

## **BABERGH DISTRICT COUNCIL**

**From: Strategic and Financial Planning  
Task Group**

**Report Number: L119**

**To: Joint Overview and Scrutiny  
Committees**

**Date of Meeting: 13 December 2011**

### **STRATEGIC AND FINANCIAL PLANNING – BUDGET OPTIONS**

#### **1. Purpose of Report**

1.1 To inform Members of:

- The latest anticipated financial position for the next 3 years
- The Task Group's recommendations on Budget options for 2012/13.

1.2 To seek the views of the Joint O&S Committees so that the Strategic and Financial Planning (SFP) Task Group can take these into account in making recommendations on the Budget options to Strategy Committee in January 2012.

#### **2. Recommendations**

2.1 That the Committees consider this report and the accompanying appendices in relation to the Budget options and the 2012/13 Draft Budget proposals, including:

- The latest medium term financial savings and Budget shortfall forecast, which takes into account an anticipated 35% to 40% reduction in Government grant by 2014/15
- The potential savings & additional income outlined for next year, with the majority of the savings arising from integration with Mid Suffolk including further reductions in staff numbers
- The Draft Capital Programme.

2.2 That the Draft Budget for 2012/13 is based on the following options:

- Whether the Government's offer of a one-off Council Tax Freeze grant should be accepted or if Council Tax should be increased by 2.5% (or slightly more) in order that Babergh has a sustainable taxbase and base budget for delivering services beyond 2012/13
- The principle of introducing short stay car parking charges in Sudbury and Hadleigh from October 2012 based on one of the two charging options outlined in para. 8.17 of the report, which will ensure charges are less than those in comparable competing market towns
- The principle of investing the Government's New Homes Bonus on schemes and projects which deliver community benefits, new homes and new jobs or that help transform the way Babergh delivers services to its communities

- Making savings and/or other Budget reductions of up to £265k, including the £146k detailed in Appendix B, on the understanding that the remaining savings of £119k will involve potentially significant impacts on discretionary service provision.

The Committees are asked to give their views on the above recommendations and on other details of the report including the information contained in the appendices. These views will then be considered by the Strategic and Financial Planning (SFP) Task Group before the Draft Budget proposals are submitted to the Strategy Committee.

### 3. Financial Implications

- 3.1 These are detailed in the report and the appendices. Budget decisions for 2012/13 will impact on the Council's financial position in the medium-term.

### 4. Risk Management

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

<b>Risk Description</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Mitigation Measures</b>
Insufficient savings and additional income generated over the medium-term	Significant	Catastrophic	Integration with Mid Suffolk and Transformation of services, Invest to Save and Innovation Fund to change the way we deliver services.
Unable to agree the approach to the Budget and the options for 2012/13	High	Critical	A number of options have been put forward and there could be an additional council meeting in January to ensure the principles are agreed before the final Budget proposals need to be approved in February 2012.

### 5. Consultations

- 5.1 As in previous years, Heads of Service have been fully involved in the SFP process. The views of the political groups have also been sought on the Budget options.
- 5.2 The outcomes of the 'Budget challenge' consultation process has been considered in arriving at the draft Budget proposals.

## **6. Equality Analysis**

- 6.1 Assessments are being undertaken on the savings and charging items listed in Appendix B. Details will be provided to Strategy Committee and Council before final decisions are made on these.

## **7. Shared Service / Partnership Implications**

- 7.1 The Budget options and financial plans for the next 3 years have been based on a joint approach to medium term financial planning with Mid Suffolk and the savings needed by both councils. This encompasses the joint savings from integration and transformation and, where appropriate, aligning charges for services under the jointly agreed strategic charging policy.
- 7.2 There have been regular joint discussions between the two Section 151 officers and senior elected Members to share views on the issues, challenges that both councils are facing and the budget options.

## **8. Key Information**

### **Medium Term Strategic and Financial Context**

- 8.1 The strategic direction and approach in relation to the changing national, regional and local landscape has been clearly set out in the business case for integration and transformation, namely:
- These are challenging times with severely reduced resources and major changes in the Government's view of local government's role in delivering against the changing agenda
  - In order to meet the needs of and improve social, environmental and economic outcomes for our citizens and communities we must be clear on what we need to do and how we want to do it.
- 8.2 In relation to meeting the needs of our citizens and communities we must be clear on what we need to do and how we want to do it. This will require both Babergh and Mid Suffolk to:
- Agree a vision; what they want to achieve for both the people and the place it serves
  - Agree priorities, strategies and policies to achieve outcomes that will help realise that vision, and provide strong political and managerial leadership.
  - Do what is needed to deliver its strategies and implement its policies and do so in partnership with others
  - Facilitate and support strong local communities and create a strong sense of the place(s)
  - Commission and/or deliver services that achieve the outcomes we want
  - Build strong local, regional and national relationships so we can influence well beyond functional or geographic boundaries
  - Organise resources to have greatest impact and co-ordinating their resources with others

