

MELTON BOROUGH COUNCIL

MEDIUM-TERM FINANCIAL STRATEGY

2010/11 TO 2012/13

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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 through 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 2010 to 31 March 2013 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 2009 to 31 March 2012. 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 2010/11 Budget and later years (and the Council Tax levels associated with it) to be used for financial planning purposes.
- 1.5 In May 2008 two thirds of the Council's headquarters were destroyed by fire. Council activity is now being conducted from a variety of temporary accommodation whilst new methods of working are also piloted and tested. In addition a decision has been made on a permanent replacement of its offices. Work is progressing on the achievement of the new build and subsequent occupation in line with the project plan to ensure occupation prior to the end of the insurance cover for additional costs of working, which is three years from the fire. This involves partnership work with the building being shared with other partners. There continues to be implications for the Council's finances, both revenue and capital, as a result of the fire and these are summarised below:
- Abortive costs
 - Uninsured costs increased if occupation of the new build is not achieved prior to the end of the three year additional expenditure cover
 - Procurement risk costs
 - Allowance for contingencies with such a major project
 - Costs due to timing differences between income utilised to pay for new buildings and the expenditure on the new build

In addition a project of this size could also impact on the Council's capacity to deliver on other planned projects such as Waterfield Leisure Pools and the cattle market.

1.6 In addition to the fire the other key issues that will impact on the MTFS are:

- Formula Grant
- Working Balances/Level of Reserves
- Corporate Priorities
- Capital and Revenue budgets
- Inflation forecasts
- Major external changes e.g. economic, political
- Consultation with Stakeholders
- Modernisation, transformation and change initiatives

A large number of these are outside of the Council's control.

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 which is contained within its Constitution (See Appendix A.)

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 B.

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

- Safer - Communities that are safe and feel safe
- Stronger - Inclusive communities with a strong economy
- Greener - A cleaner, greener environment
- A well run Council - Good services that are value for money

2.3 Each priority is supported by a Priority Action Plan setting out links to national and community strategy priorities, key actions and their financial implications, responsibilities, performance measures and a risk assessment.

2.4 As a result of the fire a number of strategic objectives for business change have been approved as follows:

- To achieve interim accommodation that is "fit for purpose" to meet the Council's medium term business requirements.
- To redesign services that consistently meets customer expectations.

- To understand and promote new and efficient ways of working where this has proven to be advantageous.
 - To encourage wider participation, involvement and leadership from every part of the community.
 - To achieve an innovative “fit for purpose” new Council Headquarters
- 2.5 Service plans for 2009/10 were approved in 2009 and cover a three year period. The financial implications of the service proposals for 2010/11 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 2009/10 forward looking service plans will be used to inform the budget setting process for 2010/11 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.
- 2.6 As a Leicestershire Local Area Agreement (LAA) partner the Council is signed up to assist in the delivery of the partnerships targets. In terms of the structure in place within the Council it is in a position to direct its ongoing resources to LAA targets. Where there are shortfalls the Council will aim where possible to re-engineer existing budgets to support LAA 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.
- 2.7 The Government has launched the Total Place initiative, looking at total public spending and local leadership in 13 places across England, to identify how local collaboration and prioritisation can lead to improved efficiency and effectiveness. One of these pilot areas covers Leicestershire CC and Leicester City Council area. The Total Place is aimed at enhanced efficiency and effectiveness across the whole of the public sector operating in local areas.
- 2.8 Under the Council’s Project Appraisal system the Council’s Programme Board, which has member representation, will determine the relative priority of schemes submitted for funding as part of the budget setting process for 2010/11 for consideration and final approval for funding by Full Council at the budget setting meeting.
- 2.9 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 was published on 9th October 2007 and covers the financial years 2008-09, 2009-10 and 2010-11. The review sets three year departmental spending limits and defines the key areas of improvement the public can expect from this expenditure. The settlement for local authorities within CSR2007 is a tight one with 1% real annual growth in resources over the 3 year period which is more than 1.5% less than it was under the previous spending review in 2004. The Government also expects that Council Tax increases will be significantly below 5% per annum.

- 3.2 Following the comprehensive spending review the local government finance settlement was announced provisionally in December 2007 and then finalised later in 2008. The following three year amounts were issued for this Council.

