

## BABERGH DISTRICT and MID SUFFOLK DISTRICT COUNCILS

<b>From: Heads of Corporate Organisation and Resources</b>	<b>Report Number: M38</b>
<b>To: Strategy Committee</b>	<b>Date of meeting: 14 June 2012</b>

### STRATEGIC AND FINANCIAL PLANNING PROCESS

#### 1. Purpose of Report

- 1.1 To provide the Strategy Committee with the opportunity to consider the outline approach to the process designed to determine the strategic priorities for the Council and associated Joint Medium-Term Financial Strategy, overall financial planning and budget developmental process for the period 2013/14 to 2015/16.
- 1.2 In terms of the Joint Medium Term Financial Strategy and savings forecasts, the report sets out the likely scale of the financial challenge facing both councils over the next 3 years.
- 1.3 The proposed approach and aligned timetable relating to overall financial planning and 2013/14 Budget setting process are also set out. This has been agreed by the SFP Task Group.

#### 2. Recommendations

- 2.1 That the Committee reviews and approves the proposed approach to the strategic and financial planning process outlined in section 9.1 and 9.10 of the report and Appendix B.

The Committee is able to resolve this matter.

#### 3. Financial Implications

- 3.1 The Council needs to make further significant financial savings over the next 3 years as a result of the Government's ongoing plans to reduce the spending deficit. Further details are provided in Appendix A.
- 3.2 Clear plans and an overall strategy to identify the savings and additional income over that 3 year period are essential.

#### 4. Risk Management

- 4.1 This report is most closely linked with Mid Suffolk's Significant Business Risk No. G1 – Failure to meet Strategic Task Group objectives and Babergh's Significant Business Risk No. 1 – Failure to deliver intended outcomes and necessary change.

## **5. Consultations**

The Joint Member Integration Board (JMIB) has reviewed the ongoing developmental process for the programme of work relating to strategic priorities at meetings in December 2011, February and March 2012. PLG and the SFP Task Group have agreed how this links with this year's approach to financial planning.

- 5.1 A key element of the programme relating to strategic priorities will be an extensive programme of community engagement and consultation led by members with key partners, community organisations and the public. This engagement will inform and confirm the work of councillors in determining the key issues for the area and the associated strategic priorities for the council along with resource allocation and budget developmental decisions.

## **6. Equality Analysis**

- 6.1 There are no specific equality and diversity implications arising from this report which describes the process that will be undertaken to develop and determine strategic priorities and the associated strategic financial planning and budget developmental process.
- 6.2 However the impacts of any associated changes to operational provision and resource allocation will be identified through the equality analysis process, which will be considered as part of the risk management arrangements and reported on as necessary.

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

- 7.1 The programme of work described in this report will be an individual process specific to Babergh District Council. This will be a single council approach to the development of a set of strategic priorities and an associated strategic financial planning developmental process.
- 7.2 There is however a linked and similar process underway at Mid Suffolk District council with the same process, objectives and proposed format outputs (i.e. set of strategic priorities, a community engagement and consultation programme, and intelligence to inform the budget developmental process). The outputs of the programme will be reviewed by Councillors and officers to identify any potential shared priorities and community outcomes to support more efficient and effective working practices and the integrated operational team's development.
- 7.3 In relation to financial planning, it is proposed that, whilst recognising that each council will make its own financial decisions, there should be a Joint Medium-Term Financial Strategy (MTFS) to address the challenges that both councils face.

## **8. Background information**

- 8.1 This report provides the Strategy Committee with an outline of the proposed format and approach to the programme to develop and determine the future strategic priorities and strategic financial planning framework for the Council.
- 8.2 The report outlines the key working principles and assumptions used to develop the programme along with the aims, outline programme, and a proposed top line approach to the community engagement and the consultation phase.

