APPENDIX A

MELTON BOROUGH COUNCIL

MEDIUM-TERM FINANCIAL STRATEGY

2013/14 TO 2015/16

D K Garton CPFA
Head of Central Services

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 2013 to 31 March 2016 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 2012 to 31 March 2015. 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 an 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 2013/14 Budget and later years (and the associated Council Tax levels) 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 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 were sold in 2012 for retail use which enabled the Council to go debt free with regard to it's general fund, making considerable revenue savings with regard to debt repayment and interest charges. The residual capital receipt is available to support capital expenditure.

1.6 The insurance claim resulting from the fire will be finalised during 2012/13. The revenue implications of Parkside and Phoenix House will continue to need to be refined during 2012/13 and 2013/14 as full year expenditure and income is ascertained, snagging issues are resolved and longer term contracts for maintenance finalised.

1.7 There have also been a number of service efficiencies arising from the Waterfield Leisure Pool refurbishment and changes to the waste collection arrangements, which are all reflected in the financial projections. The Council is also embarking on an ambitious transformation programme to provide further efficiencies moving forward.

1.8 In addition to the above the other main area bringing significant change to the council's finances is the impact of the finance bill and the changes this makes to the core funding of the Council. The fixed Formula Grant has been replaced with a smaller element of fixed Revenue Support Grant (RSG) with a scheme whereby 50% of business rates collected are subject to a formula which determines the level of funding retained locally. Whilst this brings an opportunity for an element of increased funding, if locally business rates increase, it also brings significant risk if they are in decline. The Council is also part of a pool with the other Leicestershire Districts, City, County and Fire Authorities. This provides the opportunity for any potential levies that would have been paid to Central Government to be retained within the area, with any surplus to be available to fund priority economic projects across the LLEP area.

1.9 The RSG has been subject to substantial cuts in funding over that provided through the previous Formula Grant and is likely to continue to be reduced in response to the Governments austerity measures. In addition, nationally funded council tax benefit is being replaced with a discount scheme determined locally and funded centrally by a fixed grant. The grant has been reduced by 10% against existing costs with no provision for any increase in caseload and included within the RSG. This significantly changes the method for calculating the council tax, increases the cost of council tax collection and the risk of increased bad debts. The financial implications for the Council 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 Council's Framework provides a structure for the implementation of desired targets, standards and outcomes. It enables a response 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 and how we are performing.

2.4 Service plans for 2013/14 are due to be approved in 2013 and will cover a three year period. The financial implications of the service proposals for 2013/14 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 2013/14 forward looking service plans will be used to inform the budget setting process for 2014/15 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 any saving proposals 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 service 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 Management process the Council's Programme Board determines the relative priority of schemes submitted for funding, as part of the budget setting process for 2013/14, 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 CENTRAL GOVRNMENT FUNDING

3.1 Traditionally the Government has conducted Comprehensive Spending Reviews (CSR's) every two years and their 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 CSR2010 was announced in October 2010 and covered a 4 year period 2011-15. The review sets departmental spending limits and defines the key areas of improvement the public can expect from this expenditure. The CSR 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.

3.2 Following the CSR2010 the local government finance settlement was announced in December 2010 and provided two year amounts for the Council for the period 2011-13. A full review of local government funding commenced in 2011 in order to inform the 2013/14 funding position.

3.3 The provisional settlement was announced on 19th December 2012 and contained provisional figures for the next two financial years 2013/14 and 2014/15. The final settlement is expected late January/early February 2013 following consultation.

3.4 The 2013/14 provisional finance settlement sees the launch of the Business Rates Retention (BRR) scheme as the principal form of local government funding. As such the provisional settlement provides details of the provisional grant allocation (RSG) and the baseline position for the BRR scheme. A number of previously separate grants were also rolled into the settlement, for Melton this covers:

- Homelessness Prevention Grant
- Council Tax Support Grant
- Council Tax Freeze Grant 2011/12 award

3.5 Due to the variable nature of the business rates element, the settlement no longer provides absolute certainty of funding and will depend on the rateable value of businesses in the borough, in comparison to the rates baseline, as any increase or reduction, up to a safety net of 7.5%, against this baseline after tariffs and levies, is borne by the Council. The funding baseline is used to determine the rate of tariff and levy payable. The amounts included in the provisional finance settlement are set out below:

	2013/14 £	2014/15 £	Change Over Previous Year £
RSG	1,743	1,343	-400
Retained Business Rates Funding Baseline	1,160	1,195	+35
Total Formula Funding	2,903	2,538	-365

3.6 Actual income received in respect of business rates will depend on the rateable value in the borough and any amount over and above the rates baseline set out above after allowing for the tariff and levy will be retained by the council. Similarly any reduction up to a safety net will be a loss of income. As such assumptions now need to be made when setting the Council's budget and determining financial projections about business rates growth. Current assumptions are set out in Appendix E. Assumptions across the pool area also have to be made each year with partners to assess its viability and as a result its dissolution or continuance.

