

## POLICY AND FINANCIAL PLANNING PROCESS 2014/15

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### Summary:

The Local Government Finance Act 2012 changed the way local government is financed. This means that the council has a greater reliance on income from council tax, business rates and other direct income sources. At the same time Government is reducing the SFU or core funding that it allocates to councils. This fundamental change in our funding regime increases the council's financial risk.

The council agreed a new policy framework in February 2013 following the extensive consultation held in Autumn 2012.

The comprehensive spending review CSR 13 announced in June 13, set out the Coalition Government's intention to reduce the local government settlement and initial figures out for consultation have identified a further 15.9% cut to the government support that Copeland will receive.

This and other spending pressures arising from legislative changes such as auto enrolment of pensions, has required us to review our Medium Term Financial Strategy.

Although the final settlement figures for 2014/15 are not expected until Dec 2013 we need to start work to plan for this further and significant reduction in our resources.

The council will need to make considerable additional savings over and above those already approved by Council in February 2013, these are estimated to be in the region of £1.6M - £2M in the next 2 years .

The severity of the continuing reductions in government grants has impacted severely on Copeland's current and future financial position. The wider economic environment in which we operate is also impacting on our ability to provide services to residents, many of who, in turn, are experiencing financial difficulties themselves.

This report sets out the proposed process and timetable for the scope of the policy lead discussions leading to the service changes and budget cut options for the 2014/15 and 2015/16 financial years.

It is proposed that there is a 2 year work programme with 2 sets of work streams, one which sets out immediate issues and options and a second which focuses on some of the strategic issues for the council including service delivery models, shared services and unitary authority

considerations.

**Recommendations:**

The Executive is asked to;

- (i) Consider and agree the work programme
- (ii) Consider and agree the timetable for 2014/15 process.
- (iii) Consider and agree the Policy Development Group scopes for phase 1.

## **1 INTRODUCTION AND PURPOSE**

- 1.1 The comprehensive spending review CSR 13 announced and a further review of our MTFS highlights the need to make considerable additional savings over and above those already approved by council in February 2013, in the region of an additional £1.6M- £2M in the next few years in order for the council to balance its budget. The latest MTFS estimates are included in Appendix A, and include the 15.8% reduction from DCLG, assumptions about the NNDR (Business rates) appeals and the impact on the council safety net. The council will also need to determine its strategy for addressing the pension fund deficit as yet unknown (actuarial review will report in Nov 2013).
- 1.2 The council currently undertakes certain services and functions which are *statutory* in nature and are therefore “must dos”, there are also certain services and functions that the council has chosen to provide which it does not have to under legislation and these *discretionary* services. There are also services which support the running of the council as a business and these will need to be reviewed and alternative service delivery options agreed .
- 1.3 The policy and budget strategy for 2013/4 and 2014/15 agreed by Council in February 2013 set a strategy for 2015 still priorities for the council in the future and if so how they can be provided for within set financial targets.
- 1.4 As part of this Council agreed to look at reviewing its priorities, what it has to provide and ensuring these policies drive future resource allocation and the budget setting process.
- 1.5 The current change programme includes the councils previous plans as per the February 13 decisions and service options report and includes a commitment to the delivery of the following in 2014/15 –
- Reducing the subsidy and scope of the NCL contract,
  - Beacon Partnership,
  - Business basic review including review of CLT, communications and PA support.
  - Income from sub letting the Copeland centre following a review of office accommodation needs.
- For the purpose of planning it is assumed that these already agreed options will be substantially delivered.
- 1.6 The council’s financial envelop is being further reduced in the CSR 13 and the reality of these reductions is that the council will need to move to a position of only **financing** the delivering its

statutory services in the near future. This will mean that any remaining discretionary services will need to be cost neutral to the council, either ceasing, being transferred to others e.g. parishes, or operate under a position where they raise income in order to cover their **total** cost.

- 1.7 The council needs to find £1.6M - £1.8M of savings in the next 2 years **ON TOP** of the programme already agreed and following on from 3 years of “Efficiency cuts”. This harsh financial reality also means that the council will need to work to review all of its services and assess
- Whether discretionary service can be cost neutral to the council or stop or find alternative funding / income for these
  - the level of statutory services provided to an agreed but possibly reduced standard and review the service delivery models for this
  - the way the council provides its services through its assets will require review
  - the way it’s business basics are provided.
- 1.8 The following quote from the SOLACE publication “when the salami has gone” 2012 summaries the council’s position:-
- “Against the background of the harshest financial climate in over a generation, local politicians, and senior managers are delivering dramatic financial savings while working to minimise the adverse impact on local communities. Salami-slicing of budgets is no longer enough. Instead, they are reinventing not just the way services are delivered, but the role of local government and its relationships with its citizens.
- Key to these changes are commissioning and sourcing – working with communities to identify how to meet priority needs within the resources available and putting in place the most cost effective service delivery models.”
- 1.9 The levels of these changes will mean that we cannot assume that the council will deliver such services itself. It will require consideration of alternative service delivery models with appropriate governance.
- 1.10 This is a significant shift for the council and will require a separate programme of work led by the Chief Executive on the types of options which are available to the council, the ones that are politically acceptable and the criteria that will be used to reshape the council for the future. This may include options such as unitary council, contracting out statutory and support services in packages attractive to the market place, sharing services with others or mutual options for staff to consider running services under contract. Working with the community to assess and prioritize needs.
- 1.11 The management of this considerable change agenda and freeing up capacity to do this work alongside the delivery of essential statutory services will mean that a strategic and planned approach is required. A programme management approach has been adopted by the Council and attempts to balance the need for reviews alongside the capacity to undertake them.