Formula Grant 2008/09 to 2010/11

Financial Year	£	% Increase
2008/09	3,815,454	1.6
2009/10	3,871,869	1.5
2010/11	3,931,934	1.5

- 3.3 The settlement is a particularly hard one for district councils with over a third of them only receiving the minimum increase. This poor settlement with the other pressures set out in this document will mean it will be even harder for the Council to meet these pressures as well as finding the resources to invest in areas of high priority and need.

- 3.4 The CSR2007 also set out the following key issues:

Efficiency Targets – Requirement for 3% net cost releasing savings per year across local government, an increase from the previous 2.5%. This is monitored through the Council’s Making Progress Group.

Economic Development – Local Authority Business Growth Initiative Funding (LABGI) of £150m covering both financial years 2009-10 and 2010-11. This is a major reduction in funding from the £1billion provided in the last spending review. The power to levy a supplementary Business Rate of a maximum of 2p per pound of rateable value has been provided to upper tier authorities from 2010-11.

Housing – funding for the new Housing and Planning Delivery Grant has been provided. This is very difficult to predict based on the achievement of targets surrounding the progress on the Local Development Framework with reductions for poor performance on development control targets.

- 3.5 There is no information on the level of grant that can be expected following the end of this funding period. It is expected that Government spending priorities will be outlined in the Comprehensive Spending Review 2011 which will be followed in late November 2010 by the finance settlement covering the period 2011/12 to 2013/14. The finance settlement will include the financial implications of the move in administration responsibilities of concessionary fares to upper tier authorities which could have significant financial implications for this Council. However there will have been a general election before these announcements which could change priorities significantly. As such the longer term financial planning for the Council is somewhat unknown at this stage in the cycle although the environment within which The Council is working enables some conclusions to be drawn.

- 3.6 The national economy, the local community and The Council are currently going through a major economic recession. Whether the economy will recover from this or dip again can only be speculated upon. However based on this current environment it is difficult to see how increases in Formula Grant are likely unless they are to fund additional burdens which in themselves will increase costs. Real reductions in grant must also be a possibility. As such for the purposes of financial projections for the next two years, following the current finance settlement period, a range of an increase/decrease of 1% in Formula Grant has been assumed. This provides for the following assumptions regarding Formula Grant over the three year period of the plan:

Formula Grant Projections 2010/11 to 2012/13

Financial Year	Best Case £000's	Change £000's	Worse Case £000's	Change £000's
2010/11	3,932	+60	3,932	+60
2011/12	3,971	+39	3,539	-393
2012/13	4,011	+40	3,185	-354

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.
- 4.2 The current projection for the level of working balances is set out in the following table. Where the actual balances at the year-end for general and special expenses have differed from the target level the balance has been restored either by taking from or adding to the general reserves.

Projected working balances:

	General Fund General Expenses £	General Fund Special Expenses £	Housing Revenue Account £
Actual 1 April 2009	580,000	50,000	42,816
Budgeted Increase/Reduction (-) 2009/10	60,000	0	-10,420
Supplementary Estimates approved to date	-50,000	0	0
Unallocated Budget Reductions approved to Date	29,590	0	0
Funding of Capital Expenditure	0	0	0
Projected Additional Use of Balances	0	0	-20,988
Estimated Balance 31 March 2010	*£619,590	£50,000	£11,408

* Whilst there are unallocated budget reductions there will be calls on these monies from various budget variations that are being tracked through the monitoring arrangements. In addition members will need to consider the restoration of the working balance to its target level.

- 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 midpoint of £870k. This large increase in the midpoint 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 has been updated in light of the fire. Both these events are extreme in their own right but to experience two 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 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. However with the Special Expenses Reserve almost depleted it may be that there is a need to draw more on the working balance to fund unforeseen items.
- 4.5 The Housing Revenue Account (HRA) working balance was last increased to £250,000 in 2005/06. Comparisons with other housing authorities suggest this is a reasonable level. However there is a history of overspending on this account following the experience of the last two financial years. Should this continue it may be necessary to take this into account and increase the level when this can be accommodated. The projected depletion of the working balance in 2009/10 will need to be carefully monitored in year and the implications will impact on the 2010/11 estimates as these will need to be set at a level that not only restores the working balance to agreed levels but ensure estimates are set at a level that avoid any future overspends of such significance. 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 2009	1,000,377	17,836
Budgeted Increase/Reduction (-) 2009/10	-455,240	-9,800
Funding Capital Schemes in 2009/10	-55,000	-8,000
Revenue Set Aside	-283,625	
Estimated Balance 31 March 2010	£206,512	£36