## **9. Approach to the development of strategic priorities and financial planning process commencing 2013/14**

### **Core principles and assumptions**

- 9.1 This programme of work will present the Council with a “once in a lifetime” opportunity to radically reassess the nature and format of the district council in the context of the changing environment and the significant impact of the reduction in resource availability from traditional sources (Government grant, traditional fees, council tax).
- 9.2 There will be a separate approach for Mid Suffolk and Babergh District Councils, each led by members at their respective council; Officers will however identify synergies in the development of detailed actions/initiatives which will underpin broad strategic priorities for each council.
- 9.3 The consideration of issues and development of priorities to be intrinsically linked to the strategic financial planning and resource allocation approach for the councils, culminating in the setting of the budgets for 2013/14 and the refresh of the joint Medium Term Financial Strategy.
- 9.4 The basis for the approach will be to develop a long term 10/15 year vision for the area this will be linked to and inform the review and refresh of the rolling 3 year Medium Term Financial Strategy for the Council.

### **Aims**

- 9.6 The programme will be used to support the developmental work around the changing role of members and the cultural change required to embed the new integrated staff teams: The overall aims for the programme will be to increase awareness of the critical issues facing communities and determine the role, purpose and strategic focus for the councils.
- 9.7 The programme will also provide the Councils with a clear political lead on key priorities for the rest of the council’s term to inform council structure and resource allocation. There will also be an associated aim of developing a more flexible and dynamic approach to resource allocation in accordance to the priorities. This will be a continual process through the life of the MTFs and beyond.

### **Outcomes**

- 9.7 The detailed nature of these outcomes will be refined by lead Councillors and the officer project team, however the broad outcomes expected are as follows:
- Agreement on the nature of the critical issues affecting our communities.
  - Engagement with communities and key partners and staff.
  - Development of the community role for officers and members.
  - A clear set of strategic priorities for each council.
  - Clear guidance as to resource allocation for the financial planning and budget developmental process.

## Programme

- 9.8 The table below lists the key milestones and agreed dates for the overall programme, this will be supplemented more a more detailed programme plan along with individual plans for specific projects.
- 9.9 An officer project team has been created to develop and support the programme; however the lead will be provided by Babergh councillors in initially identifying community needs through review of primary and secondary intelligence sources and engagement with our communities. There will be clear links and dependencies with the financial planning process and ongoing reviews of the governance arrangements for the council and the Suffolk wide legal services review.

<b>Date</b>	<b>Activity</b>	<b>Audience</b>
Late June	BDC Strategy Committee members consider key issues and overall programme approach.	Leading councillors
3 July 2012	Initial Councillor work – <b>Identifying key community issues</b> ( working title)	All councillors
Mid July to early September	Community engagement and consultation programme	All communities, residents and stakeholders
Early September 2012	Collation and analysis of community engagement programme data ( ranking etc)	Officers/Councillors
w/c 17/09/12	BDC Strategy Committee members consider key issues and overall approach.	Leading Councillors
Mid September 2012	Second round of councillor workshops , one full day workshop	All members
Late September onwards	Development of strategic priorities , link to financial planning process for both councils	Members /officers /stakeholders

- 9.10 Details of the linked Financial Planning programme are set out in Appendix B. Member consideration and decisions relating to the Government's Funding and Welfare Benefit reforms will run alongside this (July -December 2012) i.e. Business Rates retention (countywide pooling) and adoption of a local Council Tax Benefit/Support scheme.

## 10. Member workshops July 2012 - Identifying key community issues (working title)

- 10.1 Leading members will coordinate and facilitate these workshops for all councillors; these events will be full day sessions which will provide councillors with the opportunity to review the detailed programme of work, consider a range of community intelligence and data and start to determine key issues and priorities for our communities.

10.2 The format for these events will include the presentation of information and community intelligence, facilitated sessions and workshops for smaller groups of councillors. The workshop will, provide the initial commencement of the programme of work, members will however be provided with a range of opportunities to feed into the process and influence the outcomes.

## **11. Outline approach to community engagement and consultation**

11.1 The programme of community engagement and consultation will be Member led with the overall the objectives of providing communities with the opportunity to have an impact on what we do and how we do it in the future, by providing views on the key issues and concerns for local communities. This information will then be used to inform the development of strategic priorities and resource allocation for the Council.

