

BABERGH DISTRICT COUNCIL

From: Strategic and Financial Planning Task Group	Report Number: L123
To: STRATEGY COMMITTEE	Date of meeting: 12 January 2012

STRATEGIC AND FINANCIAL PLANNING – BUDGET OPTIONS

1. Purpose of Report

1.1 To inform Members of:

- The latest assessment of the anticipated financial position for the next 3 years and the savings that are likely to be required
- The Task Group's proposals relating to the Budget options for 2012/13.

1.2 To make recommendations to a special meeting of the Council on the 26 January 2012 encompassing the following:

- Budget option 2 for 2012/13, as set out and described in the report, and which the Task Group are proposing having regard to the very significant Budget challenge facing the Council in the medium-term
- The introduction of short stay car parking charges in Sudbury and Hadleigh

2. Recommendations

2.1 That the Committee endorses Budget option 2 for the 2012/13 financial year, as set out and described in the report, which reflects:

- A Council Tax increase of 3.5% to provide a degree of financial sustainability in future years instead of accepting the Government's one-off Council Tax Freeze grant
- The Budget savings and income generation proposals referred to in this report and Paper L119, which was considered by the Joint O&S Committees on the 13 December 2011 including the introduction of short stay parking charges in Sudbury and Hadleigh together with a formal application to Suffolk County Council that they address, in partnership with Babergh, any on street parking issues that arise in both towns.
- That the short stay parking charges in Sudbury and Hadleigh are introduced from October 2010 on the basis of the first hour remaining free and then there being a charge of £1 for up 3 hours (with a separate long stay charge continuing for periods of over 3 hours)

- Limited temporary use of the New Homes Bonus and/or the additional use of reserves to meet the remaining Budget shortfall, with most of the New Homes Bonus being used to support jobs, new homes or achieve long-term savings, as set out and described in section 8.9 of this report
- The reserves strategy, as also outlined in Paper L119, adjusted as necessary by Budget option 2.

The Committee is asked to make the above recommendations to an additional/special meeting of the Full Council on the 26 January.

3. Financial Implications

- 3.1 These are detailed in the report (and in Paper L119). Budget decisions that are made for 2012/13 are very important as they will impact on the Council's financial position in the medium-term and the ability to deliver the Council's aims, outcomes and strategic/service priorities.
- 3.2 Producing a balanced Budget is a legal requirement. The extent to which reserves or other temporary funding, such as the New Homes Bonus, is used to support day to day revenue expenditure requires very careful thought. The temporary use of reserves and/or the New Homes Bonus should only be seen as a very short term measure and on the understanding that additional savings or income, over and above those currently identified, will be found over the next 2-3 years.
- 3.3 Failure to generate sufficient additional income or savings over the next 3 years to produce balanced budgets without the use of such temporary funding could result in either undeliverable or unachievable budget savings or even more severe service cuts. This will depend on the extent of additional savings from the transformation programme, with the aim being to achieve more than those just the savings from the integration of Babergh and Mid Suffolk's staff and services of £2m a year by 2015.

4. Risk Management

- 4.1 See Paper L119.

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 Specific discussions have and continue to take place with a number of Town and Parish Councils on certain aspects of the Budget proposals e.g. Car parking charges/potential alternatives and public conveniences.
- 5.3 Specifically, on car parking charges and the alternative proposal(s) from Sudbury/Hadleigh, we await further details. Sudbury Town Council has been advised of the Budget setting timetable.

6. Equality Analysis

- 6.1 Assessments have been undertaken on the savings and charging items listed in Appendix B to Paper L119. Details will be provided as part of the final Budget proposals in February.

7. Shared Service / Partnership Implications

- 7.1 See Paper L119.