- 4.7 It can be seen from the above table that the General Reserve for Special Expenses is now depleted. This reduces the capacity on special expenses to fund capital schemes and non recurring revenue schemes without raising such funds via council tax increases. With such a low council tax base that opportunity is severely limited. Steps could be taken over a number of years to rebuild this fund by smaller contributions each year, however, this would limit the funds available to spend on general expenses as the limitation on council tax increases applies to the total council tax charge by the council regardless of the fund. Special expense capital schemes could be funded from capital receipts although these are also required to fund a range of large scale general expenses schemes so capacity is limited.

5. INFLATION FORECAST

- 5.1 The Government's target for inflation is 2% CPI (Consumer Prices Index). Actual CPI stood at 2.9% falling to 1.8% in June 2009. The Monetary Policy Committee's inflation report has indicated that the rate is estimated to fall further in the coming months to below 1% in the autumn with it rising back to the 2% target in 2010/11. Average pay increases in the first six months of the year were 2.2% lower than in 2008 and are likely to remain subdued over the coming months.
- 5.2 The 2009/10 local government pay has been settled and results in an overall increase of 1.029%. The Council budgeted for 3%.
- 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 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. With regard to pay projections, a rate of 1.25% was approved based on the pay negotiations for 2009/10 whilst helping to ensure the council is adequately providing for potential increases.
- 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 for the last five years 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 Revenue Budget for 2009/10 is summarised below:-

	General £	←Special Expenses →		Total £
		Melton Mowbray £	Other £	
Net Expenditure met by:	6,559,800	476,280	11,950	7,048,030
External Support	-3,871,870	0	0	-3,871,870
Council Tax	-2,686,480	-472,500	-9,721	-3,168,701
Collection Fund Deficit	30,780	0	0	30,780
Deficit for Year	32,230	3,780	2,229	38,239
Transfer from Reserves/Balances	-92,230	-3,780	0	-96,010
	-60,000	0	2,229	-57,771
Balance b/fwd 1 April 2009	-580,000	-50,000	-2,229	-632,229
Balance c/fwd 31 March 2010	-640,000	-50,000	0	-690,000

- 6.3 A balanced budget was set for 2009/10 with a Council Tax increase of 2.8% (2.5% Melton Mowbray Special and 2.9% general expenses). The use of the reserves for both general expenses and special expenses (Melton Mowbray) was to fund a number of non-recurring items in the revenue budget and also to temporarily increase the general fund working balance to reflect the financial risks associated with the economic situation.
- 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 (2009/10) 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. After taking into account the estimated levels of Government support, the forecast will also provide indicative figures of Council Tax levies. With that information, Members can then determine whether the MTFS can be supported in total or, if not, can determine the Net Expenditure figure to be used for Budget preparation.
- 6.6 For general expenses the budget forecast for the period 2010/11 to 2012/13 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:
- Melton Local Development Framework and the phasing in of the costs over the period of the production of the new Local Plan in addition to the likely level of any Government grant through Housing and Planning Delivery Grant.
 - The level of capital receipts and estimates regarding the timing of these being received and expended.
 - Pay awards and pension liabilities particularly in the current climate of change.
 - Employers pension fund contribution in the current climate in addition to the current liabilities arising from ill health retirement for which insurance is being investigated.
 - Inflation levels particularly in the current economic climate.
 - Potential increased repairs and maintenance of Council assets for which up to date stock condition surveys are to be commissioned.
 - Contractor costs resulting from existing contracts coming to an end.
 - Changes to external funding such as benefit administration grant, Housing and Planning Delivery Grant, Climate Change Grant etc.
 - The long-term strategic plans for both the Waterfield Leisure Pool and the Cattle Market which have not been quantified. These will be covered by separate reports at the appropriate time.
 - Increased use of mobile and electronic working and the ongoing revenue implications of this technology.
 - 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 concessionary fares national scheme and the impact of both usage and bus company negotiations and more importantly the transfer of administration to upper tier authorities and the impact of this on Formula Grant
 - The low level of increase in Formula Grant over the next year and the uncertainty of the next Comprehensive Spending Review.

- Revenue costs of property following the move to the new Council offices and the level of service to be provided to the public at various community locations.
- The ongoing financial implications of the insurance claim.