3.7 In addition, a further council tax freeze grant is available for those councils that do not increase their basic amount of council tax in 2013/14 and will be equivalent to a 1% increase in council tax. This will be provided for both 2013/14 and 2014/15. Details of what constitutes an excessive council tax increase have also been announced and for Melton this would be an increase in the basic amount of council tax above 2%, above which a referendum would have to be held providing the local electorate with the opportunity to approve or veto the increase, in a binding referendum.

3.8 With the large reductions in RSG that are evident above and which are likely to increase in the future the Council is becoming increasingly dependant on the New Homes Bonus, which in 2013/14 is an income of £622k. This funding rewards the provision of new homes in the borough and is provided for a six year period. Funding has been part provided for this grant through the top slicing of RSG. The Government has made no indication as to the future of this funding stream. The first wave of funding starts to drop out in 2017/18 and future amounts, whilst less than some of the initial years, is still predicted to be high. However, there is also a need to fund a significant spend on infrastructure to support these additional properties. Therefore reducing the revenue reliance on this funding stream would enable this type of expenditure to be funded as well as reducing the reliance on the revenue budget of this element of funding. With projections for demand led income and investments being difficult and likely to remain subdued as a result of the economic position the ability to generate cashable savings from the transformation programme will be critical to achieving this.

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 2012	640,000	50,000	727,072
Original Budgeted Increase	0	0	150,970
Revised Budget – PFA 17/4/12	407,330	5,230	0
Supplementary Estimates approved to date	-275,830	0	-37,000
Estimated Overspend (-)/Underspend	190,180	-7,450	7,490
Estimated Balance 31 March 2013	**961,680**	**47,780**	**848,532**

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 £815k which includes a new allowance for the increased risk of losing business rates income up to the safety net margin. This follows changes introduced by the government for the localisation of business rates from 1 April 2013. As such it was approved by the Policy Finance and Administration Committee that the working balance be increased to £820k from 2013/14.

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 spending and supplementary estimates.

4.5 The Housing Revenue Account (HRA) working balance was last increased from £250k to £500k by the Policy Finance and Administration committee at the meeting held on 25 January 2012, with a requirement to review it annually. It is being recommended to CSA that this be further increased to £750k at its meeting on 22 January 2013. The original increase was needed to reflect the increase in risk of a self-financed HRA, particularly with regard to treasury management activity, as a result of the reform of the HRA and the buying out of the subsidy system. In addition the risks associated with running the HRA as a going concern and ensuring that sustainable, continuous maintenance and improvement of the housing stock is on-going are significant. It has been previously agreed that, should there be a surplus over the HRA working balance then this is available to support the requirements of the HRA business plan.

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 2012	1,214,825	178,193
Latest Budgeted Increase/Reduction (-) 2012/13	-275,830	37,810
Funding Capital Schemes in 2012/13	-25,000	0
Estimated Balance 31 March 2013	**913,995**	**216,003**

4.7 Due to the previous low level of the General Reserve Special Expenses a budget was previously set that enabled funds to be transferred into this reserve on an annual basis 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 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 but has started to fall over 2012 compared to its high levels in 2011 when it was at its peak. Actual inflation is likely to remain above this level moving into 2013 but in the current climate it remains difficult to predict such measures. Earnings growth has also remained low.

5.2 The last pay award for local government was April 2009 and pay negotiations are at an initial stage. Whilst there remains considerable pressure on keeping awards at a low level the employers appear to be receptive to some form of award for 2013.

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 agreed that a contingency be set for inflation and an appropriate level be determined by the Head of Central Services and reported to Members as part of the budget setting exercise for 2013/14. This is subsequently being proposed at £111,890. On this basis no inflation has been set at service budget level other than 3% for fees and charges as already provided for in the fees and charges reports considered by committees in the September committee cycle. However, where budget holders have knowledge of price rises, adjustments have been 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.

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.

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 2012/13 is summarised below:-

	General £	**Melton Mowbray** £	**Other** £	**Total** £
Net Expenditure met by:	6,137,070	506,350	9,750	6,653,170
External Support	-3,314,100	-25,890	-450	-3,340,440
Council Tax	-2,847,190	-518,270	-9,708	-3,375,168
Collection Fund Deficit	25,900	0	0	25,900
Surplus (-)/Deficit for Year	1,680	-37,810	-408	-36,538
Transfer to /from (-) Reserves/Balances	-1,680	37,810	0	36,130
	0	0	-408	-408
Balance b/fwd 1 April 2012	-640,000	-50,000	408	-689,592
Balance c/fwd 31 March 2013	-640,000	-50,000	0	690,000

6.3 A balanced budget was set for 2012/13 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 (2012/13) 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 2013/14 to 2015/16 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:

- Inflation levels including pay and interest rates particularly in the current economic climate;
- Known and estimated reductions in RSG.
- The introduction of council tax support which introduces a number of financial risks including costs of collection, increase in case load, bad debts and associated impact on the collection fund and council tax base, etc.
- The retention of business rates locally introducing an element of volatility into what was previously a fixed grant. Assumptions have had to be made regarding future growth or otherwise. A worse case has been assumed that the Council will hit the safety net and a best case that there is some growth based on best estimates.
- The discontinuance of council tax freeze grant as the funding term expires.