11.2 The key role for members in will be in respect of their communities and development of their advocacy /community /localism role. We will use existing community based networks and forums and link to partner organisations to ensure this is a proportionate and inclusive process. The expected outcome will be the submission of a high quantity and quality of ideas from the audiences that are as representative of our communities (e.g. by age, race etc.)

## **12. Financial Planning and the MTFs**

12.1 in relation to the linkages with the linked Joint Medium Term Financial Strategy and savings forecasts, Appendix A highlights the likely scale of the financial challenge facing both councils over the next 3 years. This appendix also includes key points relating to the Government's Funding and welfare Benefit Reforms.

12.2 The proposed approach and timetable relating to overall financial planning and 2013/14 Budget setting process is set out in Appendix B. This includes potential opportunities in terms of adopting further ways of approaching the challenges faced.

## **13. Appendices**

Title	Location
(a) Joint Medium Term Financial Strategy and savings forecasts	attached
(b) Strategic and Financial planning process and 2013/14 budget	attached

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**Joint Medium Term Financial Strategy – Savings Forecasts**

1. Both councils had previously worked on the basis of between a 35% and 40% cut in Government grant over the period of the current CSR, which ends in 2014/15. Both Mid Suffolk and Babergh have already suffered around a 26% reduction in grant in 2011/12 and 2012/13.
2. We had, therefore, previously assumed a maximum worst case reduction in grant of around 14% over the next two years i.e. 2013/14 and 2014/15 and up to the end of the current CSR period. The Government and others were assuming that the position would improve after that.
3. Recent announcements and the general state of the economy now suggests that grant cuts will go beyond the current CSR period and that the overall scale will be even more severe - but there is currently limited information on this.
4. Most commentators are, however, now predicting further grant cuts beyond 2014/15 and at least up to 2017/18. Some councils are working on an average cut of around 8% to 10% a year, which would exceed previous assumptions – although around 4% a year should be received through the New Homes Bonus.
5. We have modelled an updated worst case scenario of savings for the next 3 years - based on a 10% annual cut in grant. We have also undertaken an initial review of assumptions on pay, inflation and other potential cost pressures. This has resulted in the revised worst case savings targets for the next 3 years, compared with previous forecasts, set out below:

Year	Previous Forecast (£m)			Updated Initial Forecast Worst Case (£m)		
	BDC	MSDC	Total	BDC	MSDC	Total
2012/13	1.3	1.5	2.8	N/A	N/A	N/A
2013/14	1.0	1.0	2.0	1.3	1.4	2.7
2014/15	1.2	1.4	2.6	1.1	1.1	2.2
2015/16	-	-	-	1.1	1.0	2.1
<b>TOTAL</b>	<b>3.5</b>	<b>3.9</b>	<b>7.4</b>	<b>3.5</b>	<b>3.5</b>	<b>7.0</b>

Notes:

- (a) Above forecasts are subject to further review of Government grant and other key assumptions during the SFP process - specifically for the 2013/14 Budget - and in updating/developing the MTFS.
- (b) The forecasts exclude any reinstatement of the temporary use of New Homes Bonus used to support the 2012/13 Budget (BDC £134k; MSDC only £23k).

- (c) Forecasts also exclude any saving in 2013/14 that may be required from Council Tax Benefits localisation.
- (d) Outcome of MMI legal case is helpful for BDC position but the estimated £0.2m benefit is one-off and there are other potential short and longer-term calls on this.
6. Alternative scenarios of lower annual grant cuts, of say 5% or 7.5% for Babergh, would affect the position as follows:

<b>Grant cut</b>	<b>2013/14 £m</b>	<b>2014/15 £m</b>	<b>2015/16 £m</b>	<b>Total £m</b>
10% p.a. (as Appendix A)	1.3	1.1	1.1	<b>3.5</b>
7.5% p.a.	1.2	1.0	1.0	<b>3.2</b>
5% p.a.	1.1	0.9	0.9	<b>2.9</b>