- Live within our means – demonstrating strong local accountability for their spending of public money
  - Take advantage of new opportunities – the power of general competence means we can do things they could not do before
  - Harness peoples’ skills and resourcefulness
  - Use information and communications technology and focus its resources on being efficient, effective and delivering value for money.
- 8.3 The two councils have developed an outline joint vision for the future integrated model of management and service delivery across the two districts - the ‘Bright Future’ vision - and are working towards aligned strategic priorities.
- 8.4 Once we have in place an agreed set of aligned priorities for 2012/13, we can start a more substantial project to see if we can develop a single long-term strategic plan for the two councils from 2013/14 onwards.
- 8.5 The forecast savings (worst case) that are likely to be needed in the next 3 years are summarised in Appendix A, which also indicates the likely remaining budget shortfall each year after potential integration and transformation and other savings/income. The overall savings/additional income required for the next 3 years are £3.5m with £1.3m to be found in 2012/13.
- 8.6 However, even with further integration and transformation savings in 2013/14 and 2014/15, it is likely that between £1m and £1.3m will still have to be found in these 2 years on top of the 2012/13 savings. In addition, the international economic situation and the Government’s Autumn Budget Statement paints an even bleaker position in that future Formula Grant cuts are likely go beyond the current 4 year Comprehensive Spending Review period.
- 8.7 In relation to the Budget for 2012/13 and the need to find total savings and additional income of £1.3m, savings from integration and transformation will help significantly, not just towards the 2012/13 position, but also over the next 3 years. However, in terms of 2012/13, this will clearly be a year of ‘Budget Transition’ and we will need to make savings or raise additional income in advance of agreeing a strategic plan and priorities for the longer-term.
- 8.8 Further ‘salami slicing’ of existing budgets is unsustainable but savings and additional income obviously have to be found or used to meet the remaining budget shortfall of £350k in 2012/13 (see Appendix A). The key question is how and whether the Council can address that shortfall in a way that minimises budget cuts and gives us time to develop more radical ways of working that achieve savings in the medium-term while we undertake ‘Invest to Save’ and Innovation projects to transform services. The Audit Commission’s recently published report on the financial challenge “Tough Times” outlines some key issues in terms of Councils tackling the financial challenges ahead, which are summarised in Appendix G.

## **Consultation – the Budget Challenge**

- 8.9 Engagement with the public, partners and other key stakeholders has provided some useful information to help to inform the budget developmental process, however the level of response received means that it is difficult to draw robust and representative conclusions from the data ( particularly in respect of the public views).
- 8.10 In respect of service provision, there was no clear preference for which services should be retained at current levels or reduced with many respondents (particularly the public) advocating a top slice approach, and a desire to retain all existing services and service levels. As indicated above, that is not sustainable in the short or medium term. A small number called for the focus on cuts in discretionary rather than statutory services.
- 8.11 We received a wide range of excellent ideas and options for different service delivery models which will be considered further. For example, a preference for environmental services and other services with a very local focus being the most appropriate, with a suggestion that these should be provided in the future by community based organisations.
- 8.12 There was no clear preference expressed with regard to charging policy and some concerns raised regarding the impact of significant increases in the current economic environment. However, many respondents did list a range of services which could be considered for further investigation:
- Car parking
  - Public Conveniences
  - Leisure
  - Aspects of waste collection

## **The Budget Options for 2012/13**

- 8.13 The only way to produce future balanced budgets is to generate significant additional year on year income and savings over the 3 year period of Government grant reductions. It will be seen from Appendix A that further staff and other savings of around £1m as a result of integration and transformation are indicated over this period. These are on top of the staff savings of £1.8m that have already been made over the last 3 years. More savings and income, from transformation or other sources will be needed though.
- 8.14 The following budget options for 2012/13 have been very carefully considered by the SFP Task Group:
- Either accepting the Government's further one-off Council Tax freeze grant for 2012/13 or increasing Council Tax next year by 2.5% (or slightly more)
  - Introducing short stay car parking charges in October 2012 (the earliest possible date) – raising an estimated £85k net income in 2012/13 and £170k in a full year. See Appendix E for further details
  - Meeting the remaining Budget shortfall from further budget reductions/savings and/or by temporarily using some of the New Homes Bonus (NHB).

8.15 Key details on the above options are provided below:

- Income from short stay car parking charges would make a valuable contribution towards the budget shortfall in the next 2 years
- Without this, the full £350k current estimated remaining budget shortfall in 2012/13 would have to be met by further budget reductions or by using the NHB.
- There is then a further very significant potential budget shortfalls of up to £615k in 2013/14 (if the Council ultimately decides to have another Council Tax freeze next year) and up to around a further £700k in 2014/15
- At this point in time, only £146k of further possible budget savings for 2012/13 (as detailed in Appendix B) have been identified and some of these would, although a last resort, be necessary to meet the Budget shortfall if there is no temporary use of NHB
- Even then and if all of these savings are agreed and assuming short stay parking charges introduced, we still need find further savings or additional income of £119k to achieve a balanced budget
- If short stay parking charges are not introduced, the full Budget shortfall will have to be found from further savings/budget reductions (on top of those listed in Appendix B and the £119k indicated above)
- These savings would inevitably involve even more difficult choices and far more significant impacts than would arise as a result of the savings identified in appendix B
- The alternative is to use some of the New Homes Bonus (NHB) in 2012/13 to support the budget although the Task Group does not believe the NHB should be used in this way. It could, however, be used to temporarily support the budget gap on the basis and clear understanding that additional savings to replace this use will be achieved through Invest to Save and Innovation projects

8.16 We will receive £924k NHB in this and next year and possibly £3m over the 4 year Government spending review period (depending on the rate of new housebuilding). Appendix F sets out further details and the Task Group support using the NHB for the purposes set out, including using some of it for Invest to Save Innovation projects in order to deliver savings in future years (which will definitely be needed if there was to be any temporary use of the NHB in 2012/13 and also to plug the remaining Budget shortfalls in 2013/14 and 2014/15).