- The revenue costs and income from Parkside and Phoenix House;
- The impact and timing of the transformation programme.
- Demand led income budgets such as car parking, building control, industrial units and planning fees particularly in the current economic climate.
- Level of investment income as a result of balances held and any improvement to investment returns
- Financial implications arising from the delegation of the IT service
- The impact of changes in commodity prices on the waste management service including contractual arrangements.
- Reliance on New Homes Bonus to support the revenue budget.

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. Car parking income and rental income from industrial units has started to be affected in 2012/13 and there continues to be financial pressure on certain services such as homelessness and benefits as they respond to the increasing needs of the community. The Council's current waste contract ends in 2017 and by working with other partners on a joint procurement for the new contract there is the possibility of large savings on current costs.

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 below the level at which a referendum would be required and at an affordable level for residents and to benefit from the council tax freeze grant in 2013/14, 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.

Estimated Deficit/Surplus (-):

Year	Worst Case Scenario £000	Best Case Scenario £000
2013/14	-16	-347
2014/15	82	-493
2015/16	117	-495

6.10 With regard to the HRA, a thirty year business plan was finalised as part of the move to self financing from 1 April 2012. This plan is reviewed annually in line with actual events. An extract from the Plan is attached at Appendix F. Whilst there is no longer a requirement to pay into the subsidy system it is necessary to service the new debt. In addition to a new HRA asset management strategy treasury management is now a fundamental aspect of managing the HRA. The new HRA Asset Management Plan is being developed and will feed into the business plan as soon as it is approved.

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 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. The resources available to support the general fund capital programme have been provided with a large injection in 2012/13 with the receipt from the sale of land on Nottingham Road. A large proportion has been used to enable the general fund to be debt free however significant resources remain unallocated. Generally however market conditions are not favourable at the present time due to the recession, which will limit further opportunities for sales.

7.3 With regard to the HRA support is more restricted. There is funding by way of borrowing up to the borrowing cap, cash backed depreciation and revenue contributions up to the level that would have previously been covered by the Major Repairs Allowance (MRA). Capital receipts from the sale of Council houses have declined substantially in the current economic climate and, at the current very low levels, will impact on the HRA. 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.

7.4 In addition to capital receipts the Council does hold non-earmarked reserves which can be utilised to support corporate priorities. As revenue reserves there is also pressure for these reserves to support revenue expenditure.

7.5 The opportunity to utilise unsupported borrowing does exist but as this would impact on the Revenue budget and the Council has opted for its General Fund to be debt free, following the large capital receipt referred to in 7.2 above, unsupported borrowing would go against this policy. In the future where such borrowing is considered it should be primarily reserved for invest to save schemes and, as a guide, would cost approx £85 per £1,000 borrowed, based on an assumed interest rate of 4.5% on a loan over 25 years. 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.

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

Assumptions made:

- At the present time there are no new capital receipts assumed in the figures below.

- Following a meeting of CSA on 26 June 2010 in order to ensure the on-going stability of the HRA business plan under self financing, it was agreed that receipts from the sale of “Right to Buy” housing will be ring-fenced to the HRA from 1 April 2012.

- The government has a policy of providing 1 for 1 affordable housing on the sale of “Right to Buy” properties which the Council has signed up to. Therefore a proportion of “Right to Buy” proceeds will be set-aside for the provision of new affordable rented housing. These proceeds must make up no more than 30% of the total spend on affordable housing and must be spent within 3 years of receipt.

- 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 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. In 2012/13 an allocation of £28k was awarded, in addition to the £100k initial allocation received.

- Repairs & Renewals Fund – refers to Council Property and Vehicles & Equipment (including Christmas Lighting) and the estimate for 2013/14 represents the balance remaining on these funds. These figures also include sums predicted set aside for the replacement of the computer servers and the phone system.

- Planning Delivery Grant (PDG) - The estimate for 2013/14 for the PDG represent the remaining grant allocation which is available for use for capital purposes.