## **MEDIUM TERM FINANCIAL PLAN**

- 2.1 The council has until now managed to set a balanced budget and has not used any of its general reserve to smooth out the programme. The scale of the challenge and the need for fundamentally different service delivery models will need considerable planning and development. For example the typical lead in time for the creation of a shared service is 18 months for scoping, outline business case, decision making process, due diligence, staff consultation, and implementation.
- 2.2 It is therefore proposed that the 2014/15 and 2015/16 financial planning process include a limited use of general reserves to provide time to deliver the existing change programme and establish the future operating models.
- 2.3 The financial savings targets will therefore be

	2014/15	2015/16
Existing Savings Proposals	£399K * reduced for the NCL report implications	
One off use of reserves	£400,000	
New Savings Target	£600,000 *adjusted for NCL report	£600,000
Balance of Savings – new delivery model		£1,400,000

- 2.4 This report therefore sets out the process for policy discussions in 3 main phases
- Phase 1 – PDGs covering short term saving areas and some longer term policy reviews. Targets to be set for PDGs to provide options for 14/15 savings
  - Phase 2 –Detailed work on service levels and the future service options which would be started in the winter for full implementation and delivery by April 15.
  - Phase 3 – Wider Governance Models– PDGs which would look at the big issues facing the council and the pros and cons of unitary council models, the use of assets and the governance model for the council post 2015.

#### **POLICY DEVELOPMENT WORK PROGRAMME FOR AUTUMN 2013 – SUMMER 2014**

- 3.1 Council agreed to change the way members were involved in the development of the budget and policy to provide an opportunity for all members to be involved in Policy Development Groups (PDGs).
- 3.2 The policy development groups (PDGs) work will support the setting of the council's budget for 2014/15 and 2015/16. This will aim to look at options to address £0.56M of additional savings whilst the work on the Council of the Future begins.
- 3.3 The resulting policies, priorities and service change options will be the subject of public consultation in the autumn to ensure those impacted on by the changes are able to contribute

and provide feedback and therefore any views and mitigations can be considered by the executive and full council when it sets its budget for 2014/15.

- 3.4 It is suggested that the following PDGs will value to the medium term readjustment of the council's services in light of the new financial realities. The full programme is attached as Appendix B
- 3.5 The timetable for the agreement of budget proposals for 2014/15 is extremely tight given the need to effectively consult for safe decision making and the statutory deadlines for the council to set its budget and council tax. Accordingly the programme of PDGs need to take place in rapid succession over the early autumn.
- 3.6 Policy Development Groups (PDG's) are informally constituted member groups whose purpose is to advise Executive on policy and budget issues. PDG activities will be time-limited and topic specific. PDG's have no decision-making powers of their own.
- 3.7 As informal groups PDG's will not be covered by the legal and constitutional requirements for notice of meetings, access of press and public to meetings, political balance in composition or quorum.
- 3.8 All members are eligible to sit on PDGs and appointments will be made via the political groups.
- 3.9 The following are guidelines on how PDG's will operate:
- 1 Size: 6 members (4,2) with a CLT chair. With an executive member being part of each PDG, but not sitting on PDGs in their portfolio. 2 to be minimum number of members required for meeting (common law principle).
  - 2 Terms of Reference, Scoping and Timescale: These will closely follow the format of the Task and Finish Group scoping documents developed by overview and scrutiny.
  - 3 Meetings: Will be held in private and with an expectation that PDG Members will respect the private nature of PDG proceedings outside meetings. The meetings may involve presentations, facilitated discussions and/or "expert testimony". Members of PDGs will be expected to commit to attending all meetings of the PDG and may be required to undertake work between the meetings.  
Conclusions in PDG's will be reached by consensus wherever possible, and inform the Executive in their decision making role.
  - 4 Reporting Back: All PDG's to report back to Executive via CLT lead in a written report of findings.
  - 5 Support: Each PDG will be allocated a Lead Officer by CLT, and will normally be a member of CLT. The Lead Officer will provide the necessary support to the PDG.
- 3.10 The PDGs will be structured around 3 sessions which will be based on a workshop approach:-
- Familiarisation (F)
  - Consideration of policy issues, options and alternatives (C)
  - Recommendations (R)