6.7 One of the major issues affecting 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, planning fees and building control fees continuing to decline. In addition there is financial pressure on certain services such as 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, the following deficit/surplus will need to be addressed through analysis of service options. They are at this stage only an indication as the detailed budgets are still being finalised. 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
2010/11	-172	251
2011/12	-1,079	426
2012/13	-362	342

6.10 The Government has exercised its capping powers in previous years. The Government has already made it clear it expects average Council Tax increases to be significantly below 5%. As such it is considered prudent to keep below 5%.

6.11 With regard to the HRA, a Business Plan has been approved by the Council covering a ten-year period. An extract from the Plan is attached at Appendix F. The projection shows a deficit for each of the years albeit declining. This is in line with the pressure the HRA is currently facing and if the Council is able to maintain investment in the day-to-day management of the repairs service and for the continual implementation of rent restructuring over the five-year period the budget will continue to need to be closely scrutinised and monitored if the target working balance of £250k is to be maintained as the HRA cannot budget for a deficit. The HRA subsidy determination for 2010/11 is yet to be received and following receipt the Business Plan will need to be revisited.

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 resources available to support the capital programme are limited. For the HRA there is of course support by way of supported borrowing and the Major Repairs Allowance (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 not only on the HRA but also the general fund where a proportion has traditionally been used to fund general fund housing projects. 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 has been put on hold as a result of the current property and land prices in the market. There is strong demand in particular sectors but this demand is for limited uses. 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 to Sainsbury's however until this is certain no projections have been included in this financial plan and the strategy. Once a capital receipt is certain the Council will need to consider the use the funds could be put in terms of capital spend/revenue support through investment. 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 and Waterfield Leisure Pools.

- 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, Sale of Nottingham Road and the New Council Offices Projects have had a need to draw on these.
- 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 £83 per annum per £1,000 borrowed based on an assumed interest rate of 4.3% and 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. Whilst there is no longer a requirement to set aside a provision for the repayment of debt within the HRA it is considered prudent 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 one small holding and an auction of small sites once the property prices improve. 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. It is assumed 100% of receipts from Council house sales will be utilised on such projects up to a maximum of £130,000.
- Supported borrowing on the HRA is in accordance with the Housing Business Plan.

- The use of the General Reserve – Special Expenses and 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.
- Decent Homes Grant estimates are based on a provisional allocation notified for 2010/11 and estimates for the following two years.
- Repairs & Renewals Fund – refers to Council Property and Vehicles & Equipment (including Christmas Lighting) and the estimate for 2010/11 represents the balance remaining on these funds.
- Housing & Planning Delivery Grant (HPDG) - the estimate for 2009/10 represents a transfer from the Planning & Delivery Grant (PDG). This is required in order to maximise the funding of revenue expenditure from the PDG. The estimates for 2010/11 for both the PDG and HPDG represent the minimum grant allocation which must be used for capital purposes. Due to the costs of the LDF it is likely these funds will be required to support this programme in order to negate the impact on the revenue account.

Potential Sources of Capital Funding

	Provisional 2009/10 £000	Projected		
		2010/11 £000	2011/12 £000	2012/13 £000
General Expenses				
Unsupported Borrowing	1,773	1,126	0	0
Capital Receipts	259	559	143	324
Grants - Decent Homes	512	186	150	150
- DFG	95	95	95	95
- Repairs and Renewal Fund	80	200	0	0
- PDG	0	18	0	0
- HPDG	46	36	0	0
- Waterfield Leisure Pools	15	0	0	0
Corporate Priorities Reserve	55	68	68	68
Third Party Contributions:				
- New Council Offices	100		0	0
- Grantham Canal	90	0	0	0
		0		
Total Available Funding	3,025	2,288	456	637
Of which:				
Ringfenced to individual type of scheme		1407	245	245
Not Scheme Specific		881	211	392

	Provisional 2009/10 £000	Projected		
		2010/11 £000	2011/12 £000	2012/13 £000
Special Expenses (MM)				
General Reserve	8	0	0	0
Capital Receipts	35	0	0	0
Third Party Contributions:				
- Children's Play Project	50	0	0	0
Grants:				
- Children's Play Project	200	0	0	0
Total Available Funding	293	0	0	0