8.17 In relation to short stay parking charges, it is important that Members first of all determine in principle whether to introduce these. There are then two charging options for Sudbury and Hadleigh which it is felt should be considered, with further information on these and other aspects of a suggested approach to charging contained in Appendix E:

#### Option 1

- Long Stay: £1.50 per day (no free period) with season tickets (average 30% discount)
- Short Stay: 0 – 1 hour FREE; 0 – 3 hours £1.00, with season tickets charged at £100 p.a.

## Option 2

- Long Stay: as above
- Short Stay: No free period; 0 – 3 hours £50p, with season tickets charged at £50 p.a.

(Note: it is envisaged that this should generate similar levels of income, but this is currently being assessed).

- 8.18 Sudbury Town Council is intending to put forward alternative proposals that would avoid the need for charges and details have been requested so that they can be relayed to Members at the meeting. If the proposals are received after this date, officers will ensure that they are discussed with Members as part of the Budget setting process.
- 8.19 Any recommendation to introduce car parking charges in principle could, therefore, be taken subject to any acceptable alternative proposals that might be forthcoming.

### **Impacts**

- 8.20 The Council can use the NHB as a temporary measure to bridge any acceptable remaining budget gap in 2012/13. However, as indicated above, this funding will have to be replaced by further savings or additional income in future years from transforming services and activities. Budget cuts would be needed in future years should the additional savings from transformation not arise.
- 8.21 Appendix B gives an initial indication of the impact of making the savings listed but more detailed work is being done on this. Some of these savings would involve a degree of ‘salami slicing’ of existing budgets in areas that have already been reduced in recent years e.g. community grants and the open spaces contract. That approach isn’t sustainable.
- 8.22 It is inevitable, therefore, that these and any further savings/budget reductions in 2012/13 (and beyond) would have more impact than those made in previous years, unless these are from integration and transformation, as all of the ‘easy’ reductions have been made.
- 8.23 Some of the savings proposals for 2012/13 are based on pursuing alternative service delivery models or reducing service provision due to their discretionary nature e.g. public conveniences in rural areas.

### **Capital Programme**

- 8.24 The potential revised General Fund capital programme for the next 3 years is and how it could be financed is summarised in Appendix C. The likely estimated impact that this will have on the level of capital financing charges for the General Fund Revenue Budget is summarised below.

- 8.25 The 2011/12 General Fund budget includes the sum of £199k for capital financing costs. This covers the cost of borrowing from previous capital investment programmes plus the cost of financing the approved programme for 2011/12. This currently represents 2.1% of the Council's net budget requirement.
- 8.26 The Council's current external borrowing of £5.9m will either partly or wholly be allocated to the HRA at the end of March 2012 with the Housing Reform debt settlement. This means that the General Fund revenue budget should benefit from a saving on interest charges next year. However, previous years' Minimum Revenue Provision costs or MRP (i.e. to repay the borrowing) remain as a cost to the General Fund and there is, therefore, a significant increase in 2012/13.
- 8.27 The cumulative estimated impact of the borrowing requirement for the next 3 years on capital financing costs is shown in the table below. This assumes that the East House capital receipt is not received until 2012/13. Any capital receipt from Tesco's will help the position:

<b>Capital Finance Charges</b>	<b>Estimated Borrowing</b>	<b>Financing Costs Worst Case</b>	<b>Increase on 2011/12 Base Budget</b>
2012/13	£1.3m	£388k	£189k
2013/14	£1.5m	£495k	£296k
2014/15	£1.0m	£535k	£336k

- 8.28 The increase in MRP costs in 2014/15 is not as great as in earlier years as an MRP cost of £54k associated with ICT assets with a 5 year life drops out of the calculations.

### **Reserves**

- 8.29 In terms of reserves, any surplus (over and above the current minimum agreed reserves level of £1.2m, excluding earmarked reserves) should be used as part of a clear strategy, with the first call being for integration and transformation that will produce savings in future years. There may also be an additional call on reserves depending on the outcome of the MMI insurance case in the Supreme Court and costs that are likely to arise in relation to the very significant welfare benefit changes that the Government is proposing over the next few years.
- 8.30 The current plan is to use £80k of general reserves to support the 2012/13 Budget (as was the case for the 2011/12 Budget). Using more than this, especially if the NHB is used temporarily would mean that, potentially, there could be a higher than acceptable 'unfunded' element of the Base Budget going forward. It may be necessary, in addition to the £80k, to use some reserves to meet residual SRP costs. Officers are currently assessing the position. Any additional use for this purpose could be accommodated as reserves are slightly higher than previously anticipated.

8.31 Current earmarked reserves will be used to finance the transitional costs of integration and transformation, as set out in the approved business case. Further details on reserves, further proposed transfers from general to earmarked reserves and their overall estimated/planned use are provided in Appendix D.

### **Cost Pressures**

8.32 The Draft Budget proposals for 2012/13 include allowances for a number of estimated cost pressures including the loss of over £600k in Government grant, the cost of borrowing to finance the capital programme and other cost/inflationary pressures.

8.33 Members should note that, following careful consideration, the Task Group have concluded that there is unlikely to be any scope to reduce contributions to the Pension Fund next year, but there will be further discussions with the County Council's Pensions Committee and the actuary as appropriate in relation to the scope (if any) for this in subsequent years.

### **Council Tax**

8.34 In terms of Council Tax for 2012/13, the main options are to either take the Government's one-off Council Tax Freeze grant or increase Council Tax by 2.5% (or slightly more). Unlike 2011/12, not all councils are likely to take the grant due to the knock on financial implications in future years.

