POLICY & FINANCE COMMITTEE
25 JUNE 2020

COUNCIL'S ANNUAL BUDGET 2021/22 – OVERALL CORPORATE BUDGET STRATEGY

1.0 Purpose of Report

1.1 To set out the Budget Strategy for 2021/22 for consideration by Members before detailed work commences.

2.0 Introduction

2.1 The Council's Constitution sets out the process for developing the Council's Annual Budget.

2.2 The process requires that, each year, the Council's Section 151 Officer presents a report on the overall budget strategy for the forthcoming financial year, to the Policy & Finance Committee.

2.3 The Policy & Finance Committee is then required to consider the report of the S151 Officer and to approve the budget strategy for the forthcoming financial year.

3.0 Budget Proposals

3.1 Budget Presentation

3.1.1 The budget process will result in setting the budget and the Council Tax for 2021/22 and will be approved by Council at its meeting on 9 March 2021.

3.2 Financial Policies

3.2.1 The Council has agreed policies on Budgeting and Council Tax, Reserves and Provisions, Value for Money and also a set of Budget Principles which set out the approach to be taken to the budget process. These policies were reviewed by the Policy & Finance Committee in June 2019. The policies and principles have been reviewed and updated where necessary and are attached as **Appendices B(i) to B(v)**.

4.0 Budget Strategy

4.1 The current Medium Term Financial Plan (MTFP) was approved on 9 March 2020.

4.2 The table below sets out the summary of the financial forecast, identified within the current MTFP, assuming that Council Tax at average Band D will increase by the same rate as in the three financial years prior to 2020/21 (2017/18, 2018/19 and 2019/20), i.e. 1.94%:

	2020/21 (£m)	**2021/22 (£m)**	**2022/23 (£m)**	**2023/24 (£m)**
Net Service Expenditure (less capital charges)	12.181	12.459	12.549	12.624
Total Other Expenditure	1.342	1.275	1.302	1.943
Total Expenditure	**13.523**	**13.734**	**13.851**	**14.567**

Total Business Rates	(7.724)	(5.316)	(5.379)	(5.435)
Council Tax	(7.018)	(7.245)	(7.484)	(7.729)
Other Grants	(0.122)	0.000	0.000	0.000
Contribution (to) or from Reserves	**(1.341)**	**1.173**	**0.988**	**1.403**

4.3 Whilst there is always a need to improve efficiency and review existing budgets, the Council's budget gap in future years means that, as well as further efficiencies, the Council needs to generate "new" revenue streams. This is the task of the Organisational Improvement and Development Business Unit. The business unit is working with a commercial focus to identify opportunities to increase income into the Council and reduce costs by using a more commercially focussed lens. Any opportunities that are identified and where approval is granted, will be fed into the MTFP and will accordingly be included in the base budget for all years going forward. Wider than the terms of reference of this group, it is important for budget managers to continue to scrutinise their budgets to ensure that services are delivered as efficiently as possible.

4.4 The national context around future local government funding is uncertain. The Comprehensive Spending Review (CSR) 2020 has been delayed from July 2020, and changes due under the Fair Funding Review will no longer go ahead from 2021/22, so that the government and councils respectively can remain focused on responding to the Coronavirus-related public health emergency.

4.5 Due to this, the existing years' allocations of business rates will continue into 2021/22 (index linked), which may mean that the council retains a larger proportion of the business rates income than it anticipated when the MTFP was approved in March 2020.

4.6 The CSR will allow the government to consider its priorities across all spending over multiple years, whilst the Fair Funding Review will both change how (and how much) funding is allocated between councils and increase the proportion of business rates that all councils can retain (from 50% to 75%). Officers liaise closely with external financial advisers in order to keep abreast of announcements and incorporate the latest modelling into its medium-term projections.

4.7 The following underlying assumptions will be applied in compiling the draft budget for 2021/22:

4.7.1 Base Budget

The base budget for 2021/22 will be derived from the outturn position for the 2019/20 financial year adjusted for inflation and other known factors. This will give a "tighter" budget position as it will be linked to actual spending patterns rather than historical budgets.

4.7.2 Staff Costs

The actual establishment, reconciled to the HR records, will be used to generate the starting point for employees' expenditure. It has been assumed that within the Service Unit budgets, the Council will employ 100% of the establishment throughout the year with the exception of known unfilled vacancies where salaries are budgeted to commence on the anticipated starting date.

A 3% increase in wages and salaries will be assumed for 2021/22. The Trade Unions side of the National Joint Council (NJC) for Local Government Services have rejected the employers' final offer of a 2.75% pay increase for 2020/21. The employers' side has said that it will ask central government for more money for 2020/21 local government pay.

The financial implications of these changes and those for the National Living Wage will be kept under constant review and the budget, if required, will be revised before presentation to Policy & Finance Committee on 18 February 2021.

A vacancy provision of 3.5% of the total salary budget for 2021/22 will be made to allow for natural savings being made from posts remaining vacant before being filled. As it is not possible to predict precisely which business units will experience vacancies in the year, an overall saving will be set aside. This provision will be determined once the total salary budget for 2021/22 has been calculated.

