REPORT TO EXECUTIVE

CARLISLE CITY COUNCIL
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PORTFOLIO AREA: POLICY, PERFORMANCE MANAGEMENT, FINANCE AND RESOURCES.

Date of Meeting:	**07 July 2003**		
Public			
Key Decision:	**Yes**	**Recorded in Forward Plan:**	**Yes**
Inside Policy Framework			

Title:	**MEDIUM TERM FINANCIAL PLAN AND CORPORATE CHARGING POLICY 2004/05 TO 2006/07**
Report of:	**The Head of Finance**
Report reference:	**FS23/03**

Summary:

The Council's Medium Term Financial Plan (appendix A) and Corporate Charging Policy (Appendix B) for the period 2004/05 to 2006/07 are attached for recommendation to Council. Both have been considered by the Corporate Resources Overview and Scrutiny Committee and the Committee's comments are included elsewhere on the agenda.

Recommendations:

The Executive is asked to approve the Medium Term financial Plan and Corporate Charging Policy for recommendation to Council on 15 July 2003.

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APPENDIX A

Carlisle City Council

Medium Term Financial Plan 2004/05 to 2006/07

EXECUTIVE SUMMARY

The Medium Term Financial Plan aims to provide the corporate Financial planning framework and give strategic direction to the Council for the forward three years. The key priority of the Plan is to ensure that the financial resources of the Council are directed to achieving the Council's key corporate objectives. The Plan will be updated annually on a rolling three-year basis.

The more detailed Policy Guidance aims to provide guidance to Managers and Members in the planning and budget setting process.

Whilst many of the building blocks to the integration of strategic planning with the budget process are in place, there is recognition that the full achievement of this objective will be an evolutionary process, and a detailed Action Plan has been prepared to support this process.

PRINCIPLES

The principles underlying the Medium Term Financial Plan (MTFP) are:

- The Council will set a standard three-year corporate and financial planning horizon, with longer periods agreed where necessary.
- Community Priorities will be identified through the Corporate Plan, and resources will be reallocated to these priorities through the budget process.
- The Community will be involved in the process through ongoing consultation.
- The Council will focus its efforts on strategic decisions to bring real improvements into performance and service delivery.
- Three Year costed Business Plans will be developed for each Business Unit to demonstrate how corporate priorities and targets will be achieved and services developed within a strategic framework.
- Clear annual timetables will be agreed with identified responsibilities for monitoring and reporting.

STRATEGIC FINANCIAL PLANNING PROCESS

The main stages of the Council's three-year strategic financial planning process are:

- Forecasting
- Strategic Planning
- Aligning Strategic Planning with Budgeting
- Budgeting at the Point of Service Delivery
- Performance Review

The Councils policy and action point for improvement on each of these stages is explained further in the rest of this Plan.

STRATEGIC FINANCIAL PLANNING GROUP

The Strategic Financial Planning Group (SFPG) will be Member led and will be an important mechanism for the successful integration of planning, budgeting and performance monitoring. It will also assist in the identification of priorities for the authority.

The Group will operate in an advisory capacity only, with recommendations going through the formal process to the Executive, Overview and Scrutiny and Council as appropriate.

The Terms of Reference and Constitution of the Group is set out in the Annex to this document.

DETAILED POLICY GUIDANCE

1. FORECASTING

This is the mechanism by which the Council obtains a firm indication of the level of funding available in forward years and matches this to known commitments.

1. Forecasting Resources

The Council has mechanisms in place for forecasting resources over a three-year planning period. The current forecasts for the period 2003/04 to 2005/06 are included in the Council's Budget Resolution for 2003/04, which was approved by Council on 17th March 2003.

The Council's principle resources arise from the following sources:

i. Income:

The City Council's revenue budget is heavily dependent on income, the main areas being fees and charges, property rental and investment income. These three main areas produce income in the region of £10 million per annum. Current forecasts reflect past experience of economic and customer activity, however the risk is that any significant economic recession or indeed the current historically low levels of interest rates, will impact on projected income levels.