8.35 The Task Group is currently, therefore, working on a Budget for 2012/13 that is based on an additional (at least) 2.5% of the current Council Taxbase coming from one of these two sources. A 2.5% increase equates to £3.50 a year for a Band D property and Babergh's Council Tax would still be the second lowest in Suffolk and one of the lowest nationally. If the one-off Government funding is accepted, that will have the same overall impact on the 2012/13 Budget as a 2.5% Council Tax increase.

8.36 At the last meeting of the Task Group a number of Members favoured not taking the Government grant but instead to increase the Council Tax by 2.5% (or slightly more). The reasons are as follows:

- The Government grant is a one-off and that amount (£115k) would then have to be added to the savings that are required in 2013/14 (or beyond)
- That could result in the need for a 5% increase in 2013/14 to 'catch up' – if it was felt that a return to modest Council Tax increases of, say, 2.5% was required
- It is very unlikely however the Council could increase Council Tax by 5% without the risk of a Council Tax referendum, which would be costly
- Not increasing the Council Tax by 2.5% would mean that there is a lower taxbase for future years and the £115k is lost each and every year in the future – unless that can be recouped through higher than normal increases in subsequent years, either as indicated above or by gradual year-on-year phased increases e.g. of around 0.8% a year over 3 years.

8.37 The Task Group is very conscious, however, that we may well be in the minority of Councils nationally if we do not accept the Government's grant and instead there is a Council Tax increase next year. This could result in potentially negative publicity and such an approach would therefore need very careful consideration and explanation.

8.38 It appears that all of the other Suffolk Councils will not have an increase in Council Tax, although Mid Suffolk is still considering the matter. The Police Authority's position is not currently known.

## 9. Appendices

Title	Location
(a) Medium term financial savings and Budget shortfall forecast	Attached
(b) Potential additional savings & income for 2012/13	Attached
(c) The Draft Capital Programme	Attached
(d) Reserves	Attached
(e) Short stay parking charges	Attached
(f) Use of the New Homes Bonus	Attached
(g) Audit Commission Report – key points	Attached

## 10. Background Documents

None.

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Appendix A

**Medium Term Financial Savings and Budget Shortfall**

	2012/13 £000	2013/14 £000	2014/15 £000	3 YEAR TOTAL £000
<b>Estimated Budget gap</b>	<b>1,350</b>	<b>1,000</b>	<b>1,180</b>	<b>3,530</b>
<b>Less - Savings/Income identified:</b>				
Shared Revenues Partnership	-75	-75	0	-150
Integration and transformation – staff and non-staff costs*	-550	-250	-200	-1,000
	725	675	980	2,380
Joint procurement/contracts	0	-100	-200	-300
Fees and charges (excl. car parking) - 3% increase/other increases/new charges	-90	-75	-75	-240
	635	500	705	1,840
Other efficiency savings/income	-170	-	-	-170
Council Tax increase of 2.5% or freeze (met by one-off Govt. grant)	-115	+115**	-	-
<b>Current Estimated Budget Shortfall</b>	<b>350</b>	<b>615</b>	<b>705***</b>	<b>1,670</b>

\* The amounts shown for 2013/14 and 2014/15 of £450k are indicative only. The business case shows that integration alone will only produce £280k additional savings over these 2 years

\*\* If there is a further Council Tax freeze in 2012/13. A 2.5% increase equates to £3.50 a year for a Band D property (6p a week)

\*\*\* Would reduce to around £425k if loss of Govt. Grant only 5% instead of 10% worst-case assumption

**Notes**

1. Council Tax Freeze – if Council Tax is not increased, that lost tax yield of £115k has to be made up in 2013/14 by savings and the lost annual income/saving then applies every year from then on.
2. 2013/14 and 2014/15 position could be better or worse than this depending on capital programme borrowing costs and other cost/inflationary pressures.
3. Other potential efficiency savings and income in 2013/14 and 2014/15 could arise, for example, from joint waste procurement.

## Appendix B

### Potential additional savings and income for 2012/13

Area	Amount £000	Comments
<b><u>Charging proposals</u></b>		
Waste	23	See note
Street Naming and Numbering	9	Align with Mid Suffolk
Licensing	1	
Pre-applications planning advice	12	From October 2012. <b>Impact: TBA (Invest to save and integration)</b>
Car parking excess notices	40	Increase from £25 to £35. <b>Impact: Low</b>
Fees for footpath diversions	1	
<b>Total</b>	<b>86</b>	
<b><u>Savings – requiring Member views/decisions:</u></b>		
Sport & Leisure	6	Withdraw from Suffolk Sport. Countywide issue <b>Impact: Medium</b>
Reduce Payments to Community Bodies from Bring Sites income	22	Pay over only one third of the income in future. Easy to achieve but will be unpopular with communities and Members. <b>Impact: Medium (last resort)</b>
General leisure/play project budgets	TBA	Transfer to a Social Enterprise model – most of the savings unlikely to arise until 2013/14. <b>Impact: TBA</b>
Community Grants	8	A 5% reduction in the total grants pot for next year would be £18k but only an £8k saving without a higher impact. <b>Impact: Medium</b>

Area	Amount £000	Comments
Public Conveniences – rural sites	30	Continue to pursue proposals – see further details below. <b>Impact: Medium</b>
Private sector housing standards	20	Cut discretionary grants (capital) Additional to staff savings from integration. <b>Impact: Low/Medium</b>
Open Spaces Contract	50 – 60	Reduce street cleansing and grounds maintenance standards/service provision. <b>Impact: Low/Medium</b>
<b>Total</b>	136 –146	