3.11 The timetable for the PDGs is tight and the following programme for phase 1 is proposed:-

Topic	Scope	CLT lead	Meeting Dates and Venues
Recycling	Looking at Recycling, how this can be provided to meet statutory requirements and the options for the most effective and least cost delivery approach. This PDG will also consider the Bulky and Trade waste services	Keith Parker	9am, 3 September – Nicholson Room 10am, 23 September – Nicholson Room 2pm, 30 September – Nicholson Room
Income Generation	Review of the current fees and charges agree at Council in Feb 2013 to see what the performance has been over the first 4 months and to determine which services are covering their full costs and whether any additional income can be made. This will cover <u>all discretionary services</u> <b>except</b> leisure centres which are covered by the NCL agreement. This will also consider the recent case law that affects the basis for calculating fees and national charges. <b>Target £40K additional Income</b>	John Groves	2pm, 2 September – Nicholson Room 9am, 10 September – Nicholson Room 10am, 16 September – Carlisle/Spedding Room
Review of Council Tax Discount scheme, and technical changes	Review of the current council tax scheme to see what the performance has been over the first 4 months of implementation and to determine whether any changes are required to its operation and whether the technical	Angela Brown	2pm 11 <sup>th</sup> September – Nicholson Room 2pm 18 <sup>th</sup> September - Carlisle Spedding 2pm, 26 September in the Carlisle/Spedding

	changes achieved the income expected. Looking at the risks, issues and advantages including savings for any changes to the scheme		Room
Whitehaven Governance Review	Establish the pros/cons and timetable for a governance review and set up of a Town Council for Whitehaven. New Governance which may help CBC with localism Act and provide local choice ref any precept	TBD	TBD
Discretionary Services	Discretionary services – Revisit of all our discretionary services except leisure i.e beacon, Open spaces, localities Additional Contribution to 14/15 Budget <b>Target £100K additional saving</b> NB already assumed delivered £325K for Beacon	TBD	TBD

#### 4. BUDGET AND POLICY TIMETABLE 2014/15

4.1 The outline timetable for the policy and budget timetable for 2014/15 is set out in the table below

Month	Headline Activities
July	Update MTFS
August	Executive agrees process, timetable and PDGs – This report
September	PDG's conduct their work
October	Consultation with Public on service change options
November	Consultation with Public on service change options Settlement Announced Actuarial Review - Pension Deficit

<b>December</b>	Executive refine options based on feedback and settlement
<b>January</b>	Statutory Consultation with Businesses
<b>February</b>	Council Agrees Budget



## **5. RESOURCE REQUIREMENTS**

5.1 The resources for the service options and budget proposal work will need to be managed within existing resources. The main resources will be:-

- The communications section working on the communications and consultation process including the design and of any questionnaires and arrangement for feedback and engagement with the public and our consultative groups.
- CLT members facilitating the PDGs and wider consultation, including detailed work on the options, and all associated roles as HOS and line managers.

## **6 STATUTORY OFFICER COMMENTS**

6.1 The Monitoring Officer's comments are: Report sets out manageable programme of member-led work to identify short term savings and longer term policy recommendations.

6.2 The Section 151 Officer's comments are: Contained within this report

6.3 EIA Comment:

EIA will be completed as part of the budget setting process

6.4 Policy Framework

6.5 Other consultee comments, if any:

## **7 HOW WILL THE PROPOSALS BE PROJECT MANAGED AND HOW ARE THE RISKS GOING TO BE MANAGED?**

7.1 The budget process and service options will be managed via CLT and Change programme board. This board reports into the Executive informally on a monthly basis. Changes to services will be managed through the Change management process with appropriate reports and decisions as per the constitution.

## **8 WHAT MEASURABLE OUTCOMES OR OUTPUTS WILL ARISE FROM THIS REPORT?**

8.1 The report sets out the process and timetable for the discussions and decisions the executive and full council need to take to determine the budget options and financial allocations it wishes to set at its February 2014 Council.

8.2 The report outlines the work required by staff and members and the timetable for engaging the public in this work so that they may be consulted on the options, service changes and mitigations.