4.7.3 Employer's Superannuation

A triennial valuation of the Nottinghamshire County Council pension scheme took place as at 31 March 2019. This determined the council's pension contribution rates for 2020/21, 2021/22 and 2022/23. The council will budget for pension contributions of 17.5% of each post's 2021/22 basic salary, and a 2021/22 notional cash deficit payment of £745,000. As the council prepaid for the three year deficit payment, it received a discounted rate, and hence the two years post 2020/21 will be held on the Balance Sheet until the timing of when to release to the General Fund (hence being a notional payment).

4.7.4 Provision for Inflation

The budget will be prepared by applying forecast Retail Price Index (RPI) increases to non-staff costs. The RPI rate for April 2020 was 1.5%: a decrease of 1.1% (from 2.6%) for March 2020. This is forecast to increase to 2.9% by the end of 2020/21. During 2020/21 the forecast looks to hover around 3% until the end of 2023. An inflation rate, therefore, of 3% will be applied to non-salary costs, unless a different specific rate is specified in a contract for the supply of goods and services. For non-contractual supplies and services there will be a freeze on inflation.

4.7.5 Fees and Charges

Changes in fees and charges will be subject to specific, detailed review by business managers who will compare the Council's fees for discretionary services to other neighbouring and family group authorities that provide the same services. The business managers will also benchmark the fees with other commercial organisations where similar services are provided. Business managers will also assess and evaluate whether new fees and charges can be introduced for discretionary services that are not currently being charged for.

Where comparative benchmarking information is not available, an increase equivalent to inflation, **3%**, will be applied.

4.7.6 Interest Rate

The Council is proposing to borrow money from the Public Works Loan Board (PWLB) in order to support its cash flow position. During the previous financial years, decisions regarding capital expenditure have been taken to utilise internal resources and maintain an under borrowed position against its Capital Financing Requirement. This is not uncommon across the Local Government sector, at a time when budgets have been squeezed, but reserves have existed. The Council is proposing to utilise elements of its reserves to fund various capital. This has meant that cash backed by these reserves has been utilised, hence there is a need to borrow money to ensure that the Council has cash at hand to service its day to day costs. The timing of borrowing funds will be dictated by the Council's cash flow which forecasts daily expected income and expenditure over the next 3 years. Treasury Advisors Link Market Services will be consulted with prior to borrowing to ensure that the Council takes the most economic route, be that either a fixed or variable rate borrowing. Rates will be monitored over the coming months until such time that the borrowing is secured.

4.7.7 It will not be possible to finalise funding in the budget strategy until government announcements on future funding levels are published later in the year. Members are asked to approve the budget strategy as set out in this report, subject to future announcements; the impact of which will be reported to Policy & Finance Committee.

5.0 Risks in Preparation of the Budget

5.1 The budget strategy will deliver a balanced budget on the basis of information known at the moment; however, there are risks that may cause expenditure to increase or income to reduce. Consequently income and expenditure levels will be kept under review throughout the budget process.

5.2 It is essential to ensure that the strategic budget efficiencies and additional income are delivered as this is central to ensuring that the Council has a balanced budget. The delivery of the efficiencies and additional income will be kept under continuous review throughout the budget process.

5.3 As, at the time of writing this budget strategy, the Council is still currently in the midst of the COVID-19 pandemic, anticipated levels of income for the 2020/21 year remain uncertain. The Government have to date allocated the Council £1,285,000 in funding in relation to cost and income pressures for the 2020/21 financial year. Depending on the length of the co-existence with COVID-19 and social distancing, this may impact on the ability of the Council to raise fees and charges to the levels that it has done in previous years.

5.4 It is anticipated that the local government finance settlement will comment on these issues for councils for the 2021/22 financial year.

6.0 Timetable

The Budget Timetable is dictated by the corporate timetable for Policy & Finance and operational Committees. The essential deadline is that the Council is able to set the level of Council Tax for 2021/22 at its meeting on 9 March 2021. Working back from this date a timetable has been drawn up and is attached at **Appendix A.** This timetable enables sufficient time for the budget proposals to be considered by operational Committees, in the January cycle, and Policy & Finance Committee and also sufficient time for the work to be completed within the Financial Services and other Business Units.

7.0 Consultation

7.1 As in previous years, consultation on the budget will take place the Commercial Ratepayers. During 2018, the Council completed a large scale consultation exercise with all residents which instigated the creation of the Community Plan. The formulation of the budget will be in accordance with the priorities that are identified within the Community Plan.

7.2 Consultation on service budgets will take place with elected members week commencing 31 August 2020, with follow up meetings in week commencing 30 November.

7.3 The operational committees will have the opportunity during the budget process to make suggestions to Policy & Finance Committee prior to final budget approval by the Council. The date on which the draft budget proposals will be presented to the operational committees is set out in the timetable at **Appendix A**.