Note re waste charges (Impact: Low/Medium)

Removal of benefit discount on garden waste - £12K

Garden waste bin delivery - £3K

Bulky waste increase - £2K

Charge for new properties - £1K

Charge for hazardous waste - £5K

(NB: The savings in the above table are in addition to the other savings and income identified and shown in Appendix A)

**PUBLIC CONVENIENCES - RURAL SITES**

- Budget savings from public conveniences of £50,000 sought in 2011/12 but no rural toilets to be closed without a report direct to the Council for final decision.
- Useful discussions with parish councils who have needed time to assess not only the implications of the potential loss of the facility but also future costs if they want to keep the service.
- In view of ongoing discussions and as no parish had made financial provision for taking over facility, target saving will not be achieved in 2011/12.
- Local members are aware of the position and whilst they and parish councils recognise need to make savings not supportive of closures.

- Community toilet scheme whereby local businesses make their facilities available has attracted minimal interest.

#### RECOMMENDATIONS FROM SFP TASK GROUP

- That the Cock Inn, Lavenham and Pin Mill, Chelmondiston remain open under existing arrangements pending further review.
- The SFP Task Group support closure of sites in any other case where the parish council does not take over management, subject to budget scrutiny by the Overview and Scrutiny Committees – these include the Red Lion Inn, East Bergholt; Bristol Hill, Shotley; The Green and Cordell Road, Long Melford; Prentice Street Lavenham.
- That final decisions on any closure be confirmed by Council as part of the budget setting in February 2012.

Appendix C

**Draft Capital Programme - Summary**

<b>Service/Project</b>	<b>2011/12 £000</b>	<b>2012/13 £000</b>	<b>2013/14 £000</b>	<b>2014/15 £000</b>	<b>Total £000</b>
<b><u>Private Sector Housing</u></b>					
Affordable Housing Grants	263	229	50	50	<b>592</b>
Mandatory Disabled Grants	234	270	335	335	<b>1,174</b>
Discretionary Grants*	56	91	100	100	<b>347</b>
<b><u>Community Development Grants</u></b>	<b>337</b>	<b>129</b>	<b>129</b>	<b>129</b>	<b>724</b>
<b><u>Asset Management</u></b>					
Hadleigh Community Facilities	998	1,200			<b>2,198</b>
Kingfisher extension	707				<b>707</b>
Carbon Reduction Schemes	118	100	100	100	<b>418</b>
Waste Transfer Station	4	15	600		<b>619</b>
Refuse Fleet replacements		360	131		<b>491</b>
Green Waste Vehicle	135				<b>135</b>
Play Equipment	28	25	25	25	<b>103</b>
Planned Maint/Enhancements:					
- Kingfisher	49	111	112	114	<b>386</b>
- Hadleigh Pool	25	25	25	25	<b>100</b>
- Car Parks	70	80	40	40	<b>230</b>
- HQ	35	35	35	35	<b>140</b>
- Other corporate buildings / assets	47	40	40	40	<b>167</b>
Street Parking Improvements		8	8	8	<b>24</b>
Pin Mill Regeneration	11				<b>11</b>
<b><u>ICT</u></b>					
Infrastructure	117	80	50	50	<b>297</b>
Applications	10				<b>10</b>
Broadband		50			<b>50</b>
Shared Services/Integration	23	95			<b>118</b>
Transformation (Committed)	65	45			<b>110</b>
<b><u>Natural &amp; Built Environment</u></b>					
Air Quality Management	17				<b>17</b>
Redevelopment of Sudbury Bus Station	64				<b>64</b>
<b><u>Mid Suffolk Integration</u></b>					
Redundancies – Pension costs	750				<b>750</b>
ICT integration	12	60	444	252	<b>768</b>
<b>Total Capital Programme</b>	<b>4,175</b>	<b>3,048</b>	<b>2,224</b>	<b>1,303</b>	<b>10,750</b>

<b>Service/Project</b>	<b>2011/12 £000</b>	<b>2012/13 £000</b>	<b>2013/14 £000</b>	<b>2014/15 £000</b>	<b>Total £000</b>
<b>Potential Financing (worst case):</b>					
Capital Receipts	548	1,350	500	100	<b>2,498</b>
Earmarked Reserves	214				<b>120</b>
Grants/External Funding	834	414	247	222	<b>1,585</b>
Borrowing	2,579	1,284	1,477	981	<b>6,547</b>
	<b>4,175</b>	<b>3,048</b>	<b>2,224</b>	<b>1,303</b>	<b>10,750</b>

\* Would reduce if saving referred to in Appendix B is approved.

**Reserves**

1. General revenue reserve of just over £1.6m estimated at the end of the current financial year.
2. Proposed that up to a further £0.2m is added to the BMI integration and Transformation Reserve this year or for the MMI Supreme Court case should that prove necessary.
3. In terms of using the balance in future years, the following potential approach is suggested:

<b>Year</b>	<b>Amount £000</b>	<b>Comments</b>
Actual balance 1 April 2011	2,040	Higher than previously anticipated due to higher staff savings than forecast but Budget carry forwards of nearly £0.5m that will be spent this year.
Estimated use 2012/13	-400	
Additional transfer to earmarked reserves	-200	See para. 2 above
	1,440	
Planned use: - 2012/13	-160	£80k general use and a further £80k potentially in relation to residual SRP costs (will reduce in 2012/13 and 2013/14)
-2013/14	-50	Phased reduction in use over the medium term
-2014/15	-30	
<b>Estimated balance 31/3/15</b>	<b>1,200</b>	

4. Strategy Committee will consider the above and whether reserves could or should be reduced further, to say £1m (as Mid Suffolk). In considering this, regard to future cost pressures and uncertainties, including the Government's proposed welfare benefit reforms, will be needed. Some provision (around £100k) is being set aside from the existing 2012/13 Revenues and Benefits Budget for this but more could be needed.