8. Key Information

Background and Context

- 8.1 Paper L119 sets out the Budget proposals and options in the context of the Council's Medium Term Strategic and Financial position and the consultation that has taken place through 'the Budget Challenge' exercise.
- 8.2 In terms of the total Budget savings that are forecast for the next 3 years of £3.5m, the key issue is that there is still (before any Council Tax increase or the Government's Council Tax freeze grant) nearly half of this or an estimated £1.7m Budget shortfall to be found. This is after integration savings (and including an additional allowance for transformation savings of nearly £0.2m over and above the savings reflected in the BMI business case). See Appendix A of Paper L119 for further details.
- 8.3 It has been made clear to Members and other stakeholders throughout the year that integration and transformation savings alone, even when combined with other anticipated savings (see again Appendix A of Paper L119), would not achieve a balanced Budget over the next 3 years.
- 8.4 This very difficult financial position has been made very clear at Members Seminars and through other Member discussions. Some additional income and savings have been identified and agreed by the Task Group and the remaining Budget shortfall for 2012/13 (as illustrated in Appendix B) can be met by agreeing to these, including the introduction of short stay parking charges in Sudbury and Hadleigh or by using more from reserves and/or temporarily using the New Homes Bonus. The Task Group is not in favour of the latter.
- 8.5 It is recognised that making decisions for the 2012/13 Budget involve difficult and sensitive issues for some Members. However, the budget shortfall has to be bridged and putting off making decisions on where additional savings and income will be found (over and above those from integration and transformation) until the following 2 years could impact detrimentally on the Council's financial position going forward. The Council's key aim must be to achieve a balanced Budget with minimal reliance on reserves and other temporary funding.

- 8.6 The Council's Section 151 officer has some concerns over this and whether Members are willing to make the necessary decisions going forward to achieve the necessary savings and income that need to be found over the next 3 years. Even with a 3.5% Council Tax increase in 2012/13 and the introduction of short stay parking charges in October 2010, there will still be over £1m of further savings and additional income to be found in 2013/14 and 2014/15.

The Budget Options for 2012/13

- 8.7 These were originally submitted to the Joint O&S Committees on the 13 December 2011. The SFP Task Group has considered the views of the Joint O&S Committees, which are set out in Appendix A. As a result, it is putting forward to Strategy Committee the following revised Budget options for 2012/13. These are illustrated and quantified in Appendix B:

Option 1 - This largely reflects the views of the Joint O&S Committees, but includes some further proposals on income generation, as follows:

- Not accepting the Government's further one-off Council Tax freeze grant for 2012/13 but increasing Council Tax next year by 3.5%
- Not introducing short stay car parking charges in 2012/13 and removing some or all of the proposed savings of £30k on public conveniences
- Increasing the long term parking charge from £1.50 to £2, generating £25k additional income (£3 has also been suggested for those parking before 8.30 am) and actively promoting the brown bin/garden waste scheme with the aim of increasing net income by £20k a year
- Taking £144k more from reserves or by temporarily using some of the New Homes Bonus (NHB) – this is after a further £30k reduction in community grants.

Option 2 – This is broadly in line with the options that were put to the Joint O&S Committees by the SFP Task Group, based on the following:

- Council Tax – as Option 1
- Introduce short stay car parking charges in October 2012 (the earliest possible date) or achieve equivalent savings through Sudbury Town Council's alternative proposals in 2012/13. Short stay car parking charges in Sudbury and Hadleigh, based on the first hour being free and then a charge of £1 for up to 3 hours is estimated to generate at least £170k net income in a full year. This would achieve £0.5m additional net income over the next 3 years and a break-even position on the cost of car parks. NB: If there was no free period and a charge of 50p for the first 3 hours, it is estimated that the net income would increase to £220k a year
- As Option 1, generating additional annual income by actively promoting the brown bin/garden waste scheme with the aim of increasing net income by £20k a year

- Reinstating £20k of the savings on public conveniences to reflect latest information on potential transfers to Parish Councils or closures (an update on this will be provided at the meeting)
- No further reduction in community grants (over and above the £8k allowed for in Paper L119)
- Using a further £74k from reserves and/or the New Homes Bonus to meet the remaining Budget shortfall.

Option 3 – This is a further variation on the above, reflecting:

- Take the Government's 2.5% one-off Council Tax Freeze grant (but with a potential increase in 2013/14 of 3.5%)
- Using a further £119k from reserves and/or the New Homes Bonus to meet the remaining Budget shortfall
- Everything else – as Option 2.