Fees and Charges generate in the region of £4.5m per annum for the City Council. The Council's Corporate Charging Policy 2004/05 to 2006/07 provides guidance for Managers in reviewing fees and charges on an annual basis. Service Managers are required to fundamentally review the Fees and Charges within their control, including investigating the capacity to introduce new charges, the use of subsidies, and a minimum target increase year on year of 1% above the rate of inflation. The aim is to raise significantly the proportion of income contributed by users of services compared to Council Taxpayers.

The level of income received from Property rental is in the region of £3.9m per annum. The principle of re-investment in the property portfolio to ensure that income streams are maintained has been accepted with the establishment of an Asset Investment Fund. This fund means that, subject to capital receipt generation, a maximum of £200,000 per annum is re-invested in the Portfolio. During 2003/04 a more detailed re-investment plan linked to the Asset Management Plan will be developed.

The Council is committed to working in Partnership, particularly in broadening the Local Strategic Partnership, and this is central to the achievement of the Councils aims and objectives. Maximising income from Grants and External Funding sources is a key priority and this will be further progressed over the period of this Plan.

ii. Government Grants:

The main obstacle to the forecasting of resources is the Government's short-term approach to the allocation of funding and borrowing approvals (Revenue and Capital). Government funding is a substantial part of the Council's overall budgets and for 2003/04 constitutes 59% of the net budget requirement for General Fund Revenue Services and 24% of the approved Capital Programme.

Although the Comprehensive Spending Review forecasts Government resources over a three year period, caution must be exercised in viewing these projections as other factors impact significantly on the allocations to individual Councils from one year to another. The Council's current projection for revenue grant funding for the financial years 2004/05 and 2005/06 has been projected at 3% per annum respectively.

At this point in time, Government borrowing allocations for Capital purposes have been assumed as the same level as 2003/04. This will be revised once the full details of the new Prudential Code have been received and which will play a key role in development of future capital programmes.

iii. Reserves and Balances:

It is the responsibility of the Head of Finance to advise the Council about the level of reserves that it should hold and to ensure that there are clear protocols for their establishment and use.

All of the Council's reserves as set out below will be re-evaluated during 2003/04 in accordance with new CIPFA guidelines recently received. Currently, the general guiding principle is that wherever possible, reserves should not be used to fund recurring expenditure, but that where it is, this should be made explicit, and steps taken to address the situation in following years.

- **General Fund Free Reserve**

The current target for this reserve is that it should equal 20% of Net Revenue Expenditure plus £1million (as an emergency contingency).

- Housing Revenue Account

The balances on this Reserve will be transferred to the General Fund Reserves on formal closure of the HRA in April 2004

- DSO Reserve

This reserve was established from surpluses arising from trading activities to cover potential losses in future years and to finance capital expenditure. This fund will be reviewed following the transfer of the bulk of the Buildings DSO in October 2003.

- **Capital Projects Fund**

This fund was established from windfall gains and underspends and is used to support the Council's major capital initiatives.

- Renewals Reserve

This reserve is established to fund the replacement of major items of equipment and vehicles. A fundamental review of this fund is underway during 2003/04.

- Lanes Capital Fund

Amounts are set aside from the Lanes income annually to provide a fund for future capital investment in the Lanes.

i. **Council Tax:**

Council Tax constitutes 36% of the Council's net budget for 2003/04.

The Council's Policy on taxation levels is that these should be set wherever possible at fair and reasonable levels and that the Council Taxpayer should not automatically bear the largest burden for any savings that may be required by the authority.

Projections for the period of this Plan have been set at a 3.5% increase, which has been based on the results of the budget consultation exercise undertaken as part of the 2003/04-budget process. This will however be subject to review during the annual budget process, and will be particularly dependent on annual Government funding levels and future spending commitments.

1. **Forecasting Commitments**

The Council has mechanisms in place for forecasting known commitments and price movements. The current forecasts for the period 2003/04 to 2005/06 are included in the Council's Budget Resolution for 2003/04, which was approved by Council on 17th March 2003.

i. **Treatment of Inflation:**

Inflation levels are forecast over the three-year planning period, and different targets are set annually as part of the detailed budget process. The Councils policy is to budget for inflation in cash terms, but to allow inflationary increases based on the actual level of inflation for years 2 and 3 when it becomes known. No increases will be allowed for actual inflation in the current year unless the impact is considered to be significant on the budget areas.

ii. **Core Budgets:**

The Council's policy on funding core work is that this should be funded on an ongoing basis. The challenge to core budgets will arise from the Best Value Review process, or from savings targets set as part of the annual budget process.

iii. **New Policy Objectives and Service Improvements:**

The Council's policy on funding new initiatives and service improvements is to fully cost those initiatives that have been identified in the Corporate and Business Plans, and consider the overall funding requirements as part of the annual budget process.