Potential Sources of Capital Funding

	Prov. 2012/13 £000	**Projected**		
		2013/14 £000	**2014/15 £000**	**2015/16 £000**
General Expenses				
Unsupported Borrowing	0	0	0	0
Capital Receipts	4,880	1,751	1,751	1,751
Grants - Decent Homes	10	0	0	0
- DFG	128	100	100	100
- Repairs and Renewal Fund	60	136	129	112
- PDG	0	3	0	0
- Warm Homes Grant	185	0	0	0
Corporate Priorities Reserve	25	305	305	305
Third Party Contributions:				
- NHS	100	0	0	0
- LCC - Choose how You Move Scheme	78	118	0	0
- Cattle Market Phase 1	140	0	0	0
- Melton Town Estate	17	0	0	0
- Market Place Enhancement	19	0	0	0
- Other	17	0	0	0
Total Available Funding	5,659	2,413	2,285	2,268
Of which:				
Ringfenced to individual type of scheme		354	229	212
Not Scheme Specific		2,059	2,056	2,056

	Prov. 2012/13 £000	**Projected**		
		2013/14 £000	**2014/15 £000**	**2015/16 £000**
Special Expenses (MM)				
General Reserve	0	66	66	66
Section 106 Receipts	18	0	0	0
Total Available Funding	18	66	66	66

	Prov. 2012/13 £000	Projected 2013/14 £000	2014/15 £000	2015/16 £000
Housing Revenue Account (HRA)				
Decent Homes Funding	0	395	0	0
Major Repairs Reserve	454	0	0	0
Cash Backed Depreciation	1,000	980	1,005	1,030
Revenue Contribution to Capital	685	735	739	1,130
Revenue Contribution to Reserve	700	920	700	750
Capital Receipts	139	126	112	96
Total	2,978	3,156	2,556	3,006

7.7 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.

7.8 The Council undertakes rolling stock condition surveys on its assets and there is a need to undertake capital works on some of its stock to get these up to an acceptable operational standard. In addition the Council is working on a leisure vision for the borough which may require capital investment. There is also pressure for investment in General Fund housing projects as well as the transformation agenda in order to generate future revenue savings. 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.

7.9 The £1m capital investment in the Local Authority Mortgage Scheme (LAMS) in 2012/13 will be placed on deposit for the full 5 years of the mortgage indemnity being offered (with the possibility of a further 2 years if the mortgage is in arrears at the end of 5 years). The interest due on this deposit is to be set-aside in a specific reserve, only to be realised at the end of the term of the indemnity.

7.10 In light of the pressure on capital resources, despite the large receipt, the Council should consider prioritising investment that would generate a revenue return in order to support the extreme pressure on the revenue budget.

7.11 The special expense reserve is at a more healthy balance and is available to support capital projects. Estimates currently indicate a contribution from the revenue budget to maintain this reserve on an annual basis.

7.12 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, placed a cap on HRA borrowing which is the amount of the debt settlement. This restricts our ability to raise funds for capital projects in the future.

7.13 There are a number of housing infrastructure projects being investigated, and should be considered for funding priority from this limited resource as a whole. These include:

- Garage sites project – potential to deliver 10 new affordable homes
- Affordable Warmth – giving residents access to a home energy audit and advice
- Housing Foyer (General Fund) – demand for the scheme and business plan viability to be fully assessed
- Fairmead regeneration – potential to deliver a net increase of 43 homes

- IT projects to support the quality of data on the housing stock for decision making purposes
- Consideration of spend on non traditional built dwellings and those properties that generate a deficit.

The Council is also looking to implement longer term housing capital procurement for capital and cyclical works.

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

- Local Development Plan
- Melton Housing Strategy
- Capital Strategy and Asset Management Plan
- Civil Contingency and Emergency Plans (including Business Continuity Plans)

People

- Youth Strategy
- Anti Poverty Strategy
- Community Involvement Strategy
- Social Inclusion and Community Cohesion Strategy

Well Run Council

- Procurement Strategy
- ICT Strategy
- Customer Service Strategy and Standards
- Single Equalities Scheme

Partner Strategies

Places

- Leicestershire Local Transport Plan/ Car Park Strategy
- Business Improvement District Business Plan
- Economic Development Strategy