NB: Under all of the above options, the total efficiencies, savings and income from other charges identified by officers (which do not require Member decision) have been updated and increased slightly from the figures shown in Paper L119.

8.8 The SFP Task Group's views on the above options are as follows:

Option 1 – Do not reduce community grants as there have been significant reductions over the last 2 years. The additional net income that would be generated from the introduction of short stay parking charges (or from a reduction in costs if responsibility for car parks is transferred to Sudbury/Hadleigh) should remain as a key aspect of the Council's Budget options.

The proposed charges are less than in competing towns and this, along with other actions (including the use of the New Homes Bonus for regeneration/other capital investment) would ensure that Sudbury still retains its competitiveness with those towns. It should be noted, however, that this view is not held by all Members of the Task Group

Option 2 – This maximises income and protects service provision in 2012/13 by temporarily using slightly more from reserves or some of the NHB.

Option 3 – As Option 2 except that, by accepting the Government's 2.5% Freeze grant, this would reduce income in 2012/13 compared to the other options and result in a lower starting point for the taxbase in 2013/14 when the one-off grant is removed.

(Note: In relation to brown bins, the Task Group has also considered an increase in the current charge from £40 to either £45 or £50. Charges have not been increased for 3 years but officers believe that a £10 increase is likely to result in reduced demand and there are other issues that could result in reduced income, including loss of SCC recycling payments. In addition, charges would then not be aligned with Mid Suffolk under the joint waste contract. On the other hand, if recycling centres start to charge on a per visit basis, an increase of £5 would seem to be reasonable.)

8.9 There are two further important aspects to highlight going forward:

- (a) Working closely with Sudbury and Hadleigh Town Councils on the car parking proposals and maintaining/improving the vitality of the Town Centres, including using the New Homes Bonus on regeneration or other infrastructure/capital investment that does not result in additional ongoing revenue costs for the Council
- (b) Linked to the above, assessing the priorities for overall use of the New Homes Bonus and recognising that here are many potential calls on this including using it for affordable housing (given the very significant reductions in funding now available to RSL's); supporting capital/community projects (including assisting the affordability of the existing capital programme); Invest to Save and Transformation/Innovation initiatives (there is likely to be a need for up front investment to deliver the transformation programme if we are to achieve the future revenue savings that are required). Potential areas for using the NHB are:
 - General delivery of economic growth and jobs, housing and associated infrastructure such as community and regeneration projects in market towns e.g. Hamilton Road development
 - 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 Government 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).

8.10 Although the Budget options illustrated in Appendix B do not include any further proposals for additional savings or Budget reductions in 2012/13 over and above those referred to in Paper L119, if there were any additional savings to be considered for the 2012/13 Budget, this would be likely to include the unacceptable/last resort items flagged up by the Task Group last year, for example:

- Further withdrawal of Discretionary Rate Relief (approx. £15k)
- Canteen closure (16k but alternative arrangements would have a cost, reducing the saving to around £6k)
- Withdraw from various groups/organisations/partnerships e.g. LGA, SPARSE, Regional Employers (around £25k)
- CAB – debt advice/counselling (£5k)
- Removal of CCTV (£40k)
- Withdraw from JEPU (£20k but alternative in-house arrangements would be needed)
- Other discretionary services – sport and leisure, the arts and tourism

Capital Programme

- 8.11 The Joint O&S Committees had no observations on this so the Task Group will be aiming to include the draft programme as set out in Paper L119 in their final Budget proposals. Note: the increase in capital financing charges for 2012/13 has been revised downwards slightly, from £189k to £170k.

Cost Pressures

- 8.12 See Appendix C. Officers will review these further before the final Budget proposals are submitted, which could affect the Budget shortfall. Appropriate changes may then have to be made to other elements of the Budget options and savings.
- 8.13 There are other cost pressures that could or will arise in 2012/13 and subsequent years. For example, the difficult economic conditions could affect the use of leisure facilities and the Government's welfare benefit changes are likely to have significant impacts, not only on our residents but also on the cost of implementing them. It is proposed that an earmarked reserve of £100k is established to help deal with the latter.

