

BABERGH DISTRICT COUNCIL

From: Strategic and Financial Planning Task Group	Report Number: L77
To: Strategy Committee	Date of meeting: 6 October 2011

STRATEGIC AND FINANCIAL PLANNING PROCESS

1. Purpose of Report

- 1.1 To inform Members of the work undertaken to date in relation to the Strategic and Financial Planning Process and the timetable and work plan that has been jointly agreed between Mid Suffolk and Babergh District Councils to formulate a clear framework for resource allocation, linked to corporate and service priorities, and a Budget for 2012/13.
- 1.2 To outline the latest worst case assessment of the three year financial position for 2012/13 to 2014/15 and the Budget savings shortfall that is currently forecast - see section 8.13 for key details. It is important that Members can see what the medium term picture may look like, so that short term decisions are not made in isolation for the 2012/13 budget.
- 1.3 To present the joint Strategic Charging Policy for Members to review and approve, which will be the basis against which income generation ideas are evaluated before consideration by Members at future Strategy Committee meetings.

2. Recommendations

- 2.1 To note the high level timetable for the strategic financial planning process as set out in Appendix A.
- 2.2 To note the three year financial position and key aspects of this as set out in paragraphs 8.8 to 8.13 and Appendix B.
- 2.3 To review and approve the Strategic Charging Policy attached at Appendix C.

3. Financial Implications

- 3.1 The aim of the Strategic Financial Planning process is to achieve a balanced budget for 2012/13 within the context of the Council's medium-term priorities and financial position, which is a legal requirement for all local authorities. This report is the first in a series that will be presented to Strategy Committee in order to achieve this.

4. Risk Management

- 4.1 This report is most closely linked with the Council's Corporate / Significant Business Risk No. 2, Efficiencies and Savings, as set out below.

Risk Description	Likelihood	Impact	Mitigation Measures
Failure to plan early and identify options to meet 2012/13 budget gap jointly with Babergh District Council results in avoidable reduction in service provision	Low	Critical	Early discussion with Mid Suffolk to agree draft budget proposal for 2012/13

5. Consultations

- 5.1 The two councils are currently undertaking the 'Budget Challenge' with key stakeholders as outlined in paragraph 8.3 below.

6. Equality and Diversity Impact

- 6.1 The content of this report does not have any direct impact on the protected characteristic groups, but as proposals and options are developed for the 2012/13 budget and presented to Members, an equality analysis will be undertaken in each case to ensure that decisions are made taking into account all the relevant information and impacts.

7. Shared Service / Partnership Implications

- 7.1 A joint budget process and work plan has been developed between Babergh and Mid Suffolk Councils and the high-level timetable is summarised at Appendix C. A proposed joint Strategic Charging Policy is attached at Appendix C.

8. Key Information

Background

- 8.1 The Strategic Financial Planning process, to set the budget for 2012/13, commenced at the end of June with a joint away day comprising senior Members from both Babergh and Mid Suffolk Councils. At this meeting Members outlined the framework as to what would be acceptable in terms of developing proposals for achieving a balanced budget, so that a detailed timetable and plan of work could be drawn up.
- 8.2 During July Member briefing sessions were held at both Councils, outlining the context within which we will be preparing the budget for 2012/13 and the financial and other challenges that the Councils face over the next three years.
- 8.3 The briefing sessions also outlined the communications and engagement timetable that would run alongside the budget timetable for 2012/13 and the role that the Members of the two councils would play in this process during August and September.
- 8.4 The 'Budget Challenge' was launched in August and sent to the Councils' key stakeholders; asking key questions to inform the decisions which Members will need to make. The responses will be collated at the end of September and will be used for the Parish Council Liaison Meetings in October, as well as being reported to future Strategy Committee meetings.

- 8.5 Since the Away Day, the detailed plan of work for officers and when proposals will be presented to Members has been developed and discussed with the Portfolio Holders (PHs) at Mid Suffolk and the Strategic Financial Planning Task Group (SFPTG) at Babergh. A high level summary of the timetable is attached at Appendix A.
- 8.6 During September a number of discussion papers covering the following additional key issues were also presented to the SFPTG (and PHs at Mid Suffolk) in accordance with the detailed work plan. Babergh's PLG were also updated on these:
- 3-year financial forecast of savings needed, the current budget shortfall and how this could be met, including 'Invest to Save' criteria
 - A draft strategic charging policy including principles and criteria for assessing future charges and considering increases in existing charges and the introduction of new charges following comparison with other councils, including Mid Suffolk
 - Capital Investment Plans and borrowing – further details will be reported to a future Strategy Committee
- 8.7 The key aspects of the first two items are now presented to Executive and Strategy Committee in this report for consideration and endorsement.