5. In relation to earmarked reserves, the position is summarised below:
- Just under £1m at 1 April 2011
  - Most of this is for BMI (Babergh/Mid Suffolk Integration) transitional costs, with some limited potential capacity for Invest to Save/Innovation Fund projects
  - The proposed additional transfer of up to £0.2m to the BMI reserve will boost that capacity
  - However, the actual amount available will depend on the outcome of the MMI case and the extent to which the BMI reserve is needed to meet redundancy costs that cannot be capitalized.

## Short stay parking charges

### 1. Charging Options

It is estimated that these will generate around £170k a year net additional income (£85k in 2012/13 if introduced from October 2012). This includes the following car parks:

Sudbury - Girling St., North St., The Station, Station Road.  
Hadleigh - High St., Toppesfield Hall, Maiden Way, Magdalen Road.

Mechanisms to ensure users of the Kingfisher Leisure Centre are accommodated will be an important aspect of the detailed operational arrangements.

The key point to note is the difficulty in developing projected income where there are free periods of parking. Based on the additional net income of £170k, this would result in a small surplus of around £20k on the car parking service, but this has to be viewed with some caution.

Further discussions with the Town Councils and SCC with regards to on street parking will need to take place.

### 2. Charging at Lavenham

The Council has two car parks at Lavenham – The Cock Inn and Prentice Street.

The Cock Inn car park is split into two areas. The rear of the Cock Inn is owned by the Council and is partly used as a bus park as well as for cars. The front area from the highway is owned by Greene King and is leased to the Council on a peppercorn rent. As Greene King no longer own the Cock Inn there is every possibility that they may be happy to sell their freehold interest to the Council.

There is an issue however on whether the valuation would reflect the potential to charge, or would include a claw back should the Council introduce charging. Negotiations have been opened with Greene King. The outcome of these negotiations will advise whether charges could be introduced in Lavenham and what net income could be achieved.

### 3. Charging for Parking at Corks Lane, Hadleigh

The car parks at Corks Lane are generally for use by Elected Members, staff and visitors during the working week i.e. they are not public car parks, but areas for use in carrying out the Council's business.

Should charging be introduced for these car parks then there would be a need for negotiations with the trade unions against a background where staff have already accepted cuts in benefits and pay.

These cuts in benefits and pay have been negotiated with the Union through a collective agreement over the past two years and that free staff car parking forms a key part of this agreement. The current collective agreement runs to 31 March 2012 and early discussions with the Union have taken place with a view to securing an extension of the current agreement terms as negotiated for 2011/12 for a further period from 1 April 2012 as the integration implementation will run beyond that date.

The SFP Task Group's view is that it should be recognised and accepted that staff have and are paying for car parking as part of the reductions in pay and benefits (including £250k in PRP payments) and that no additional charge should be made.

In terms of Members, the Task Group suggests that a flat rate charge (non-reclaimable) should be introduced, to be determined by PLG.

### **What is the New Homes Bonus (NHB)?**

The concept of the NHB is to pay all authorities a grant based on the national band D council tax level for the first six years after a house is brought into use, whether through new build or occupancy of a previously empty building. Also an additional £350 is given for each new affordable home built.

### **How much will we receive?**

Recently the Government has issued the final NHB scheme and made the payment for the first year (2011/12). This has been put into an earmarked reserve.

It remains extremely difficult to predict the amounts that will be received through NHB for future years as this is dependent on the number of properties built in the future. But based on certain assumptions, especially in relation to the number of housing completions in future years, estimates of the potential NHB receipts over the life of the Comprehensive Spending Review (CSR) are shown below:

<b>Housing Delivery</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
<b>Payment</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Year 1	295	295	295	295
Year 2		334	334	334
Year 3			300	300
Year 4				300
<b>Total</b>	<b>295</b>	<b>629</b>	<b>929</b>	<b>1,229</b>

So, £924k will be received in this and next year and Babergh could receive just over £3m in NHB over the four year CSR period.

Amounts in excess of the national CSR provision will be 'top-sliced' from the formula grant budget. This means that any increase in funding paid out for the NHB would reduce the amount to be distributed through the formula grant process.

### **Where can or should we use NHB?**

The NHB is not ringfenced and therefore can be used for whatever purposes the council may decide. However Government intends it to help deliver the vision and strategic outcomes, and spatial strategy for the area. The Government sees the NHB as part of a wider framework of incentives to support growth such as the Community Infrastructure Levy and options being looked at to support business growth through the localisation of business rates.

Potential areas for using the NHB are:

- General delivery of economic growth, housing and associated infrastructure such as community and regeneration projects in market town
- Affordable housing delivery and projects in communities where new homes are built, such as improving playgrounds, parks and other community amenities
- Invest to Save/Innovation Fund - Transformation of service delivery to secure the savings detailed in the refreshed business case
- Support to key priorities and front line services affected by the current reductions in central formula grant, especially those services with a direct community impact such as community safety or environmental crime
- Support to community grants (capital/revenue)
- Supporting current or new projects in the capital programme (to reduce future borrowing costs).