	Provisional 2009/10 £000	Projected		
		2010/11 £000	2011/12 £000	2012/13 £000
Housing Revenue Account (HRA)				
Supported Borrowing	748	300	300	300
Major Repairs Reserve	1,186	1,213	1,241	1,270
Capital Receipts	14	0	0	0
Third Party Contributions – Fairmead	18	0	0	0
Total	1,966	1,513	1,541	1,570

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. Due to the pressure on the revenue budget, reserves such as the Planning Delivery Grant and HPDG will almost certainly be required to support the LDF programme of work. The capital programme for the next 3 years is likely to be affected by the pressure on capital receipts 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. In addition to the capital implications of the new Council offices set out earlier there are other financial pressures on capital. The analysis of the repairs and maintenance backlog on Council assets and the capital requirement of this is under review and is likely to put increased pressure on resources. Members have also approved a scheme estimated at £1,850,000 for refurbishment of the Waterfield Leisure Pool although a bid has also been submitted for external funding to support this project. In addition there may be a need to work in partnership with other agencies on land drainage initiatives. As mentioned previously the decline in Council house sales may require a re-appraisal of the use of such receipts on General Fund Schemes. This has been eased by the extension of decent homes grants but once this ceases the Council will need to revisit its previous decision to implement a loan scheme for decent homes works which will require capital resources to get this started. 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 now depleted and as such any items of capital or non-recurring revenue projects will need to be funded either directly by

Council Tax, through general fund capital receipts or through unsupported borrowing with repayments funded through Council Tax increases.

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.