People

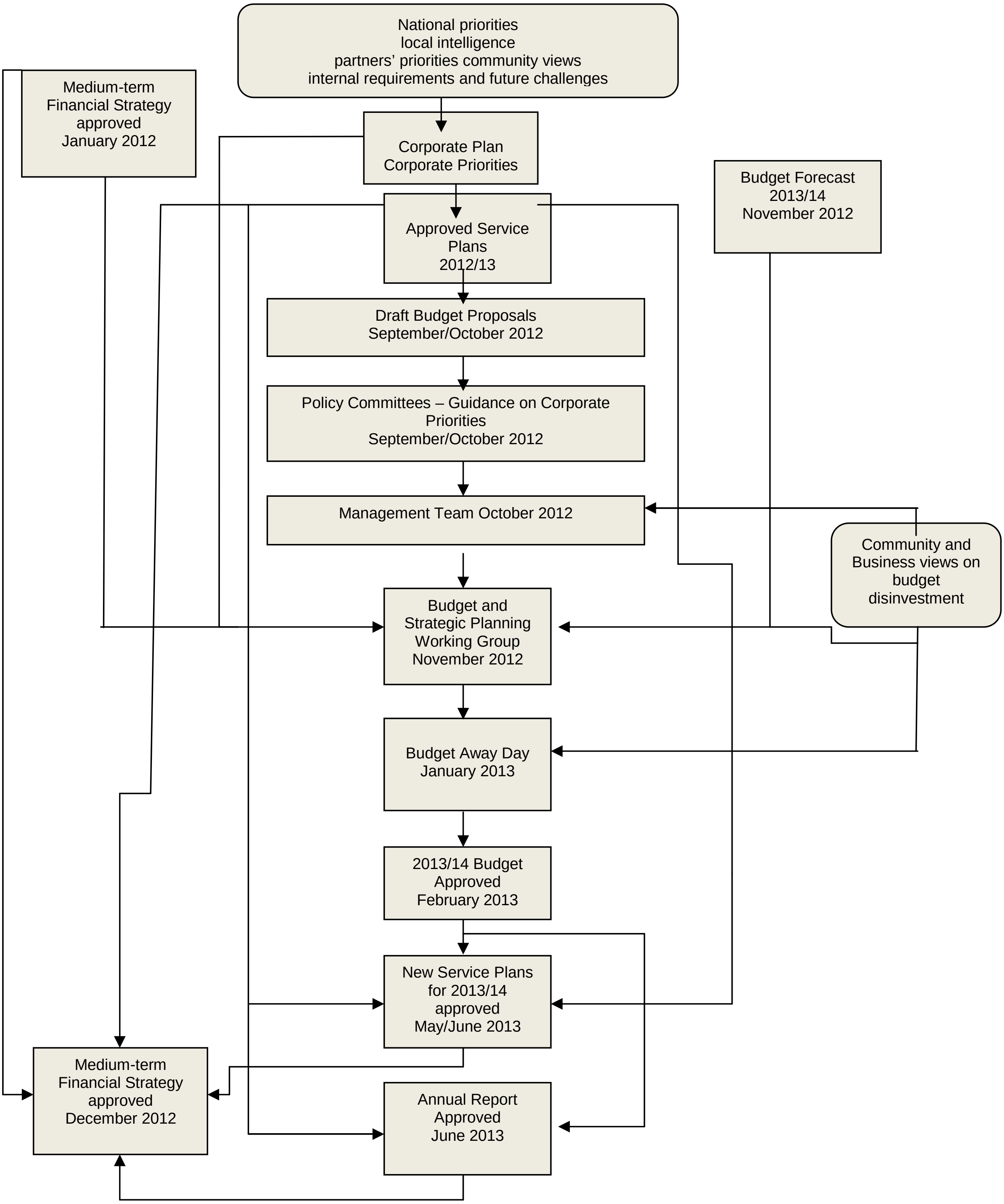
- Leicestershire Supporting People Strategy 2010
- Locality Based Partnership
- Melton Community Safety Strategy

Leicestershire Together Commissioning Boards

- **All working within the LT framework**

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

Corporate Planning and Budget Framework 2013/14



Appendix C

LEVEL OF WORKING BALANCE

	As at 2011 Range (£'000)	As at 2012 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 240	Up to 230
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 100	Up to 110
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 40
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	-60 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	100-300	90-300
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
Localisation of Business Rates Potential for loss of business rates up to a pre-determined safety net of 10%	N/A	Up to 140
Overall Range Midpoint	-110-1,470 680	30-1,600 815

Appendix D

CORPORATE CHARGING POLICY

General Principles

Where the Council has the option to levy a charge, and there are no good reasons why an exception should be made, it is the Council Policy that a charge should be made on both statutory and discretionary charges in accordance with this charging policy.
For existing charges, there is a general presumption that the level of fees and charges should rise each year in line with the rate of inflation as determined as part of the budget planning process.
Exceptions: The following are cases where charging may be deemed to be inappropriate:

- The service 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 a charge
- Making a charge would be contrary to achieving one or more of the Council's Corporate Objectives
- Making a charge may result in a substantial reduction in usage of the service
- It is difficult to establish the liable person

Payment: Service users should make a direct contribution to the cost of providing services in advance of taking the service.