## **List of Appendices**

Appendix A – MTFS – July 2013

## Appendix B – Programme of Reviews

Appendix A - Medium Term Financial Plan @ August 2013

	2013/14 Current budget	2014/15 forecast revised July 2013	2014/15 forecast revised Aug 2013	2015/16 forecast revised July 2013	2015/16 forecast revised Aug 2013
	£	£		£	£
Base budget	10,230,310	10,230,310	10,230,310	10,252,310	10,252,310
Savings not on going into later years		1,000	1,000		
Savings Proposals		-549,000	-399,000		
Salary & Contribution costs		200,000	200,000	200,000	200,000
Increases for inflation		120,000	120,000	185,000	185,000
Treasury Management		50,000	50,000		
Auto enrol pensions		200,000	200,000		
Earmarked Reserves	132,000	104,000	104,000	54,000	54,000
Total Spending	10,362,310	10,356,310	10,506,310	10,691,310	10,691,310
Rounded Total Spending (£'000)	10,362	10,356	10,356	10,691	10,691
FUNDING NOW SPLIT					
RSG	3,312	2,516	4751 (reduction of 187k including 40k additional taken from c tax below so red'n = 227k on our figs)	2,012	4003 (reduction of 439k not latered c tax as no ref made to 14/15 freeze, on our figs)
Baseline need	2,203	2,103		2,157	
New homes bonus	236	319		273	
PFI Grant	837	837	837	837	837
Council Tax	3590	3,660	3,620	3,730	3,730
Collection Fund surplus	44				
Additional grant 1 year only cts adoption	17				
Specific Grants	21				
General Reserves	-30				
Earmarked Reserves	132	104	104	54	54
Shortfall	10,362	9,539	9,312	9,063	8,624
Shortfall identified in 13/14 plan for 14/15 but yet to be delivered		817	1,044	1,628	2,067
		549	399	399	399
Total possible shortfall (excluding risks )		1,366	1,443	2,027	2,466



**Appendix B**

**Review Programme**

	when	scope	objective
<b>Autumn PDGs</b>			
Income generation opportunities	Sept 13	Reassess the previous charges, look for any possible income generation options. Explore alternative funding options and sources including appropriate mechanisms	Contribution to 14/15 Budget and ensure recent case law on charges is complied with. <b>Target £400K</b>
Localisation of council tax	Sept 13	Review of the discount scheme and technical changes	Review of scheme and possible options ref savings
Re-cycling and waste disposal opportunities and challenges	Sept 13	The challenges and opportunities arising from Recycling and Waste Disposal Bulky waste and Trade Waste	Review Policy framework and implications of the County Changes
Governance Review for the Whitehaven Area	Sept 13	Establish the pros/cons and timetable for a governance review and set up of a Town Council for Whitehaven.	New Governance which may help CBC with localism Act and provide local choice ref any precept
Discretionary services – Revisit of all discretionary services <b>except leisure contract</b> i.e beacon, Open spaces, localities,	Sept 13	Revisit of all discretionary services.	Additional Contribution to 14/15 Budget <b>Target £100K</b> NB already assumed delivered £325K for Beacon.
<b>Review of Statutory services</b>			
<b>PDGs in the winter ref alternative delivery options and OBC</b>			
Environmental Health	Jan 14	Service level review and alternative delivery options	Savings for 2015/16
Finance	Jan 14	Service level review and alternative delivery options	Savings for 2015/16
Nuclear	Jan 14	Service level review	Savings for

		and alternative delivery options	2015/16
Planning	Jan 14	Service level review and alternative delivery options	Savings for 2015/16
Building Control	Jan 14	Service level review and alternative delivery options	Savings for 2015/16
Housing	Jan 14	Service level review and alternative delivery options	Savings for 2015/16
<b>Statutory Services Phase 2</b>			
Waste	March 14	Service level review and alternative delivery options	Savings for 2015/16
Revs and Bens	March 14	Service level review and alternative delivery options dependent on Universal Credit Savings for 2015/16	<b>Target Saving 14/15 - £50K</b> (NB this is to cover the reduction in government grant already assumed in MTFs and will not contribute to the savings target) <b>Part of Ops board work for 2014/15</b>
Land Charges and Licensing	March 14	Service level review and alternative delivery options	Savings for 2015/16
Elections & Dem Services	March 14	Service level review and alternative delivery options	Savings for 2015/16
<b>Business Basics - Executive/ leaders group - Considering the CLT review</b>			
CLT	Oct 13		Contribution to 13/14 budget £80K Contribution to 14/15 budget £165K already assumed delivered <b>NEW TARGET £225K</b>
Communications	Oct 13		
PA support	Dec 13		
Policy & Transformation	Dec 13		
ICT	Dec 13		
Customer Services	Dec 13		
Human Resources and Payroll	Aug 13	Shared HR manager	
<b>Future Operations – PDGs for Spring 14</b>			
Governance Review for Copeland Post		Review Strong leader and Executive model	

2015		and costs of democracy for the new council post May 2015	
Unitary Council Options		Council's view of the pros, cons, risks, issues and OBC for various unitary authority options.	
Funding DFG's into the future		Capital Resources prioritisation	
Council Asset Portfolio & property support		Review asset base in light of the other service models	Assumes already deliver the £150K saving on accommodation. 2014/15