Integration and Transformation

- 8.14 The Budget for 2011/12 and 2012/13 allows for the estimated costs and savings set out in the approved Business case. Transitional costs, including those relating to redundancies will be capitalised as far as possible or met from either general or earmarked reserves that the Council has agreed to set aside.
- 8.15 Specifically, the net costs in 2011/12 (after capitalisation and savings from the new integrated management team) will be met from general reserves. In 2012/13, a similar approach will be adopted but with those redundancy costs that cannot be capitalised being met from earmarked reserves and the staff/other savings from integration across both councils benefiting the General Fund Budget.
- 8.16 An indication of the potential amounts involved (as per the business case) are provided below:

Revenue costs/savings:

- 2011/12 - £422,000, being 50% of the estimated net costs of integration, met from reserves (after savings from the creation of the integrated management team)
- 2012/13 - £287,000, again being 50% of the estimated net costs of integration, met from earmarked reserves. Staff and other savings are reflected in the General Fund revenue Budget.

Capital costs

- 2011/12 - £750,000 capitalisation direction from the Government, although this is subject to having sufficient capital receipts to pay for this. Any shortfall will have to be met from revenue reserves.

Reserves

- 8.17 See Paper L119. The revised Budget Options would potentially result in a further use of reserves in 2012/13, which would affect the reserves position slightly. Also, the position on a current major outstanding legal case may be known in February, which would enable the position on reserves and their future use to be firmed up. Depending on this and the Strategy Committee's views on the Budget options, changes will be reflected in the final reserves statement put to Strategy Committee and Council in February.

9. Appendices

Title	Location
(a) Views of Joint O&S Committees	Attached
(b) Revised Budget Options	Attached
(c) Cost pressures – latest position	Attached
(d) Community Grants Budget	Attached

10. Background Documents

None.

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Views of the Joint O&S Committees on the Budget Options

Council Tax

- Babergh's Council tax and taxbase is one of the lowest in the country so an increase is justifiable
- RPI is above 5%
- The amount per Band D property for a 3.5% increase is less than £5 a year or 9p a week
- We will need to explain any increase, as opposed to not accepting the one-off Government grant, very carefully
- The majority of Joint O&S Committee Members favoured a 3.5% increase, although a number felt there should be another freeze.
- Some Members favoured the 3.5% increase instead of car parking charges.

Car Parking charges

- Use the New Homes Bonus instead, on a time limited basis
- Increase long-stay charge to £2
- SCC/on street parking needs tackling alongside charging
- All Council Taxpayers, including those without cars, are subsidizing users (£170k net cost is 3.7% in Council Tax)
- Assertion that charges will drive people away but also a view that the lower charges than elsewhere will keep an important differential and maintain Sudbury's competitive position
- Close working with Town Council(s)
- Link to regeneration/investment (New Homes Bonus)
- Hand car parks to businesses
- Significant majority of Joint O&S Committee Members against.

New Homes Bonus (NHB)

- Mixed views on use but significant majority happy to use up to £150k to support the Budget but far fewer in favour of using, say £250k.

Savings/Budget reductions

- Public conveniences and tourism links/benefits
- Community grants – reduce Budget by 10% to 15%. Focus on a smaller number of key organisations, number of beneficiaries, protect key areas e.g. CAB's, what are other Suffolk councils doing on Countywide organisations? Use NHB to protect?
- Increase brown bin charge
- Increase in charges of 5% not 3% (where appropriate)
- Set up trusts to save business rates (like the Leisure Trust)
- Savings on office space/letting