New Projects over £30,000 in value will require the completion and submission of the Project Appraisal Form, which will be subject to formal consideration by the Strategic Financial Planning Group prior to submission to the Executive.

Further improvements are required to the linkage to the Council's various Strategies and Plans, and in particular:

- Best Value Improvement Plans
- Corporate Charging Policy
- Asset Management Plan
- Capital Strategy
- Procurement Strategy (not yet done)
- IT Strategy (not yet done)
- CPA Improvement Plan
- Other Plans and Strategies of the Council as set out in the Constitution.

This will be achieved by the integration of actions arising from the various Plans and Strategies into the Business Planning Process.

i. **Annual Savings Target:**

Target efficiency or policy savings will be identified annually as part of the detailed budget process, depending on the level of forecast resources and commitments.

Future year targets and pressures have been identified during the 2003/04 budget process and will be developed for the first budget forecast which will be considered by the Executive in July.

1. STRATEGIC PLANNING

This is the mechanism for generating objectives and targets for the 3

forward years.

The Council has the following mechanisms in place to deliver its strategic planning framework:

- City Vision

  This is the wider ten-year (2002 to 2012) Community Vision for the Carlisle area and has been developed following extensive consultation with partners and the community. The Council is firmly committed to community consultation, including an annual consultation exercise on the budget proposals.

- Carlisle City Council Corporate Plan 2002 to 2005

  This identifies the main priorities for the City Council arising from the City Vision and also from other areas, and guides the allocation of resources within the Council. Further work is being undertaken to improve prioritisation of the actions contained in the Corporate Plan, particularly to distinguish those aspects which are largely aspirational (and thereby more longer term objectives), and those which are reasonably deliverable over the period covered by the Plan.

- Business Plans

  Each Business Unit produces an annual business plan that identifies service issues and priorities, and forecasts commitments over a three-year period, in accordance with the priorities identified in the Corporate Plan. The next stage of the Business Planning Process is to properly identify resources and cost proposals emanating from the Plans. Service proposals need to be set out in a way that allows the financial consequences of proposals over the next three years to be readily assessed and reflected in both the revenue and capital budget projections. Any proposals for saving requirements over the period should similarly be set out.

- Team Improvement Review (TIR)

  Each Operational Service Team within the Council holds a TIR meeting at least twice a year, in addition to normal operational team meetings. The purpose of the TIR is to develop continuous improvement and excellence in each service area. Agreed suggestions for improvement are reflected in the Business Unit Business Plan (or individual sectional work plans as appropriate). All Members of staff are involved in these meetings.

- Personal Development Interviews (PDI)

  Line managers undertake PDI ‘s with all individual members of staff twice a year in order to identify areas for personal and sectional development.

1. <u>ALIGNING STRATEGIC PLANNING WITH BUDGETING</u>

This is the mechanism for drawing the financial and planning processes together and ensuring consistency between them.

There is recognition that the full integration of strategic planning and budgeting is an evolutionary process that will be achieved over a number of years. It will be supported by cultural change where open and joint working is essential.

The Council approved an integrated Strategic Planning Timetable on 17th February 2003, to align the budget and planning processes. This will form part of the detailed Action Plan that has been produced to achieve the full integration of Strategic and Financial Planning and which will be monitored the Strategic Financial Planning Group.

The integrated planning timetable will be supplemented by a detailed budget cycle timetable that will be produced in the early summer.

2. BUDGETING AT THE POINT OF SERVICE DELIVERY

This is the mechanism that produces budgets over three years, which are meaningful at the level of service delivery.

This in effect requires detailed Service Budgets for year one, with more summarised budgets for years two and three, but which still give a reasonable degree of certainty for Managers. Currently the City Council does not achieve this aim, as the current Financial Ledger will not accommodate more than one forward year budget projection. However, a new Financial Information System is due to be implemented by 1st April 2004, and this will assist in the achievement of this aim. Three-year budgeting may also require more flexibility of budgets between years (provision already exists for this in the Council's Financial Procedure Rules).

