taken regarding where those priorities exist.

It is therefore Council policy that any surplus generated from charging to be viewed as a corporate resource to be used where need is greatest, provided this is not prohibited by any statutory requirements or government guidance.

How will this policy be implemented?

Charges are to be reviewed annually as part of the Council's budget setting process. The review of charges will be undertaken having regard to the guidelines set out within this policy.

Budget Holders will complete the corporate template for the review of fees and charges; these will form the basis for reports to the relevant Policy Committee as part of the annual review of charges. Increases each year will generally be in line with the level of inflation assumed as part of the budget setting process or RPI, subject to the consideration of specific issues in relation to each service area. The changes in overall income as a result of this process will be built into the relevant budget as part of the budget setting process.

As part of the annual service planning process each Head of Service should consider if services currently provided free should be subject to a charge or if good reasons exist for maintaining a free service. Where a charge is being implemented for the first time consideration should be given as to whether this should be subject to public consultation and the public should be informed of the reason for the decision. In addition an equalities impact assessment will need to be undertaken. Reasonable notice should be given of the decision to charge, reasonable notice is considered to be at least one calendar month. The effects of any new charge on service usage and income should be closely monitored by the Head of Service over the first twelve months.

Heads of Service should maintain such records in support of the process covering the cost, usage, and any benchmarking data. This will support data contained within service plans and proposals put forward as part of the annual review of fees and charges.