7.4 As the production of the budget will be predicated on the priorities within the Community Plan, it is anticipated that resource allocation will be linked to spending priorities. To ensure that this is the case it is proposed that elected members will be presented with service budgets during week commencing 30th November 2020. This will enable a review of service budgets prior to presentation to the service committees during the January cycle of meetings.

8.0 Capital Programme 2021/22 – 2024/25

8.1 Prioritisation for the General Fund Schemes

(a) When business cases for new schemes are brought to Committee, financing implications of capital expenditure are included in order to assess the viability of the scheme and to enable members to make informed decisions. Once the capital expenditure has been incurred, the financing of the Capital Programme as a whole is arranged by the Section 151 Officer, in line with the Council's Constitution. This may include use of internal resources, borrowing from internal resources or external borrowing from the PWLB. An appraisal of the most appropriate funding source will be included within the business case.

(b) Any new scheme will initially be commissioned by the Senior Leadership Team. It will then be assessed against the prioritisation criteria (see **Appendix D**). Based on this assessment a report will be prepared for submission to Policy and Finance Committee in February before final approval by Council.

(c) Council will consider all schemes and either: a) allocate resources to enable a scheme to be carried out; b) place it on the uncommitted list pending identification of resources; or c) reject it.

8.2 Prioritisation for the Housing Revenue Account Schemes

The Council's HRA investment programme is delivered by officers within the Housing Management service, formerly employees of Newark and Sherwood Homes (NSH). The current programme reflects the latest available information agreed by officers within the Housing, Health and Wellbeing directorate. It comprises capital investment in the existing Council housing stock and the continuation of a five-year new build programme commenced in 2017/18. Resources for future years will reflect the ability of the HRA to support any necessary borrowing, and other funding opportunities which may arise. Following the 1% annual rent reductions between 2016/17 and 2019/20, 2021/22 will be the second year of five for which landlords can increase social housing rents by up to Consumer Price Index (CPI) plus 1% annually.

9.0 RECOMMENDATIONS that:

(a) the overall budget strategy be approved;

(b) the consultation process with elected Members be noted;

(c) budget officers continue work on the assessment of various budget proposals affecting services for consideration in setting the Council's budget; and

(c) budget managers work with finance officers in identifying further efficiency savings, increasing income from fees and charges and in identifying new income.

Reason for Recommendations

To enable the Council's budget process to proceed encompassing agreed assumptions.

Background Papers

Nil.

For further information please contact Nick Wilson, Business Manager – Financial Services on Ext 5317 or Sanjiv Kohli on Ext 5303.

Sanjiv Kohli
Director – Resources / Deputy Chief Executive

APPENDIX A

2021/22 REVENUE BUDGET-SETTING TIMETABLE				
Action	**Base Budget & General Principles of Budget**	**Draft Budget**	**Draft Final Budget**	**Final Budget Approval & Council Tax Setting**
Base budget & general principles of budget	P&F 25.06.20			
Support services – agree basis for charging		31.07.20		
Working papers issued to budget officers		03.07.20		
Early budget consultation with elected members	w/c 31 August 2020			
Draft budgets complete – no support services allocated		18.09.20		
Budgets uploaded onto eFinancials		25.09.20		
Coordination & review of first draft budget		09.10.20		
Support services allocated and uploaded to efinancials			31.10.20	
Draft budget to be reported to SLT		17.11.20		
Follow up consultation with elected members		w/c 30.11.20		
Final committee budgets approved for consideration by Policy & Finance Committee on 18 February 2021			H&C 18.01.21 L&E 19.01.21 ED 13.01.21 P&F 21.01.21	
Housing Revenue Account budget and rent setting report				P&F 21.01.21 to refer to Council for approval on 11.02.21
Council Tax Discounts Scheme determined				Council 15.12.20
Council Tax Base 2020/21				Officer decision – determined

				between 01.12.20 and 31.01.21
Revenue budget setting				P&F 18.02.21
Parish Council Precept information received			(up to) 28.02.21	
Council Tax setting				Council 09.03.21

APPENDIX B(i)

Policy on Budgeting and Council Tax

Introduction

Each year the Council is required to set a Council Tax in accordance with the provisions of the Local Government Finance Act 1992. It is a requirement of the Act that the Council Tax must be set by 11 March each year.

The Council sets its Annual Revenue Budget in March each year in accordance with the provisions of the Budget Process, which forms part of the Council's Constitution.

The District Council is also responsible for collecting the Council Tax requirement (precepts) for Nottinghamshire County Council, Nottinghamshire Police & Crime Commissioner and Nottinghamshire Fire and Rescue Service and any precepts set by the Parish and Town Councils or Parish meetings within the District. All of these Councils are required to notify the District Council of their requirements before 1 March.

The District Council has no control over the level of Council Tax or precept set by the precepting bodies. This policy covers the District Council element of the Council Tax only. Nevertheless, it is recognised that public perception is influenced by the overall level of Council Tax and it can be difficult to appreciate that the requirements of the District Council form only a part of this. In fact, the District Council's spending requirements account for around 7% of the total Council Tax bill.