Appendix B

Revised Budget Options

	Option 1	
	3.5% Tax Rise - No CP charges	
	12/13	13/14
Estimated Budget Gap	1,350	1,000
Less:		
Shared Revenues Partnership	-75	-75
Integration & Transformation	-550	-250
Joint Procurement	0	-100
Fees & Charges	-100	-75
Other Efficiencies & Savings	-180	0
Current Budget Shortfall	445	500
Council Tax Increase/Freeze	-160	-160
Car Parking/Sudbury TC proposals	-25	0
Revised Budget Shortfall	260	340
Budget Savings*	-86	0
Community Grants reduction	-30	0
Service Reduction	0	0
Reserves/New Homes Bonus	-144	144
Remaining Budget Shortfall	0	484

Option 2	
3.5% Tax Rise + CP charges	
12/13	13/14
1,350	1,000
-75	-75
-550	-250
0	-100
-100	-75
-180	0
445	500
-160	-160
-85	-85
200	255
-126	0
0	0
0	0
-74	74
0	329

Option 3	
Council Tax Freeze 12/13 + CP charges	
12/13	13/14
1,350	1,000
-75	-75
-550	-250
0	-100
-100	-75
-180	0
445	500
-115	-45
-85	-85
245	370
-126	0
0	0
0	0
-119	119
0	489

*As Appendix B to Paper L119 as adjusted for public conveniences savings and additional income from brown bins

Cost Pressures

	Amount £000
Pay/Inflation (including staff increments)	194
Pension Contributions	35
HB/CTB costs (including welfare benefit changes)	25
Elections Fund	20
One-off saving in 2011/12	50
Borrowing/interest costs	170
Reduced income/savings*	114
Business rates –revaluations/transitional relief	47
SSL energy costs (contractual)	30
Other **	68
Collection Fund (Surplus in 2011/12)	26
Council Tax Base increase	(28)
Investment Income	(13)
	738
Reduction in Govt. Grants:	
- Formula Grant	602
- Specific Grants	10
	1,350

*On car parking, public conveniences and community alarms – net of contingency in 2011/12 Base Budget

**Open Spaces contract, B&B (homelessness), CRED, core strategy, Postage, banking and audit fees

Reduction to Grants Budget

1. The Joint Overview and Scrutiny Committees have asked, as part of the Budget Options for next year, to look at additional savings of between 10% and 15% of the grants budget of around £290k i.e. at least around £30k, whilst protecting certain key grant recipients including the CAB's, the Bridge Project and the Kernos Centre (totalling around £66k).
2. The SFP Task Group do not think that further cuts are a sensible approach, for the following reasons:
 - Based on a review of the recent grant monitoring and consultation processes, another "salami slice" approach to reducing the grants budget is highly undesirable
 - The overall grants budget has been reduced by around £150k or 34% over the last three years.
 - The vast majority of funding for new community development and seed funding has already been cut from the grants budget. Only a nominal amount to match fund some training for volunteers and the development of activities to support our Partnerships for Older People initiative remains in this year's budget
 - Our community grants pot enables us to attract in excess of £700k match funding into valuable projects and supports the work of some 46,000 volunteering hours. Their funding is being cut from a number of other sources and the demand for services is higher than ever.
3. This means that the remaining budget is heavily focussed towards essential core funding for maintaining the existence of our voluntary sector services in the community. This remaining core funding element was also cut in each of the last three years and our colleagues in the community are now making it clear that further reductions will seriously threaten their viability. Our officer intelligence supports this view.
4. The following should also be noted in relation to the larger projects we fund:
 - Grant aid to fund the deficit of the sports and leisure centres at Hadleigh and East Bergholt Schools (current draft budget of £22,000 for 2012/13). Suffolk County Council also provides deficit funding at similar levels. The relevant partners are working together on medium term business development plans that aim to move each of the sports centres to a break-even financial position within 18 months from October 2011. It is proposed that Babergh's deficit funding for 2012/13 is used to fund this planning process with a view to withdrawing funding the centres' deficit from 2013/14
 - Following a detailed review of the financial stability and management of the Quay Theatre last year and the subsequent reduction in the level of grant funding from Babergh (from £51,000 to £36,000) some dramatic changes have taken place. A new voluntary management structure has been established, which has been closely supported and monitored by Babergh officers. The success of the new structure is still hard to gauge but an enormous amount of enthusiasm and energy is evident and serious attempts to address public relations, advertising, fund raising and programming issues have been made.