7. Whatever the overall 3 year savings target, integration alone will only make a partial contribution towards this - of around £0.5m. This leaves a lot to be found from transformation, other savings, revenue generation and Council Tax. Business Rates growth might help. The savings forecasts will be updated throughout the year as further information becomes available.
8. In the meantime, both councils should plan on the basis of the initial worst case forecast in section 5 above (as may be amended from time to time as further information is received).
9. In addition, latest information and Member decisions on the Government's Funding and Welfare Benefit Reforms, specifically on business rates retention (countywide pooling) and council tax benefits localisation arrangements will impact on the overall financial position. Further details aren't expected though on key aspects of those arrangements until the summer/autumn. Key aspects are shown below:

Funding Reforms & Business Rates Retention:

- SPARSE Fairer Funding Campaign - proving the rural penalty.
- Business Rates Retention:
  - Countywide pooling – benefits
  - Economic Growth
- Impact on MTFS and Financial Planning assumptions - more uncertainty for the future.
- Risks/Opportunities - financial/other.

Welfare Benefit Reforms

- Universal Credit (Oct 2013 - 2017) and Council Tax Benefit Localisation (April 2013).
- 10% overall cut in Council Tax benefits or savings (but over 20% for working age claimants due to protection of pensioners and other vulnerable groups).
- SCC/Police Authority financial implications.
- Other financial impacts on the council - one-off/ongoing.
- Mitigate impact on residents or provide support/communications strategy.

## **Strategic & Financial Planning process and 2013/14 Budget**

1. Key aspects of the proposed workplan for the Strategic & Financial Planning process and 2013/14 Budget and timetable are shown below, which is aligned with the approach to developing joint strategic priorities. Work on agreeing the strategic priorities for 2013/14 and beyond will drive the allocation of resources, so there will be a direct link and dependency between the two. Reports to Members, Including Strategy Committee, will be co-ordinated accordingly - see appendix A for further details:

May/June – Members agree to overall approach and timetable – SFP Task Group (Babergh), PLG and Portfolio Holders, Exec/Strategy Committees. Initial engagement/comms. with Members more widely.

July/August – Initial work on Financial/Budget issues and savings proposals, including revenue generation opportunities and capital investment. Update Joint Medium Term Financial strategy. Member/Community engagement on joint strategic priorities. Ongoing comms. with Members and other stakeholders.

September/October – Strategic priorities inform further development of MTFS, financial planning and budget options. External engagement on MTFS and Budget options e.g. annual Town/Parish Council meetings and other key partners. Commence work on equality impact assessments as necessary.

November/December – Consider and review MTFS further alongside Budget options/Council Tax and other key aspects of the budget proposals. Produce draft Budget for 2013/14.

Jan/Feb 2013 – Finalise and approve the MTFS, the 2013/14 Budget and Council Tax.

2. Further details on key aspects of the above are set out below:
  - A more strategic focus on the 3 year picture, with the 2013/14 Budget being developed within that overall framework.
  - A more dynamic, transparent and flexible approach to allocating resources and moving money between Budgets year-on-year (and in-year) to reflect strategic priorities and outcomes.
  - Establishing appropriate reserves and funds to facilitate economic growth and transformation - to drive out savings in order to achieve financial sustainability going forward e.g. Invest to save Fund, Innovation Fund (to support small but important projects that will make a difference to our communities).
  - Member decision on allocating and spending the New Homes Bonus money received so far i.e. for 2011/12 and 2012/13 will be needed, linked to the outcome of the work on strategic priorities.
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3. To meet the ongoing Budget and financial challenge over the 3 years, the following approaches should be explored and considered:
  - Alternative approaches to resource allocation and budget making e.g. priority led budgeting, some form of zero-based budgeting.



- Unlocking benefits from focusing on demand management to reduce costs and achieve sustainable savings for the future i.e. reducing the provision of services to the chosen level.
- Other specific issues and principles that should form part of the budget setting process i.e. what are the 'no go' areas and what should we focus on in achieving the required savings and in driving out further integration and transformation savings, including non-staff related savings.