Three Year Financial Forecast

- 8.8 At the Members Briefing in July, the latest worst case assessment of the three year financial position and the savings shortfall was presented, along with an outline as to how the savings may be achieved in 2012/13. Officers have now developed this to cover the position for the next three years and this is illustrated in Appendix B attached.
- 8.9 The worst case projection of £3.5m savings that will have to be made over the three years 2012/13 to 2014/15 represents 37% of the Council's 2011/12 budget requirement. This clearly illustrates the extent of the financial challenge that is facing the Council over the next three years.
- 8.10 It should be noted that the figures as to how the required savings could be achieved are purely indicative at this stage and are based on a number of working assumptions that are seen as the most reasonable at this point in time. These will be kept under review and amended as further information becomes available.
- 8.11 Key aspects to note from the information contained within Appendix B are summarised below:
- Shared Revenues Partnership (SRP) – as per the business case although a fourth partner could improve the position (but not before April 2013)
 - Integration and transformation – additional savings likely to arise in 2013/14 and 2014/15 but not of the same scale as in 2012/13. Actual savings in 2012/13 have been revised upwards slightly to £450k following the voluntary redundancy exercise, but there is still uncertainty / risks with this. Savings in future years will depend on the extent of transformation and new ways of working / service delivery models

- Joint procurement/contracts – savings will continue with a specific opportunity in 2014/15 when the CSD contract is due for renewal
- Planning applications income – wholly dependent on the timing and nature of the Government proposals to give councils discretion to set their own charges and there appears to be an increased level of uncertainty and risk on timing or whether these proposals go ahead at all
- New Homes Bonus – in accordance with the views at the Joint Budget Away Day, where it was agreed that this would not generally be used to support the existing budget, no provision has been included to support the 2012/13 budget or in future years.

8.12 In relation to the overall financial picture, Members should note that income could accrue to the General Fund from the proposed installation of photo-voltaic (PV) panels on council houses, which would reduce the Budget shortfall. It appears that it may be possible to structure an arrangement whereby this could legitimately be achieved and further information on this will be reported to the next Strategy Committee meeting on 3 November. In addition and as a result of the HRA finance reforms, General Fund capital financing costs could be reduced potentially, but this is very uncertain.

8.13 Subject to the issues highlighted above, and by reference to Appendix B, the main conclusions of this latest three year savings forecast are:

- Significant additional year on year savings can be made from staff and service integration, transformation and joint procurement. In addition, a review of existing charges for services (excluding any new charges) could help
- However, this will still leave an estimated Budget shortfall of £1.65m - before Council Tax increases and any additional income or revenue generation from decisions on short stay car parking and any other new charges which would make a further contribution towards the total savings required
- For illustration, a Council Tax increase of 3% per annum in each of the next 3 years would generate just over £0.4m a year by 2014/15 (or around an extra £140k a year). This would reduce the Budget shortfall to just over £1.2m
- Given the uncertainty on the Government's proposals for planning fees and further consideration of introducing charges for other discretionary services, it is difficult to say what additional income, if any, would be generated from new charges over the next 3 years.
- Therefore, depending on the above and even if Council Tax is increased by 3% each year and new charges are introduced, including for short stay parking, that would still leave a Budget shortfall of something approaching £1m. This is assuming that, if short-term car parking charges are introduced, they would be based on full cost recovery of the service rather than full cost recovery plus a margin
- The potential remaining shortfall of approaching £1m, equivalent to around 27% of the £3.5m total savings, would have to be found in other ways to avoid reductions or cuts in services
- In order to minimise service impacts, we should look for funding elsewhere and at different ways of providing and paying for discretionary services.

- The position could be improved as a result of income from the installation of PV panels (in Council Housing and other Council-owned properties) and the potential reduction in General Fund capital financing costs as a result of the HRA finance reforms, although both are uncertain currently

The Council is clearly facing, therefore, a significant Budget shortfall resulting in the need, however reluctantly, to consider a range of difficult choices such as further service reductions, income generation through increased charges for discretionary services and the careful and planned use of any reserves.