Determining the amount to be charged

Where the Council controls the level of the charge to be made for a service, it is the Council policy that the charge should cover the actual costs of providing the service (including overheads). Where a service is not recovering fully the costs, it is being subsidised by the local Council Tax payer from the General Fund. A key question to ask therefore is: 'Do we want the service user to pay for the service or do we want all Council Tax payers to pay for or contribute to the costs of the service'? It is recognised that this will not be appropriate in all circumstances and the actual amount proposed will need to take into account:

- Section 93 of the Local Government Act 2003 enables Local Authorities to charge as they choose to for discretionary services; provided they are not prohibited by other legislation and they do not make a profit
- Relevant Council strategies and policies
- Any subsidy or concessions given (see page 2)
- Market conditions and prices charged by competitors and/or other Local Authorities
- The need to avoid potential distortion of the market which might occur from pricing below the levels charged by the private sector for similar services
- The need to avoid exploitation of customers who have no option but to use Council services
- The impact of increased usage on a particular service
- The need to increase Council income
- Service users' views where provided

VAT: Consideration needs to be given in all cases as to whether VAT is applicable. Advice can be received from Financial Services.

Charging Strategy: Within the service and budget planning process fees and charges should be identified to one of the categories in the table below and the appropriate charging policy adopted in establishing and reviewing charges rates/levels.

Charging Strategy	**Policy Objective**
Full Commercial	Aim to maximise revenue within an overall objective of generating a surplus from this service for statutory services.
Full commercial with discounts	As above, but with discounted concessions being given to enable disadvantaged groups to access the service determined from the Equalities Impact Assessment (E.I.A)
Statutory	Charges are set in line with legal obligations
Cost recovery	The Council aims to recover the costs of providing the service from those who use it
Cost recovery with discounts	As above, but the Council is prepared to subsidise the service to ensure disadvantaged groups have access to it
Free	Service fully available at no charge.
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.
Nominal	The Council wishes to make the service available but sets a charge to discourage frivolous usage
Fair Charging	To maximise income but subject to a defined policy constraint

Determining which service users should receive a concession.

There will be some circumstances where it may be appropriate to consider offering discounts or concessions in relation to particular services/activities or customer groups on a basis which is consistent with achieving the Council's objectives.

When reviewing or establishing the level of discount or concession offered for a particular service the following should be considered:

- Are we benefitting local residents?
- Can a discount policy contribute to wider policy objectives aimed at maximising access to services from disadvantaged groups?
- To what extent is there evidence that the discount policy is successful in benefitting target groups?
- Is the policy to target specific groups still valid?
- Are there other groups that should be considered for discounts?
- What will the impact on income for this service be by offering a concession?

Recognising the broader agenda to maximise access to services and to ensure equity and fairness in charging, concessions/discounts should be considered for the following groups:

- Young people aged 16 years or younger
- Full-time students
- Senior Citizens over pensionable age
- Individuals on low incomes in receipt of means tested benefit
- People with a disability in receipt of a means tested benefit
- Individuals receiving a 'carers allowance'

Size of discount/concession: This is down to the relevant service but it would not be inappropriate to offer a concession of up to 50% of the full charge in some cases.

Evaluation: An assessment of the desirability of offering concessions (including the financial implications) should be part of the evaluation of an appropriate charge.
Managers should be able to demonstrate the effect on usage, access and finance of any concessions in calculating the charge and the income that is derived.

Determining how surplus income will be used

Income that is derived from charging for services will firstly be used to offset the cost of providing the service. Any surplus will be returned to the General Fund to be distributed as required by Members. This enables resources generated from charging to be used wherever the highest priority exists.
The Council policy is therefore that any surplus income generated from charging will be used as a Corporate Resource to be used where the need is greatest unless:

- Prohibited by other statutory requirements or Government guidance (e.g. building control)
- Head of Service can demonstrate at budget setting that surplus monies should be used to reinvest in the development of the service

Governance

New fees and Charges

- Proposals for new fees and charges must be considered within the service and budgetary planning process, or where necessary submitted to Management Team and the relevant service Committee for approval as an in-year charge
- Reasonable notice should be given to service users before implementation, together with clear advice on discounts or concessions available
- An EIA should be completed including any appropriate consultation with relevant groups
- The effects of any new charge should be monitored regularly over the first 12 months and reviewed within the next service and budget planning process

Reviewing of Fees and Charges

- Fees and charges **should annually be subject to a detailed review** and, should at least, increase in line with the rate of inflation as part of the budget setting process
- Budget holders will complete the corporate template for the review of fees and charges – these will form the basis for reports to the Head of Central services and relevant Policy Committee as appropriate as part of the annual review of charges
- 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
- Where there are any significant changes during the course of a year, such as costs, market forces or service levels which materially affect current charge and revenues, then that charge should be reviewed in-year and any change be approved by Management Team and the relevant service Committee.
- Where there is to be a change or new charge, then the budget holder should ensure that this is carried out in a timely manner, undertaking any consultation and meeting any legal obligations required.
- When promoting your fee or charge to the public this should be conveyed in a manner appropriate to your audience free of jargon and ‘Local Government speak’.