The Government has powers to require local authorities setting "excessive Council Tax increases" to hold a local referendum on the level of Council Tax. The level of excessiveness is set at 2% but may be different in subsequent years.

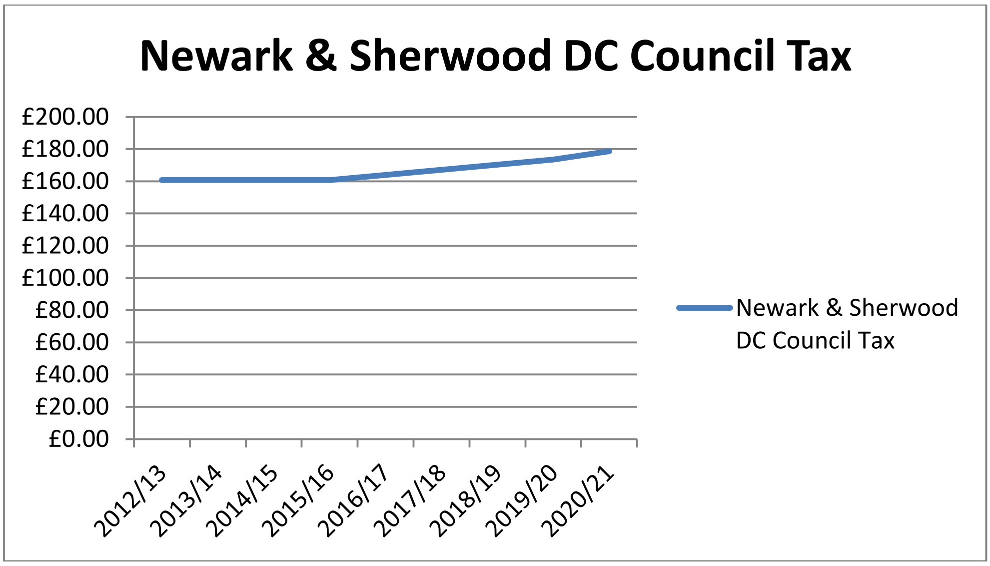
The District Council's spending requirement includes an amount levied upon it by other bodies. For this Council an annual levy is made by the Trent Valley and Upper Witham Internal Drainage Boards. Since 2014/15, if the levies set by the drainage boards cause the Council to have an excessive increase in Council Tax this would trigger a local referendum.

Current Level of District Council Tax

The District Council's level of Council Tax for 2020/21 is £178.57 for a Band D property. This represents a £5.00 increase in council tax on 2019/20. The total bill, including all major precepts, is £2,024.20 plus average Parish Precepts of £79.10.

Trends Over Time

Over time, the Council has had a policy of keeping the level of Council Tax to a minimum. The level of Council Tax for the Council is shown in the chart below:



Consultation

Newark and Sherwood District Council believes in the value of wide consultation on its budget proposals. As such, the Council will consult where there are financial decisions of public interest prior to setting the level of Council Tax. The Council will have regard to the results of any consultation. Consultation may include the following:

- Public
- Parish Councils
- Commercial Ratepayers
- Local Strategic Partnership
- Committees

Proposals

The absolute level of Council Tax, and any annual increase, will depend on the demands facing the District Council, external funding available, and the Council's assessment of the appropriate level of Council Tax. Whilst these factors will vary from year to year, the following criteria will be taken into account when considering the level of Council Tax:

- The Aims and Priorities of the Council
- Inflation
- Consultation Responses
- The level of Council Tax considered to be acceptable to the public
- Government views on grant levels and referendum criteria
- Service demands

Newark and Sherwood District Council aims to set the minimum level of Council Tax consistent with the achievement of its Aims and Priorities and other financial and service demands.

APPENDIX B(ii)

General Fund Balances and Reserves Policy

Section 25 (Budget calculations: report on robustness of estimates etc) of the *Local Government Act 2003* requires local authority chief finance officers (Section 151 officers) to report on the adequacy of financial reserves in the council's proposed budget and robustness of estimates made.

The council will review the adequacy of its useable financial reserves to ensure that these are neither too low (imprudent) or too high (overprudent) based on their purpose and likely use.

Council's generally hold useable reserves for three purposes:

- as a working balance, to mitigate the impact of uneven cash flows;
- as a contingency, to mitigate the impact of unexpected events or emergencies; and
- as earmarked reserves, to pay for known or predicted future requirements.

On 07 March 2019, Council approved a recommendation to change how the authority determines its level of General Fund balance. The council now has a fixed General Fund balance of £1.500m, rather than a variable amount based on 15% of the council's net budget requirement (£1.737m as at 01 April 2018).

The £1.500m General Fund balance has been set aside to pay for exceptional items. Officers consistently review the appropriateness (prudence) of this amount in light of internal and external risks identified. For the council to maintain its current General Fund balance of £1.500m, it is intended that the General Fund balance will only be used to fund expenditure once other appropriate reserves have been fully utilised.