The Quay needs at least a further year of transitional development before the Theatre's Trustees and Babergh are in a position to make an accurate and final judgement about its long term future. It is recommended, therefore, that Babergh continues to support the Theatre at around the current level for a further year, though a modest reduction may be possible, along the lines of that suggested for the AONB's

- Sudbury CAB is the other large grant recipient, and their response to the question "What would a five per cent cut mean to you agency?" is set out below. "This service is being provided by the equivalent of 3.5 paid members of staff, supported by an increasing number of volunteers, currently numbering 45. The Babergh grant is used principally for paying the staff salaries and administrative costs and is essential to the continued operation of the Bureau at the present level. A cut of 5% from the current grant would directly impact on the number of days the bureau would be able to offer advice to the community, reducing from the current 5 to 4. We cannot operate without at least one paid session supervisor on the premises, and without this paid person we cannot give advice to clients. The loss of one advice day per week would result in at least 1000 unresolved client issues which will leave clients more at risk of homelessness, and leave vulnerable clients without sufficient advocacy and support. Without advice from the bureau, just one homeless family gives rise to District Council costs of over £15,000 in Babergh".

Given the huge increase in demand for the CAB service this year, it is suggested that the budget is kept at the current level of £51,500.

- We also fund the Ipswich CAB with £7,673. It is common for Districts to support more than one bureau. Mid Suffolk support, Stowmarket, Diss and Bury St Edmunds, for example, to the tune of £95,000. Whilst Sudbury CAB does not receive any funding from Essex Councils, Babergh do not, by the same token, make any contribution to Colchester where many of our residents will use for services
- As reported previously, the AONB's, who also are in receipt of a large grant, have reduced their outgoings by 20% in anticipation of a reduction in funding from the various authorities. It is therefore considered possible, like last year, to reduce the funding made available to them by 5%.

Conclusions

5. As reported previously, and referred to above, some modest savings could be made next year due to the specific circumstances of some of the currently funded projects. It is anticipated that these savings, including a 5% reduction in grants to AONB projects will total around £8 - £9k and these are reflected in Paper L119.
6. In addition, in 2013/14 a further reduction of £22,000 will become available when the review of the dual use spots centres is complete and the new business model is adopted. This will mean that a total of £30,000 will be removed from the grants budget on a permanent basis.
7. Further reductions along the lines of those suggested by the Joint Overview and Scrutiny Committee would result in dramatic loss of services and, realistically, this saving would have to be made in a targeted way, and valued services or resources

would have to close. It would be extremely difficult to achieve this level of cut whilst maintaining funding towards supporting the most vulnerable, the young and tourism as suggested by the Joint O&S Committees. For example, 80% of the projects we fund address more than one of the Strategic Priorities so that if we were to cut The Greenways Project, for instance, which appears to be supporting an environmental priority, we would also lose a valuable project for vulnerable adults who benefit from volunteering and work experience opportunities of 900 days per year. These days are worth 8 full time workers and up to £45,000, and our grant funding is £5,500. Cuts of this nature would create substantial loss of services and volunteering and be bound to adversely affect the groups in society we most aim to support.

8. *Considering the financial and social challenges faced by the authority and the wider community we will need to use our grant funding to maximum effect and to help build new community capacity. This will help the authority to commission critical services on a local basis and at the same time help communities to do more for themselves. Following the above noted reductions in the grant fund and the support of many core services through the remaining grant we do not have the flexibility under the current arrangements to achieve this. Looking to next year a case for accessing part of the New Homes Bonus (NHB) to invest in new community capacity requires careful consideration. To shift from direct delivery to greater community involvement will require some form of capacity building or pump priming; at present this is not possible and this becomes even less viable if the grant funds are cut further. To respond to this the service will review the current grant arrangements for each project to see what can be done to move away from being so grant dependant, but at the same time the principle of using NHB to develop new community capacity needs to be considered.*