Not every area needs to be funded and the priority given to areas each year could be reviewed and reflected in the strategic outcomes and the Medium Term Financial Strategy. For example, it could be that over the next two years, the priority area should be the transformation of service delivery, using the NHB as an investment in projects that will see a return through greater efficiency and effectiveness, improved partnership working etc, that would lead to savings and better value for money services in the future.

Because of the enhanced grant - £350 per unit (equivalent to around 25% of the national band D council tax level) – on affordable housing, Members may wish to earmark the enhanced grant to affordable housing and general housing projects – especially as any new affordable homes counted towards future NHB will continue to attract the additional 25% of the national band D council tax level.

Identifying a project in any of the above areas would not give authority to spend NHB funds and on a case-by-case basis consideration in determining how best to utilise the NHB would be made using the following criteria:

- Does it help deliver our strategic outcomes?
- Does it support delivery of the LDF – especially in terms of job creation and housing growth?
- Does it lever in other funding / private sector investment?
- Does it have local community support?
- Does it promote sustainable development?

**Audit Commission Report – “Tough Times”**

**Summary – Key Points**

1. Councils are at the start of a difficult and uncertain period for their finances, but they have improved efficiency, cut services, increased fees and charges, and have used reserves. Although almost all Councils planned to make service cuts, there is variation in how Councils have balanced these approaches.
2. There may be scope to use reserves more to support spending, but this should be as a short-term measure within a sound financial plan.
3. Some smaller services faced big reductions in 2011/12. Services protected this year will need to contribute to future savings plans.
4. Auditors positive about Councils arrangements to deliver efficiency savings. Most Councils were using benchmarking information to identify efficiency improvements and were challenging how services are delivered.
5. Although budgets will be delivered in most Councils in 2011/12, there will be some impacts on service levels.
6. Councils should also consider the guidance in the forthcoming joint report, *Work in Progress: Meeting Local Needs With Lower Workforce Costs*, from the Commission and the Local Government Association. The report will examine how Councils have already made immediate savings by reducing workforce costs, and the transformational change that may be required over the longer term.
7. Councils also face other changes and challenges in the medium term including:
  - proposals for the retention of business rates and the localisation of Council Tax Benefit, which raise uncertainties about future funding; and
  - the impact of the ending of one-year funding for a Council Tax freeze in 2012/13.
8. Councils have three main ways to balance their budgets:
  - increasing local income – Council Tax and fees and charges;
  - using reserves; and/or
  - reducing spending.

9. Some other key issues highlighted are:

- **Increasing local income**

The outcome of the Council Tax freeze is that a Central Government grant has replaced an element of locally raised tax income. As each year passes, and the value of frozen Council Tax reduces through inflation, it will be harder for Councils to make up the revenue foregone should the freeze grant end.

- **Fees and charges**

Although many Councils plan to increase charges for specific services, total income from fees and charges is expected to fall.

- **Use of reserves**

Reserves can be used as a short-term measure, to support spending and offset cuts. Overall, 50% of DC's will not use reserves to offset falls in funding in 2011/12.

- **How will cuts affect spending on services?**

Cuts are not uniform. Planning and development services face cuts of 28%; housing (12%) and cultural services (13%) are also significantly affected.

- **How will cuts affect service users?**

Spending on services can be reduced with minimal impact on service users by improving efficiency. However, it is unlikely that all Councils will find their required savings through this route. Other ways of cutting spending, for example by reducing quality, will be more noticeable to service users;

- cuts in volume or frequency of services;
- changes in quality or minimum services standards;
- restrictions in eligibility; and/or
- new or increased fees and charges.

Service impacts in DC's in 2011/12 were substantially lower, with increases in fees and charges being the main tactic. Over 40% planned to increase fees and charges for cultural services, environmental services, highways and transport, and planning. Few planned changes in service standards or eligibility criteria.

# Paper L119 - Appendix H

December 2011

I am writing to you on behalf of Sudbury Town Council. We are very much aware of the severe financial situation in which the District Council finds itself and of the need to make significant savings and we understand that amongst the options you are considering is the possibility of introducing short-term car parking charges in Sudbury and Hadleigh.

We believe that free short-term car parking is fundamental to the vitality of both Sudbury and Hadleigh, for a number of reasons including our geographic location relative to Colchester and Bury St Edmunds (and in the case of Hadleigh: Ipswich). Removal of free car parking in our two market towns will remove the competitive advantage which we have.

Residents of these towns (and the surrounding villages who have to use their cars because of the lack of public transport) already visit the big towns for major shopping expeditions and, of course, pay parking fees; they will reason that if they have to pay to shop locally as well, they might as well do all, or at least most, of their shopping in big towns and so trade will drop in the market towns to the point where we expect many of the independent businesses to fail. This in turn will make the market towns less attractive with less footfall and more and more empty retail premises.

We appreciate that residents in the east of the district regrettably have little option but to pay car parking fees in their only significant shopping venue, Ipswich, and can reasonably argue that they should not be expected to help residents in other parts of the district. We see such arguments as perfectly reasonable but at the same time feel that, particularly in these difficult economics times, we should not be inflicting irreversible damage on our market towns.

We believe that any short-term charges will be very harmful, even the proposal which we understand is being considered to provide one hour free parking followed by charging; the effect of this will be that people will "pop into town" for a particular errand such as visiting the bank or the chemist but will not linger to spend time in other shops and restaurants.