One of the most important principles used to prepare the MTFP is that council reserves and other one-off resources are not used to balance ongoing budget pressures: that all other mitigating actions are used before the use of one-off resources. Over the years, the council's reserves have been used, for reasons such as to: cover the cost of one-off events not budgeted for; support and improve service delivery; and offset declining levels of income.

Members and officers are required to ensure the council operates as a going concern: that the council will continue to fulfil its functions for the foreseeable future. If this were not the case, for example, because of an imprudent use of council reserves, the council's external auditors would be required to express a going concern opinion (GCO). A GCO would be the external auditor's way of expressing significant doubt on the council's ability to operate longer-term.

It is recommended that:

a) Reserves should be subject to an annual review by the Section 151 officer;
b) Reserves should not be over-provided;
c) Reserves should be used for the purpose for which they are provided (subject to a and b above)
d) Reserves should not be used to support ongoing general fund expenditure (subject to recommendations a and b, above)

APPENDIX B(iii)

Budgeting Principles

The Council will prepare its budget in accordance with the following principles:

Council Objectives:

The purpose of the budget is to enable the Council to achieve its objectives and meet its statutory duties. In setting the budget and Council Tax, the Council will also have regard to Government requirements, including the Local Government Finance Settlement and the latest Comprehensive Spending Review.

Balanced Budget:

The Council is required to set a “balanced budget” with sources of funding identified to cover all expenditure proposed.

Affordable Budget:

In setting the budget, the Council will consider the affordability of proposals and their impact on the level of Council Tax.

Inflation:

The Council will have regard to the level of inflation when considering budget proposals. It may consider different indices of inflation for different purposes. For example, the retail prices index (RPI) and the consumer prices index (CPI) do not always reflect the rate of inflation faced by the Council and this may be better measured by specific indices such as those widely available for construction costs or energy.

Sustainable Budget:

The Council will set a budget to be sustainable over time. This will be reflected in the Council’s Medium Term Financial Plan and Capital Programme. The budget will include an overall risk assessment and will incorporate appropriate sensitivity analysis in order to ensure a robust final budget.

Budget Demands:

Any developments in the Council’s revenue and capital budgets will be required to go through the Council’s formal bidding process. Only those items approved as part of this will be included in the final budget.

Use of 3rd Party Funding:

Where third party funding is used to contribute towards the Council’s budgets, a plan is required to ensure that this element of the budget is sustainable if and when the 3rd party funding ceases. Where appropriate, an exit strategy is required.

Adequate Reserves and Provisions:

The Council aims to have adequate, but not excessive, reserves to cover unforeseen expenditure. Specific provisions are also in place to cover items of expenditure that are certain but where their timing is not known. Further details are set out in the policy on balances and reserves.

Asset Management:

The Council aims to manage its assets efficiently in accordance with best practice. Full details are set out in the Asset Management Plan.

Council Tax Levels:

In accordance with this policy, the Council aims to set the minimum level of Council Tax possible consistent with the achievement of its Aim and Priorities and other financial and service demands.

Value for Money:

The Council aims to achieve value for money in the provision of all of its services. This is set out in the Council's Value for Money Strategy.

Risk Assessment:

In accordance with section 25 of the Local Government Act 2004, the s151 officer will conduct an annual risk assessment of the robustness of the estimates made in the Council's budget.

Sensitivity Analysis:

The s151 officer will carry out a review of the impact of variations to key elements of the proposed budget (a "sensitivity analysis") on an annual basis.

APPENDIX B(iv)

NEWARK AND SHERWOOD DISTRICT COUNCIL

CORPORATE CHARGING POLICY

Revised: June 2020
Date of next revision: June 2021

CONTENTS

1. **Introduction**
2. **Purpose of the Policy**
3. **Processes and Frequencies for Reviewing Charges**
4. **Factors relevant to the Annual review of Charges**
5. **Processes for setting charges for new sources of income**
6. **Calculation of Charges**
7. **Concessionary Charges**
8. **Discounts**
9. **Use of Market Intelligence**
10. **Further Guidance**

1. Introduction

This Policy applies to external fees and charges other than those prescribed by the government. It provides a guide to internal charging arrangements but is subject to CIPFA's 'Service Reporting Code of Practice' and has regard to the Audit Commission's publication "*Positively Charged*".

It is not intended to apply to the disposal of Council assets, rents, internal charges or rechargeable works, nor will it apply where charges are governed by statutory regulation or guidance.

The Policy does apply if we have discretion, but not if there is a prescribed fixed charge.

Over the period of the Medium Term Financial Plan services will align their charges and processes with this policy.

This policy must be read in conjunction with the other related Council polices and strategies, including Financial Regulations, Equalities Policy, VFM Strategy, Corporate Plan.

Fees and charges will be in accordance with the toolkit approved by Economic Development Committee on 20 November 2019.

If after reading this Code you require further guidance or clarification, or you are not sure how best to comply with the Policy then please contact your Business Manager or the Deputy Chief Executive and Director of Resources.