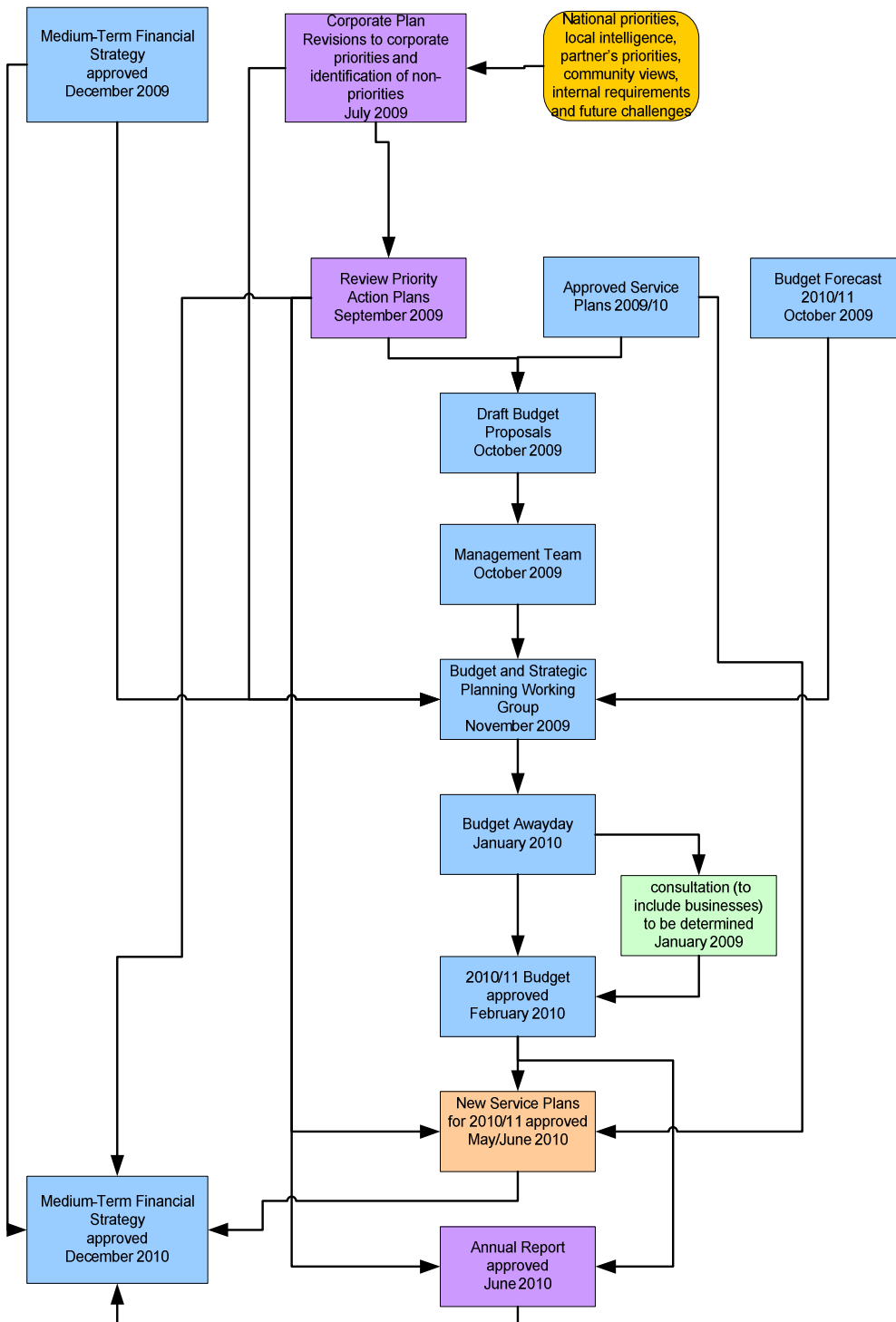
9. CONSULTATION ARRANGEMENTS

9.1 The format of the budget consultation to be utilised this year is set out in the corporate planning and budget framework timetable attached as Appendix B.

New Corporate Policy Framework



Appendix A: Corporate Planning and Budget Framework 2010/11



Appendix C

LEVEL OF WORKING BALANCE

	As at 2008 Range (£'000)	As at 2009 Range (£'000)
<p>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.</p>	Up to 230	Up to 230
<p>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.</p>	Up to 70	Up to 110
<p>Cash Flow Management The availability of resources to assist cash flow management can avoid the need for potentially expensive short-term borrowing.</p>	Up to 100	Up to 100
<p>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).</p>	Up to 100	Up to 290
<p>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</p>	160-240	160-300
<p>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.</p>	Up to 50	Up to £390
<p>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.</p>	20-150	10-150
Overall Range	180-940	170-1,570
Midpoint	560	870

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.

Appendix E

BUDGET FORECAST GENERAL FUND GENERAL EXPENSES 2010/11 to 2012/13

Ref		2009/10 Budget	2010/11 Worst Case Scenario	2010/11 Best Case Scenario	2011/12 Worst Case Scenario	2011/12 Best Case Scenario	2012/13 Worst Case Scenario	2012/13 Best Case Scenario
		£000	£000	£000	£000	£000	£000	£000
1	Net Budget B/Fwd		6,560	6,560	6,712	6,766	6,394	6,947
2	<u>CHANGES TO BASE BUDGET REQUIREMENT</u>							
2.1	Non Recurring Items within 2009/10 Budget							
2.1.1	PFA Committee		-8	-8	0	0	0	0
2.1.2	CSA Committee		-35	-35	0	0	0	0
2.1.3	REEA Committee		2	2	0	0	0	0
2.2	Inflation Allowances and Estimates							
2.2.1	Pay and general prices		68	68	144	66	153	67
2.2.2	Inflation adjustments for known prices		-14	-14	0	0	0	0
2.3	Time Limited Grants/Income							
2.3.1	Housing and Planning Delivery Grant		0	0	58	58	0	0
2.3.2	Benefit Administration Grant		11	0	11	0	11	0
2.3.3	Partnership Projects		0	0	50	0	0	0
2.3.4	Town Centre Support		0	0	0	-70	0	0
2.3.5	Climate Change Grant		0	0	23	23	0	0
2.4	Changes in Operating Costs for Existing Service Levels							
2.4.1	Changes in investment income		181	181	0	-41	0	-102
2.4.2	Extended Services		-43	-43	67	0	0	0
2.4.3	Changes in Operating Costs at Service Level		-157	-157	0	0	0	0
2.4.4	Borough Elections		0	0	60	60	0	0
2.4.5	Changes to income streams		-2	-2	0	-226	0	-25
2.4.6	New/Extended contracts		160	120	0	0	0	0
2.4.7	Concessionary Fares		48	48	350	35	0	0
2.4.8	Audit Fees		9	9	-3	-3	0	0
2.4.9	Superannuation Costs		0	0	13	13	7	-3
Sub Total	<u>NET COST OF EXISTING SERVICE LEVELS</u>		220	169	773	-85	171	-63
3	<u>CHANGES TO EXISTING POLICIES/STRATEGIES</u>							
3.1	Changes to Service Delivery							
3.1.1	Revenue consequences of Capital Programme		6	6	0	0	0	0
3.1.2	Outreach Customer Services		0	0	33	0	7	0
3.1.3	Corporate and Democratic Core		33	1	-4	-4	0	0