Maximising Income

In order to maximise income, that contribute to strong performance income generation that Heads of Service may wish to have regard to:

- **Adopting a commercial approach** - there are a number of areas where benefits can be gained from developing a more commercial approach to service delivery

- **Trading** – Services could look to sell their expertise and skills to other local authorities or public bodies or provide a service on a regional basis for their neighbours (e.g. providing Children Centre Services to the County)
- **Applying a flexible approach –** Maximising income generation may not always involve increasing fees and charges. In areas where there is competition for Council Services or where demand is reducing, it may be more appropriate to reduce fees to gain a greater share of the market. This requires the need to understand your service and service users on an in-year basis.
- **Culture of self-sufficiency in services** - A positive attitude towards charging amongst service managers and staff is vital to help create an entrepreneurial culture to identifying and realising opportunities for services to become more financially sustainable in the current economic climate
- **Every penny Counts** – creating positive culture is part of a process to reducing comments such as "its not worth it, it will only generate a few thousand pounds each year" = 20 or 30 ideas such can quickly add up to make a material difference.
- **Payment for Services** – Online facility for making payments should be maximised to encourage receipt of income and ensuring take-up of service
- **An approach to premium charging –** it is possible to apply a premium price to some services to reflect either additional demand or an enhanced service
  e.g. Melton applies a premium to car parking on market days. Other ideas include a premium price for nominating a specific time to deliver a service, fast tracking an application process or the provision of certificates, out-of hours services
- **Charging for Packages –** packaging of a number of services, for a discounted price.
- **Charges linked to environmental objectives –** it is possible to charge directly to support wider corporate objectives e.g. linking taxi-license charges to emissions or have discounts for LPG/Bio diesel powered vehicles.

Equity of Charging

- As charges are reviewed on a service-by-service basis, equity of charging can be overlooked. Therefore Management Team should assess the impact of changes to fees and charges against the full range of Council charges on specific groups to make sure that no individual or group is adversely affected by large price increases. (This could be achieved through segmentation of groups of service users).

Collection of fees and Charges

- Where it is reasonable to do so, all fees and charges should be collected in advance or at the point of service delivery
- Where fees/charges are to be via invoice, authorisation to raise invoices should be passed to finance promptly preferably in advance of service delivery
- Where a cancellation of service is required they should be sent to finance section promptly with an appropriate explanation (e.g. invoice raised incorrectly, service not provided) using existing documentation.
- Requests for write-offs should be sent to the Financial Support Officers with the appropriate explanation
- Any arrangements or circumstances to stop/suspend recovery action should be promptly notified to Customer Services
- Budget Holders should be prepared to provide sufficient documentary evidence to enable legal action to be taken through the Courts

BUDGET FORECAST GENERAL FUND GENERAL EXPENSES 2013/14 TO 2015/16   APPENDIX E

Ref		2012/13 Budget	2013/14 Worst Case Scenario	2013/14 Best Case Scenario	2014/15 Worst Case Scenario	2014/15 Best Case Scenario	2015/16 Worst Case Scenario	2015/16 Best Case Scenario
		£000	£000	£000	£000	£000	£000	£000
1	**Net Budget B/Fwd**		**6,137**	**6,137**	**5,989**	**6,155**	**5,041**	**6,055**
2	**CHANGES TO BASE BUDGET REQUIREMENT**							
2.1	**Non Recurring Items within 2012/13 Budget**							
2.1.1	PFA Committee		-91	-91	0	0	0	0
2.1.2	CSA Committee		-65	-65	0	0	0	0
2.1.3	REEA Committee		-10	-10	0	0	0	0
2.2	**Inflation Allowances and Estimates**							
2.2.1	Pay and general prices		62	62	111	76	127	72
2.2.2	Inflation adjustments for known prices		44	44	40	0	40	0
2.3	**Time Limited Grants/Income**							
2.3.1	Benefit Administration Grant		16	16	12	0	11	0
2.4	**Changes in operating costs for existing Service Levels**							
2.4.1	Changes in investment income		-39	-56	16	16	-8	-25
2.4.2	Changes in Operating Costs at Service Level		60	66	0	0	0	0
2.4.3	Elections/Electoral Registration		55	0	0	0	60	0
2.4.4	Changes to income streams		4	-76	0	-207	15	-13
2.4.5	New/Extended contracts		-151	-157	-233	-264	-48	-48
2.4.7	Changes to external debt costs		-359	-359	0	0	0	0
2.4.8	Superannuation Costs		26	26	40	40	22	22
2.4.9	House Condition Survey		0	0	0	0	50	50
2.4.10	Savings in external audit fees		-38	-38	0	0	0	0
2.4.11	Changes to Waste Commingled Collection Contract		151	151	0	0	0	0
2.4.12	Repairs & Maintenance - 5 Year Programme		4	4	-4	-16	0	-39
Sub Total	**NET COST OF EXISTING SERVICE LEVELS**		**-331**	**-489**	**-18**	**-355**	**269**	**19**
3	**CHANGES TO SERVICE DELIVERY**							
3.1	**New Ways of Working**							
3.1.1	Property		-21	-21	-17	-17	0	0
3.1.2	IT Support & Infrastructure		34	34	0	0	0	0
3.2	**Service Investments**							
3.2.1	Troubled Families		30	30	0	0	-30	-30
3.2.2	Economic Development		39	32	0	0	0	0
3.2.3	Customer Services		110	110	0	0	0	0
3.3	**Revenue consequences of Capital Programme**		-31	-31	-104	-204	-200	-400
3.4	**Potential Growth Items**		0	0	65	2	0	0
Sub Total	**NET COST OF CHANGES TO EXISTING POLICIES/STRATEGIES**		**161**	**154**	**-56**	**-219**	**-230**	**-430**
	-							
	Surplus(-)/Deficit		**-16**	**-347**	**82**	**-493**	**117**	**-495**
Total	**TOTAL FORECAST NET EXPENDITURE**	**6,137**	**5,983**	**6,149**	**5,827**	**6,068**	**5,749**	**6,152**