2. Purpose of the Policy

To establish a policy within which fee and charge levels will support the Medium Term Financial Strategy and Corporate Plan; and,

To encourage a consistent approach to the setting and reviewing of charges for services provided by Newark and Sherwood District Council by:

- specifying the processes and frequencies for reviewing existing charging levels or introducing new charges for areas of the council's work for which charges could in principle be set;
- providing guidance on the factors that need to be taken into consideration when charges are reviewed on an annual basis;
- establishing parameters for calculating different levels of charges;
- recommending the criteria for applying concessions or discounted charges on a consistent council wide basis;
- requiring more active use of market intelligence relating to different services.

3. Processes and Frequencies for Reviewing Charges

The following arrangements for reviewing charges will be applied throughout all areas of the Council where charges for services already exist or could in principle be set:

- all discretionary charges will be considered and approved by Council as part of the Budget and Council Tax setting process in March of each year.
- a major review of each business unit's charging strategy will take place at least once every three years to ensure consistency with the council's priorities, policy framework, service aims, market sensitivity, customer preferences, and income generation needs, and the justification for any subsidy that the council as a whole makes to the service.
- annual reviews will be carried out for all of these services as part of the budget process, and shall have regard for the budget strategy approved in June each year.
- where fees are not to be increased or are proposed to be increased below inflation, this must be reported to SLT by the budget officer clearly stating the financial implications and budget shortfall before the deadline for completion of the revenue budget.
- these formal reviews will be overseen by the appropriate Director.
- where decisions on fees and charges, including any concessions or discounts, are taken outside the budget process approved by SLT and Policy and Finance Committee, any proposals must have due regard to the Medium Term Financial Plan.

4. Factors Relevant to the Annual Review of Charges

Annual reviews of charges will consider the following factors:

a. inflationary pressures generally and input costs specific to the service;
b. any statutory framework relating to the service
c. the actual or potential impact of any competition in terms of price or quality;
d. trends in user demand and the forecast effect of price changes;
e. equality and access to services;
f. customer survey results;
g. benchmarking results;
h. council wide and service budget targets;
i. cost structure implications arising from developments such as investments made in the service;
j. consistency with other charges;
k. alternative charging structures that could be more effective;
l. validity of continuing any concessions;
m. proposals for targeted promotions during the year, and evaluation of any that took place in the previous year;
n. where less than the full cost is being recovered (including nil charges), the justification for the decision is reviewed and documented to ensure that this decision remains valid and that significant income is not being lost.

5. Processes for Setting Charges for New Sources of Income

All Business Managers should explore new business opportunities with a view to generating additional income.

All guidance in this Policy must be considered when setting new fees and charges.

A business plan must be prepared.

Any potential new income streams will need to be approved by SLT and Policy and Finance Committee.

The setting of the fees and charges must be made in accordance with the current VAT regulations.

The proposed billing and recovery administrative process must be agreed with the S151 officer prior to the charges being implemented.

A central record will be maintained by the relevant Business Manager of any decisions made not to charge for a service where a charge could be made.

6. Calculation of Charges

Charges will apply to all users, and will be set at a level to maximise take-up and income targets and wherever possible covering or exceeding the full cost of providing the service in question.

It is the responsibility of the relavent Business Manager to ensure that the proposals comply with the appropriate legal framework and any legal restrictions. Advice should be taken from the Council's Legal Business Unit before any proposal is finalised.

This calculation of full cost should be based on the direct cost of service provision including staff, supplies and services, equipment, premise costs. Overheads and capital asset depreciation charges should be included but consideration may be given to a less than full cost recovery of these elements where inclusion would distort competition.

Where less than the full cost is being recovered, the justification for the decision must be documented and retained by the appropriate Business Manager and clearly state the financial implications and budget shortfall.

All fees and charges must be calculated in accordance with the current VAT regulations.

7. Concessionary Charges

In some circumstances the Council will offer subsidies to all users or concessions to specific user groups where this is consistent with achieving its priorities.

Entitlement to concessionary charges must have regard to equalities legislation and is designed to reduce barriers to participation arising from:

- Age;
- Level of income;
- Family circumstances;
- Health
- Educational circumstances.

Concessions will not apply to retail sales from shops or cafes.

Concessionary charges may also be made available to organisations whose purpose is to assist the Council in meeting specific objectives in its priorities and policy framework, or which contribute to the aims of key local partnerships in which the Council has a leading role.

Concessionary charges should not normally apply to peak times or in situations that would result in the loss of income from customers paying standard charges. Neither would they normally be available to organisations that are based outside of the Council's area other than on a reciprocal basis.

Only one concession can be applied to the standard charge at any given time.

Services wishing to adopt a concessionary charging scheme must demonstrate the scheme is practicable in terms of assessment, collection and evidencing for audit purposes.

8. Discounts

For certain services it will be normal practice to set promotional discounts, frequent user discounts or group discounts.

Promotional discounts are defined as short-term charges that are targeted to increase take-up or awareness of the services that are available.

Frequent user discounts are to be used only for commercial reasons such as generating customer loyalty where alternative provision from competitors exists, and where market analysis shows a real risk of reduced income if they are not offered.