Ref		2009/10 Budget	2010/11 Worst Case Scenario	2010/11 Best Case Scenario	2011/12 Worst Case Scenario	2011/12 Best Case Scenario	2012/13 Worst Case Scenario	2012/13 Best Case Scenario
3.2	Potential Growth Items							
3.2.1	Growth Bids Including Priority Action Plan Schemes		97	0	-40	0	0	0
3.3	Disinvestment projects		0	-165	To be determined		To be determined	
Sub Total	<u>NET COST OF CHANGES TO EXISTING POLICIES/STRATEGIES</u>		136	-158	-11	-4	7	0
4	<u>EFFICIENCY PROGRAMME</u>							
4.1	New Ways of Working							
4.1.1	Property		0	0	-38	-133	-38	-27
4.1.2	Efficiency Programme		0	-24	-100	-100	-100	-100
4.1.3	Electronic Working		13	13	137	77	45	37
4.2	Changes to Service Delivery/Method of funding							
4.2.1	Support to Third Sector		-36	-36	0	0	0	0
4.2.2	Shared Services		-9	-9	0	0	0	0
4.3	Changes to Service Levels							
Sub Total	<u>NET SAVINGS OF EFFICIENCY PROGRAMME</u>		-32	-56	-1	-156	-93	-90
	Surplus/Deficit(-)		-172	251	-1,079	426	-362	342
Total	TOTAL FORECAST NET EXPENDITURE	6,560	6,712	6,766	6,394	6,947	6,117	7,136
5	<u>FINANCING OF NET FORECAST EXPENDITURE</u>							
5.1	Formula Grant (NNDR and RSG)	-3,872	-3,932	-3,932	-3,539	-3,971	-3,185	-4,011
5.2	Council Tax Income	-2,686	-2,767	-2,821	-2,842	-2,963	-2,919	-3,112
5.3	Collection Fund Surplus (-)/Deficit	30	-13	-13	-13	-13	-13	-13
5.4	Corporate Priorities Reserve	-92	0	0	0	0	0	0
Total	Total financing	-6,620	-6,712	-6,766	-6,394	-6,947	-6,117	-7,136
	Council Tax Base	18,260	18,350	18,350	18,387	18,442	18,423	18,534
	Council Tax per Band D	£147.12	£150.79	£153.73	£154.57	£160.67	£158.44	£167.91
	Year on Year Increase in Council Tax							
	(i) Amount	£4.21	£3.67	£6.61	£3.78	£6.94	£3.87	£7.24
	(ii) Percentage	2.95%	2.49%	4.49%	2.51%	4.51%	2.50%	4.51%

Appendix F

HRA BUDGET FORECAST 2008/09-2013/14

The following table shows the actual for 2008/09, the original estimate (as shown in the budget book and adjusted for the rent reduction) for 2009/10, an inflated estimate for the revenue costs (1% in 10/11, 1.5% in 11/12, 2% in 12/13 & 2.5% in 13/14) and the Business Plan (2008/09) for the Major Repairs, income, Subsidy payable and Other expenditure for the following four years. The projections are based on rent increases in line with the Government's rent restructuring requirements

	2008/09 Actual £'000	2009/10 Estimate £'000	2010/11 Forecast £'000	2011/12 Forecast £'000	2012/13 Forecast £'000	2013/14 Forecast £'000
Management	1,462	1,475	1,490	1,512	1,542	1,581
Repairs	1,880	1,794	1,812	1,839	1,876	1,923
Major Repairs	1,169	1,185	1,213	1,241	1,270	1,299
HRA Subsidy payable to Government	1,502	1,463	1,637	1,766	1,903	2,047
Other	261	183	225	233	236	246
Total Expenditure	6,274	6,100	6,377	6,591	6,827	7,096
Rents/Other Income	6,033	6,090	6,248	6,518	6,799	7,092
Surplus(-)/Deficit	241	10	128	73	28	4

Weighted Average Rent Increase	5.45%	3.07%	2.60%	4.32%	4.31%	4.30%
Average Rent	£56.45	£58.54	£60.06	£62.66	£65.36	£68.17