We have therefore been proposing to the District Council that we should be working together to come up with innovative alternative proposals which will secure for the Council the savings that it needs to make whilst not destroying the vibrancy of the towns and the resultant effect on the rural villages within Babergh

We believe that, rather than introduce a short-term solution (e.g. with charges for short-term parking), we should all give ourselves a little more time to come up with proposals for a holistic, comprehensive and sustainable medium-to-longer term solution for the whole car parking issue, for Sudbury, Hadleigh and across the district. To this end we are working with the Chamber of Commerce and others, including colleagues in Hadleigh, to develop a package of proposals which would include.

- looking at all the car parks and considering discounts for residents/local users using these regularly
- considering whether we can have a mechanism to charge commuters in the Sudbury's station car park a slightly higher fee than the 3hr long stay charge
- exploring with Suffolk County Council decriminalisation of car parking so that we can more effectively prevent long term on-street parking and "push" those people into the long-term car parks, thus increasing the revenue
- exploring CIC and/or IPS options, to save on the District Council's large overhead costs
- considering management of all the car parks by the CIC or IPS using the Town Council(s) as agents, with the Town Council employing the wardens whose role could be changed from mere enforcement to providing information and assistance.

Such a package does of course require time to develop and ensure that the proposals are sustainable. we have for some time been seeking detailed financial information both on the costs of car parking provision and ion the costs of the many other services which Babergh provides. This seems difficult to obtain in a clear and coherent format and only now, at this late stage, are we beginning to get some information. At the same time we have now been made aware of the very tight timetable in which Babergh has to operate in order to set its budget for the coming year

We are aware through our contacts as councillors and through the Chambers of Commerce and the Retailers group as well as the press of the public support for the action we are taking.

**We therefore wish to urge you to defer a decision on short-term car parking at this stage, in order to give time for our proposals to be fully developed and evaluated and if necessary, to consider some short-term arrangements to achieve the same savings, if is not possible to defer these savings until the following financial year.**

We would expect our proposals to achieve bigger savings for the District Council in the medium term whilst going some way towards preserving and hopefully enhancing the vitality of these two market towns within Babergh, with all the advantages that that will bring to the district overall.

I hope that you will give our request a sympathetic response

Yours sincerely

Tony Platt  
Mayor of Sudbury

## Appendix I

<b>BUDGET</b>	<b>Option 1</b>		<b>Option 2</b>		<b>Option 3</b>		<b>Option 4</b>	
<b>CHALLENGE</b>	Zero Tax Rise - No CP		Zero Tax Rise + CP		2.5% Tax Rise + CP		3.5% Tax Rise + CP	
	12/13	13/14	12/13	13/14	12/13	13/14	12/13	13/14
Estimated Budget Gap	1,350	1,000	1,350	1,000	1,350	1,000	1,350	1,000
Less:								
Shared Revenues Partnership	-75	-75	-75	-75	-75	-75	-75	-75
Integration & Transformation	-550	-250	-550	-250	-550	-250	-550	-250
Joint Procurement	0	-100	0	-100	0	-100	0	-100
Fees & Charges	-90	-75	-90	-75	-90	-75	-90	-75
Other Efficiencies & Savings	-170	0	-170	0	-170	0	-170	0
<b>Current Budget Shortfall</b>	<b>465</b>	<b>500</b>	<b>465</b>	<b>500</b>	<b>465</b>	<b>500</b>	<b>465</b>	<b>500</b>
Council Tax Increase	-115	115	-115	115	-115	-115	-160	-160
Car Parking	0	0	-85	-85	-85	-85	-85	-85
Revised Budget Shortfall	350	615	265	530	265	300	220	255
Appendix B	-140	0	-140	0	-140	0	-140	0
Service Reduction								
Community Grant Reduction								
<b>Remaining Budget Shortfall</b>	<b>210</b>	<b>615</b>	<b>125</b>	<b>530</b>	<b>125</b>	<b>300</b>	<b>80</b>	<b>255</b>

Community Grants 2011/12	
Grant Recipient	£
Sudbury Citizens Advice Bureau	51,900
Miscellaneous Grants & Contributions Unallocated (see note below)	8,570
Ipswich Citizens Advice Bureau	7,670
Suffolk ACRE	1,700
Hadleigh Elderly People's Welfare	680
ISCRE	1,250
Babergh Communities Together	8,000
Safeguarding Children Board	8,800
Suffolk Chamber of Commerce	610
Haven Gateway Partnership	6,000
Ipswich Women's Aid Ltd	1,250
Quay Theatre, Sudbury	35,000
Eastern Angles Theatre Company	400
Suffolk Museum Partnership	500
Orchestras Live	2,400
Dance East	3,500
Suffolk Digital Cinemas Network	300
Bridge Project	4,000
Kernos Centre	2,650
Hadleigh Dual Use Sports Centre	9,500
East Bergholt Dual Use Sports Centre	8,500
Gt Cornard Dual Use Sports Centre	12,000
Deficit Funding - Dual Use Sports Centres	22,660
Gt Cornard Swimming Pool	2,280
Solo Housing	3,100
Suffolk Hate Crime	3,000
Eden's Project	8,800
Passenger Transport Support	3,700
Suffolk Coasts & Heaths Project	17,340
Dedham Vale & Stour Valley Project	22,280
Greenways Countryside Project	5,500
Homestart	8,800
Suffolk Wildlife Trust	1,250
Suffolk Biological Records Centre	7,000
Rural Services Partnership	5,300
Managing a Masterpiece	3,700
Suffolk Art Link	1,250
	291,140

Note: Total includes budget carry-forwards from 10/11 of £8,050