Group discounts are to be used to encourage take up by organisations able to block book and family discounts to encourage parents and children's take up.

Discounts can be applied to both the standard charge and the concessionary charge.

Discounts can only be applied where the Service has received prior approval of the principle to apply a discount to the charge for this service.

9. The Use of Market Intelligence

All managers of discretionary services for which a charge is made should take steps to identify competitors offering similar or related services, and make use of comprehensive and dynamic market intelligence in evaluating:

- their charging strategy;
- the range of services provided;
- the quality of services provided;
- their cost structure.

All managers of services for which a charge is made should consult with customers, relevant partners and stakeholders on the range, quality and cost of services provided prior to the triennial review.

Consultation should also take place with potential customers and target groups to determine improvements needed to encourage participation at least every five years.

Comprehensive and accurate usage statistics will be maintained for all services and at all facilities where charges are made, to enable analysis of usage, justification of any subsidy given by the Council, and accurate forecasting of the effect of price changes on usage.

Benchmarking should be undertaken at least annually with other Councils in the local area and with relevant national groupings of authorities, to ensure that charges are at comparable levels and that significant differences are understood and justified.

10. <u>Further Guidance</u>

Charges should be payable in advance wherever possible or collected by direct debit or through the corporate income system.

All fees/charges must be reported annually to the Financial Services Business Unit as part of the budget process for publishing in the annual budget book.

All fees/charges must be published on the Council's website.

NEWARK & SHERWOOD DISTRICT COUNCIL

Value for Money Strategy

Revised: June 2020

Next revision due: June 2021

Introduction

Newark & Sherwood District Council recognises its responsibility to achieve value for money from all its activities, however they may be funded.

The council is committed to the pursuit of economy, efficiency and effectiveness as part of its corporate strategy. It will seek to achieve value for money in the pursuit of its objectives and in the delivery of all services.

The council has a neutral position on service delivery methodologies. It will consider all service delivery options, including in-house provision, partnerships with other public sector organisations (including shared services), partnerships with private sector organisations, and bought in services as appropriate for individual services or groups of services.

In light of the current COVID-19 pandemic, it is inevitable that the annual revenue and capital budget setting will be challenging each year. The council has a range of methodologies in place to ensure that its aims and priorities are delivered within an acceptable level of council tax. The Value for Money Strategy is a key element of this process.

Value for Money Principles

The principles involved in achieving value for money are:

Efficiency:	Considering the relationship between the amount of resources used (inputs) and the level of performance.
Effectiveness:	The ability to achieve stated goals or objectives, judged in terms of both output and impact.
Economy:	The acquisition or use of resources of an appropriate quality at minimum cost.

There are several aspects to be considered:

- Balancing effectiveness with efficiency
- Balancing efficiency with economy
- Sustaining the funding arrangement (where this is desirable)
- Demonstrating the most appropriate use of resources

Value for money can be defined as: **the use of available resources in an efficient and economical way to deliver effective services or achieve desired outcomes.**

The council is accountable for using resources efficiently to avoid wasting public funds, but this does not mean always seeking the lowest short-term cost. Waste occurs when a service – no matter how cheap or expensive – is ineffective. Effectiveness and efficiency needs to be balanced to achieve value for money.

The costs and benefits of each arrangement must be evaluated in terms of what the council seeks to achieve.

The council will manage any risks to its own interests, and use arrangements and processes such as monitoring, review and evaluation to demonstrate effectiveness and value for money.

At the planning stage, the council should be able to justify how it intends to apply its resources. After implementation it should be able to demonstrate that the policy is having the desired effects, and that the money is not going to waste. If there are unintended outcomes from its policies the council needs to adapt its funding arrangements to take them into account.

Objectives

To achieve value for money, the council will:

- target resources towards achieving the council's objectives and meeting the needs of local people;
- integrate VFM principles within existing planning, management and review processes;
- adopt recognised good practice as appropriate;
- analyse potential budget issues for the following financial year at an early stage and take a corporate approach to developing solutions;
- ensure that VFM principles are taken into account during the commissioning process;
- benchmark activities against other similar activities and organisations where appropriate;
- respond to opportunities to enhance the economy, efficiency and effectiveness of activities;
- promote a culture of continuous improvement;
- demonstrate actively to both internal and external stakeholders that the achievement of VFM is sought in all activities undertaken;
- ensure that all staff recognise their continuing obligation to seek VFM for the council as part of their activities;
- seek external funding where appropriate to support the council's services if the external funding assists the achievement of the council's objectives.

Methodologies for achieving VFM

The council has a number of different methodologies that contribute to the achievement of VFM.

These include:

- the Commissioning process;
- identification of growth and savings through the budget process;
- effective use of ICT (supported by the ICT Strategy);
- service reviews;
- scrutiny by service Committees;
- Audit & Accounts Committee;
- corporate procurement mechanisms (supported by the Procurement Strategy and policies);
- partnership working including consideration of shared services and public/private partnerships;
- customer feedback.