Revenue Generation

- 8.14 As indicated in paragraph 8.13 above, revenue and income generation could play a major part in achieving the savings required over the next three years. In order to support this, the Council needs to have a Strategic Charging Policy in place that sets out the objectives and principles to be followed when considering charging for services.
- 8.15 Babergh does currently have a Charging Policy that has been in place for about 10 years and which is, therefore, in need of review and updating. As a result of the integration work with Mid Suffolk, a joint Strategic Charging Policy has been developed, based on research of the current policies that can be found on the internet from other authorities. This policy has been discussed with the SFPTG (and PHs) and is now presented to Strategy Committee at Appendix C for approval and adoption.
- 8.16 Once adopted, any proposed changes to existing charges or the introduction of new charges will be in line with the Strategic Charging Policy. This is particularly relevant to the financial planning process for 2012/13, as this will be an area of focus to help achieve a balanced budget for next year and the following two years.
- 8.17 Future meetings of the Strategy Committee will consider individual revenue generation proposals put forward.

9. Appendices

Title	Location
(a) High Level Strategic Financial Planning Process Timetable	Attached
(b) Three Year Financial Forecast	Attached
(c) Strategic Charging Policy	Attached

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APPENDIX A

HIGH LEVEL STRATEGIC FINANCIAL PLANNING PROCESS TIMETABLE

<u>Date</u>	<u>Meeting and/or Purpose</u>
24 June	Joint Budget Away Day – general guidance for officers to prepare the timetable and detailed work plan
20 (BDC) & 26 (MSDC) July	Member Briefing Sessions – context for the financial challenge and outline of the communications and engagement strategy
August / September	Budget Challenge engagement - to gain responses from the councils key stakeholders
12 (BDC) & 13 (MSDC) October	Town / Parish Council liaison meetings at Babergh and Mid Suffolk – feedback from responses received and how this is / will shape budget options
3 (MSDC) & 6 (BDC) October	Executive and Strategy Committee meetings – budget update arising from Portfolio Holders and Strategic Financial Planning Task Group meetings in September
20 October (MSDC)	Scrutiny Committee – review of information presented to Executive Committee 3 October
27 October (BDC) & 22 November (MSDC)	Member Briefing Sessions – update Members on proposals being developed and outcome of the Budget Challenge consultation
October & November	Executive and Strategy Committee meetings – consideration of budget proposals
13 December (BDC)	Joint Meeting of Overview and Scrutiny Committee – review of the options and budget proposals to date
9 (MSDC) & 12 (BDC) January	Executive and Strategy Committee meetings – presentation of draft budget for 2012/13. Additional Council meeting in January for BDC?
24 (BDC), 26 (MSDC) and 31 (BDC) January	Scrutiny Committee meetings – further review of draft budget (as required).
26 (BDC) & 31 (MSDC) January	Member Briefing Sessions – overview of draft budget for 2012/13
6 (MSDC) & 9 (BDC) February	Executive and Strategy Committee meetings – presentation of final budget proposals
23 February (MSDC & BDC)	Council meetings – consideration and approval of budget and council tax for 2012/13

APPENDIX B**THREE YEAR FINANCIAL FORECAST**

	2012/13 £000	2013/14 £000	2014/15 £000	3 YEAR TOTAL £000
Estimated Budget gap	1,320	1,000	1,180	3,500
Less - Savings/Income identified:				
Shared Revenues Partnership	-75	-75	0	-150
Integration and transformation – staff	-450	-200	-200	-850
Integration and transformation – non-staff costs	-100	-50	-50	-200
	695	675	930	2,300
Joint procurement/contracts (GM contract in 2014/15?)	-100	-100	-200	-400
Fees and charges - 3% minimum increase (fundamental reviews; excl. car parking)	-100	-75	-75	-250
Current Estimated Budget Shortfall	495	500	655*	1,650

* Would reduce by around £280k, to around £375k, if the loss of government grant is only 5% instead of the 10% worst case assumption currently being used.