Ref		2012/13 Budget	2013/14 Worst Case Scenario	2013/14 Best Case Scenario	2014/15 Worst Case Scenario	2014/15 Best Case Scenario	2015/16 Worst Case Scenario	2015/16 Best Case Scenario
		£000	£000	£000	£000	£000	£000	£000
4	**FINANCING OF NET FORECAST EXPENDITURE**							
4.1	Retained Business Rates	-2,573	-1,073	-1,239	-1,094	-1,276	-1,116	-1,317
4.2	Formula Grant (Revenue Support Grant)	-52	-1,657	-1,657	-1,277	-1,277	-1,012	-1,050
4.4	Preventing Homelessness Grant	-71	0	0	0	0	0	0
4.5	New Homes Bonus	-476	-622	-622	-786	-786	-968	-968
4.6	Council Tax Freeze Grant	-142	-30	-30	-30	-30	0	0
4.7	Council Tax Income	-2,847	-2,633	-2,633	-2,640	-2,699	-2,653	-2,767
4.8	Collection Fund Surplus (-)/Deficit	26	32	32	0	0	0	0
4.9	Corporate Priorities Reserve	-2	0	0	0	0	0	-50
Total	**Total financing**	**-6,137**	**-5,983**	**-6,149**	**-5,827**	**-6,068**	**-5,749**	**-6,152**
	Council Tax Base	18,921	17,453	17,497	17,497	17,584	17,584	17,672
	Council Tax per Band D	£150.48	£150.86	£150.48	£150.86	£153.49	£150.86	£156.56
	Year on Year Increase in Council Tax							
	(i) Amount	**£0.00**	**£0.38**	**£0.00**	**£0.00**	**£3.01**	**£0.00**	**£3.07**
	(ii) Percentage	**0.00%**	**0.25%**	**0.00%**	**0.00%**	**2.00%**	**0.00%**	**2.00%**

HRA BUDGET FORECAST 2011/12-2016/17 **Appendix F**

The following table shows the actual for 2011/12 and the estimate as per the budget book for 2012/13. The remainder of years are based with reference to the business plan.

	2011/12 Actual £'000	2012/13 Estimate £'000	2013/14 Forecast £'000	2014/15 Forecast £'000	2015/16 Forecast £'000	2016/17 Forecast £'000
Management	1,339	1,326	1,323	1,350	1,377	1,411
Repairs	1,742	1,999	1,910	1,949	1,988	2,037
Major Repairs	1,214	0	0	0	0	0
Cash Backed Depreciation	0	1,000	980	1,005	1,030	1,056
HRA Subsidy payable to Government	1,849	0	0	0	0	0
Interest Charges	198	1,200	1,173	1,176	1,156	1,156
Contribution to Capital & Reserves	0	1,385	1,655	1,439	1,880	2,202
Other	55	52	93	88	72	78
Total Expenditure	6,397	6,962	7,134	7,007	7,503	7,940
Rents/Other Income	6,726	7,120	7,358	7,843	8,065	8,287
Surplus(-)/Deficit	**-329**	**-158**	**-224**	**-836**	**-562**	**-347**

Weighted Average Rent Increase	6.30%	7.20%	4.00%	4.07%	4.08%	4.06%
Average Rent	£64.30	£68.89	£71.78	£74.70	£77.75	£80.91