Responsibility for delivering VFM

The council is required to satisfy itself that VFM is being sought, and achieved from the use of public funds.

The responsibility for achieving VFM lies with all Members and staff and is not restricted to those with resource or financial responsibilities. All Members and staff should endeavour to seek and achieve VFM in all activities and to bring to management's attention any opportunities for improvement.

Managers have the responsibility to maintain an awareness of good practices in their own area of operation and ensure that these are followed appropriately.

The corporate management team will provide a corporate overview of VFM to ensure that initiatives are not restricted to individual service areas.

The council has an expectation that bodies with which the Council has partnership arrangements and organisations in receipt of grant aid from the council will follow VFM guidelines.

APPENDIX C

CAPITAL PROGRAMME TIMETABLE 2021-2025

Date	Corporate	Council/Policy & Finance Committee/Operational Committees
Continuous	Possible asset disposals are identified; the likely level of receipts and the revenue implications are estimated.	Approval by Policy & Finance Committee.
June - July	Issue the Capital Appraisal Form to all Business Managers to populate their Capital Bid requirement in consultation with relevant Director.	
By 31 August	Appraisal forms completed and returned to Finance.	
By 30 September	SLT review and score all submitted bids using the prioritisation scheme for recommendation on to Policy & Finance Committee.	Consultation with Policy & Finance Committee and operational Committees where relevant.
By 30 September	Revenue implications of bids included in draft budget.	
By 30 October	Existing schemes are revised for timing and, where relevant, whether they can now proceed e.g. if failed to get external finance allocation is lost.	Report submitted to Policy & Finance Committee in December on changes to existing programme (if necessary).
w/c 30 November	Chairs and Vice Chairs scrutinise draft Capital Budget.	All Chairs and Vice Chairs.
By 29 January 2021	Revised estimates of resources available completed including levels of Borrowing, Revenue Contribution and Capital Receipts.	
By 29 January 2021	Final report produced for Policy & Finance Committee including comments from operational Committees.	
18 February 2021		Policy & Finance Committee consider revenue and capital budgets and financial implications and recommend programme to Council.
9 March 2021		Council tax setting meeting.

APPENDIX D

NEWARK & SHERWOOD DISTRICT COUNCIL
CAPITAL PROGRAMME 2020/21 – 2024/2025 PRIORITISATION SCHEME

	STAGE 1 FACTOR	Comments	STAGE 2 DETAILED PRIORITISATION	STAGE 2 WEIGHTING
1	**Key Priorities** Scheme must link to at least one of the Council's priorities and be an objective contained within a Service Plan.	If a scheme does not clearly relate to these areas it will not be considered further.	Each scheme to be marked as to how well it fits with the following- • Prosperity • People • Place • Public Service	**35%**
2	**Evidence of Need** Service Strategy National Strategy or Guidelines Statutory Obligation	In some cases local demands are in excess of national guidelines and strategies and this tries to acknowledge that the two must be balanced. This will cover Health and Safety related schemes.	The following factors will receive equal weighting :- • Statutory Obligation • National Strategy • Validity of consultation in relation to project. e.g. How specific to this project? Who was consulted, was this comprehensive? • Quality of evidence of need for project .e.g. size of sample base, date of evidence, format of evidence	**10%**
3	**Partnership** Eligibility under existing criteria can be demonstrated.	Show that work has been done to ensure that the obtaining of external finance is realistic. The degree to which the partnership will add value to the project.	The proportion of finance which will be met by third party. The likelihood of receiving support. Assessment of the value the partner will add to the project.	**15%**

	STAGE 1 FACTOR	Comments	STAGE 2 DETAILED PRIORITISATION	STAGE 2 WEIGHTING
4	**Outputs and Outcomes** These have been clearly identified and can be justified from supporting evidence. Specific comments should be made as to how the scheme represents value for money when compared to other options	This will enable the council to improve the way it reports its work and clearly show what is being achieved. The comments should refer to any performance indicators which the proposal is addressing specifying what the improvement target is.	Assessment then made on what the scheme will achieve.	**15%** Assessment of all factors or group of factors
5	**Financial** Capital costs have been based on internal or external professional advice Revenue implications have been properly developed	Capital costs include both works and land purchase and cover all associated costs. Try and avoid “guesstimates” which result in schemes requiring increased finance or having to be reduced to meet finance available.	<u>Capital</u> will be based on the quality of work which has been put into estimate. e.g. costed feasibility studies. <u>Revenue</u> will be based on whether the effect is positive, neutral or negative on the revenue budget. Positive effect scores 10 Neutral effect scores 3 Negative effect scores 0	**15%** Capital marked 1 to 5 Revenue marked 0 to 10
6	**Risk Assessment** Identify the level of risk in a project not being able to proceed. For example planning appeals, listed building consent. Over subscription of partnership funds	Try and ensure that not all schemes selected are high risk with the danger that there will be delays in delivery or no-delivery.	The following will all need to be considered:- Technical Issues Financial Uncertainty Partnership uncertainty Planning Issues Legal issues Timescale	**10%**