**Babergh and Mid Suffolk
District Councils**

**Strategic Charging Policy
(DRAFT)**

September 2011

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POLICY SUMMARY

1. STRATEGIC CONTEXT

- 1.1 The Council is facing substantial reductions in Budgets over the next 3-4 years. If additional revenue is not generated, some services will have to stop or be reduced. Therefore, in applying this charging policy, the Council's key aims are to:
- Increase and maximise income from activities/services to avoid unacceptable Council Tax increases or savings and/or service cuts
 - Consider the impacts on services and people of any proposals to introduce new charges or significantly increase existing charges
- 1.2 In respect of the above, we will ensure that charging proposals do not undermine the achievement of the Council's overall strategic aims, outcomes and priorities. In addition, charging proposals should clearly link to the achievement of service strategies and objectives e.g. Town Centre Management, Recycling and, where appropriate, investment needs.

2. OVERALL POLICY OBJECTIVE

- 2.1 To provide a clear framework to determine whether services are paid for through charges to users or Council Tax and ensure greater transparency on the extent to which service costs should be met by the charges that are made.

3. KEY POLICY PRINCIPLES

- 3.1 There are 4 key underlying principles to this strategic charging policy which has been adopted by the council, which are summarised below:

Key Principle	Description
1	In general terms, a charge will be levied for all discretionary services in accordance with this Strategic Charging Policy and the principle that 'the user pays'.
2	Charges for all services will be based on full cost recovery and the approach to charging for specific services will be determined by Members in accordance with the detailed policy (see Policy details, section 6.1).
3	The most appropriate funding source for specific services will be assessed and specifically whether charging is seen as the right option compared to funding from Council Tax.
4	Charges may be set at different levels by each Council and differential charging for enhanced levels of service will be considered. Concessions will be made for different groups of people e.g. those on benefits and these will be applied consistently.

- 3.2 Charging proposals will be subject to appropriate engagement and consultation with any decision to charge for services to be a Member decision as introducing or increasing charges does, of course, result in politically sensitive issues for Members.
- 3.3 However, charging is an important and appropriate way of financing services and that this provides an important alternative to the restrictions placed on Council's in relation to Council Tax increases in paying for the Council's services and/or making unpalatable savings or service reductions.
- 3.4 Therefore, the Council needs to make its approach and policy clear to the public and that it will introduce charges or increase charges in appropriate circumstances, by following this strategic charging policy.

POLICY DETAILS

4. Introduction and Background

- 4.1 Given the very significant current public sector financial spending pressures and ongoing reductions in the amount of money available to councils to provide essential services, it is crucial that the best use is made of the powers given to them to introduce or increase charges to generate revenue and to recognise the importance of recovering the cost of services by charging users.
- 4.2 The decision on whether to make a charge (and its level) is not always within the control of the Council but, where it is, it is important that the reasons for and implications of the charging decisions being taken are fully understood.
- 4.3 The purpose of this policy is to provide a clear framework for how the two Councils approach the question of charging for its services.
- 4.4 The application of this policy will bring greater clarity to everyone on the process of considering and setting charges and will therefore ensure charges are consistent with corporate aims and priorities and service objectives.
- 4.5 It will also help to guide the process for introducing new charges for discretionary services in the future and reviewing charges for existing services.

5. Context and Policy Details

- 5.1 Although the Government prescribes the fees for certain services that are provided, Councils have the power to set charges for discretionary services. Services where charges are decided either nationally or by a county-wide or other agreement will be set in line with the relevant national framework or the agreement.
- 5.2 With regard to statutory services, where the Council has control over whether a charge should be levied and there are no good reasons why an exception should be made, it is the Council's policy that a charge will be made.
- 5.3 Charges will not be generally made only if the service in question is delivered to all residents or householders equally and which should therefore be funded from Council Tax.
- 5.4 All charges within the Council's control and powers to charge should be reviewed at least annually, which will be timed to fit in with the annual strategic and financial planning process and based on the need to increase income to the Council to avoid unreasonable savings, cuts to services or increases in Council Tax.
- 5.5 The principles in this charging policy will ensure the approach to considering charges is soundly based and that the Council and others are very clear on:
 - which services it should and will charge for
 - what users these affect

- what levels of subsidy/concession (if any) are being given for the use of specific services
- 5.6 The full cost of the service, including an element for support services and corporate overheads, will be the starting point for calculating charges.
- 5.7 Where alternative service providers are available, market forces will be taken into account when calculating charges. Any subsidy or concession of the full cost of the service will be made clear and be a conscious decision designed to meet corporate/service objectives.
- 5.8 There shall be consistency in the way charges are calculated and concessions are applied.
- 5.9 Where possible, income from charges will be collected in advance of the service being provided. Existing methods of payment will be regularly reviewed to make it more convenient for customers to pay. Payment via the website, where practical, will be the preferred option.

6. Which services should the Council charge for?

- 6.1 Charges will be considered for all discretionary services and the charging criteria for each service will be categorised as detailed below. :
- Full Cost recovery 'plus' - any additional income used for continued service investment and to fund other priority services or the council's services generally.
 - Full Cost recovery - Council aims to recover the full cost of the service from those who use it.
 - Subsidised Charging – Council wishes users of the service to make a contribution to the cost of providing it. This subsidy should be to meet service objectives.
 - County-wide or other partner agreement – charges determined by councils across the county or as part of a partnership.
 - Statutory – charges are determined in line with legal requirements.
 - Met by Council Taxpayers – Cost of the service met by all Council Taxpayers with the service free at the point of use.
- 6.2 As referred to in the key policy principles, charges should be made for all discretionary services. Additionally, service costs that currently fall on Council Taxpayers generally should be reviewed annually to establish whether charges could be introduced where these are not already in place.
- 6.3 Service users should, therefore, make a direct contribution to the cost of providing services (both discretionary and statutory) at their point of use. However, it is recognised that there will be circumstances that will make charging inappropriate in a number of cases, which include:
- the administrative costs associated with making a charge would outweigh any potential income

- making a charge would be directly contrary to achieving one of the Council's strategic aims or priorities or statutory requirements
- charging would be counterproductive (i.e. it may result in a substantial reduction in usage of the service).

6.4 By answering the questions below in relation to the Council's services and the charges, a strong measure of the "value" that users place on services and the most appropriate funding source for a specific service can be assessed:

- Why are we providing this service?
- Who benefits from the service – individuals, the whole community or just sections of the community?
- Do we currently subsidise this service from Council Tax and should we in future?
- What are we achieving by subsidising it?
- How much do residents and businesses value the service?
- What effect does charging have on the supply and demand for the service?
- How can charging affect behaviour and assist service objectives?
- Do other similar or neighbouring councils charge for the service?
- Are alternative service providers operating in the market?

7. How should the amount levied be determined?

7.1 In accordance with this policy, charges for services based on full cost recovery should cover the actual cost of providing the service including all support services and overhead costs.

7.2 The level of charge will however be made having regard to:

- any relevant Council strategies or policies (e.g. Equal Opportunities policy, Leisure Strategy etc.) and any subsidy or concessions which may be appropriate,
- market conditions and prices charged by competitors and/or other local authorities,
- the need to avoid any potential distortion of the market which might otherwise occur from pricing services below the levels charged by the private sector for similar services,
- the need for the level of all charges made by the Council to be clear and seen as appropriate (whilst retaining the flexibility to charge commercial organisations a fair market price),
- managing usage of a given service,
- the need to increase income to the Council to avoid service cuts.

8. Equality Analysis (formerly Equality Impact Assessment)

- 8.1 Where appropriate and specifically when significant increases in existing charges or the introduction of new/additional charges are being considered, an Equalities Analysis will be undertaken.
- 8.2 This will ensure that the impact on residents and service users, specifically those who share a relevant protected characteristic as defined under the Equality Act 2010, are fully understood before any proposals are implemented.

9. Concessions

- 9.1 In some circumstances it may be appropriate to consider offering a concession to certain users of a particular service where this is consistent with achieving the Council's strategic aims and priorities.
- 9.2 The Council will consider, therefore, subsidising the following groups:
- Those on means tested benefits
 - People with a disability
 - Other specific groups
- 9.3 It is not felt appropriate to fix a level of concession in this policy as this should be looked at as part of the annual review of charges, considering carefully the potential impacts before introducing concessions to service areas that do not currently offer them or amending existing concessions. Any concessions should, however, be applied consistently by both Councils.

10. How will this policy be implemented?

- 10.1 It will be the responsibility of each Joint Strategic Director and Head of Service, as part of the annual Strategic and Financial Planning (SFP) process, to consider:
- if services that are subsidised from Council Tax should be subject to a charge or if good reasons exist for continuing with a free or subsidised service, and
 - all existing charges, reviewing and identifying areas where new or additional charges could be made.
- 10.2 In circumstances where a charge is being introduced for the first time (or being substantially increased) it will be necessary to evaluate the proposals through the Councils' SFP process with any decision to introduce (or substantially increase) charges to be a Member decision.