3. PERFORMANCE REVIEW

This is the process, which allows the outturn expenditure and outputs delivered, to be measured against budgeted expenditure and targets.

Currently, out-turn expenditure is measured against budgeted expenditure as part of the final accounts process, and outputs are measured against targets via the performance management framework, however there is no mechanism in place to link the two processes.

The performance management system is currently under review and this work forms part of the detailed Action Plan.

ANNEX (TO MTFP)

STRATEGIC FINANCIAL PLANNING GROUP

TERMS OF REFERENCE AND CONSTITUTION OF GROUP

Terms of Reference

The proposed Terms of Reference for the Group is to give detailed consideration to the following issues in an advisory capacity only, prior to recommendations being made to the Executive, Overview and Scrutiny and the Council as necessary:

1. Improve the link between the Financial and Strategic Planning processes and ensure the Action Plan detailed at Appendix B is implemented to the timescales agreed.
2. Consider any revisions that may be required to the Council's Medium Term Financial Plan.
3. Consider the annual budget process, including timetable and specific issues arising from the process, particularly savings and new bids.
4. Give specific consideration to any new project over £30,000 in value via the Project Appraisal Form.
5. Consider the quarterly Budget Monitoring information.
6. Consider the financial out-turn report and link to PI's.
7. Consider any revisions that may be required to Financial Limits and Delegations.
8. Develop and monitor performance information.

Constitution of Group

The group will be Member led and will constitute:

Members: Portfolio Holder; Policy, Performnce Mgt, Finance and Resources (Chair)

Leader of the Council

Portfolio Holder; Infrastructure Environment and Transport.

Officers: Chief Executive

Executive Directors (2)

Head of Finance

Head of Policy and Performance

Head of Legal and Democratic Services

Strategic Finance and Business Analyst

Other officers and members will supplement the Group as issues arise.

APPENDIX B

CARLISLE CITY COUNCIL

CORPORATE CHARGING POLICY 2004-05 to 2006-07

1. Background

The City Council meets a significant proportion of its Budget from the income raised from fees and charges that it levies for its services. Approximately £4.5 Million per annum is raised (excluding rents, grant and various miscellaneous income). This compares with the £5.3 Million per annum raised from Council Tax. Significant areas of fee and charge income generation are Cemeteries and Crematoria (£0.8m), and Car Parks (£1.8m).

The management of fees and charges is therefore fundamental to the financial performance of the Council, with revenue from fees and charges underpinning the base financial position of the Council. The fees and charges levied are also important to the achievement of the Councils overall objectives.

Decisions on the rate of recovery of costs, or subsidies given to local residents require clear policy guidance and this note sets out the Council's corporate policy for fees and charges. The policy also informs the Best Value process and to give guidance to Committees, Members and Officers in the annual process of setting, monitoring and controlling fees and charges.

The policy aims to provide a corporate framework for managers giving guidance on the achievement of policy objectives, setting out common systems for access and eligibility for concessions, clarifying decision making and maximising income where this is appropriate.

2. Policy Principles

There are three overarching principles in setting fees and charges for services:

I. Principle One – A Corporate Approach
To help in the delivery of the Council’s corporate objectives and to address strategic and cross cutting themes between departments.

II. Principle Two – Consistent Concessions

To clarify the basis by which the Council subsidises services and activities and to identify which citizens should benefit from the subsidies.

III. Principle Three – Income Targets

To raise income from services where this is appropriate. This should include consideration of charging for services where this is not currently the case. Where charges for services are made they should be cognisant of the costs where appropriate.

Summary guidance to Service Managers and Committees undertaking the review of their fees and charges against these three overarching principles is given in the following sections. However, it is recognised that each Service is different, and Service Managers should develop more specific principles where appropriate for their particular services or client groups, within the parameters of the three main principles set out above, for consideration by the Executive.

3. **Guidance on Policy Principle One – A Corporate Approach**
Fees and Charges should be used a tool to help deliver the Council’s corporate objectives and to address the strategic cross cutting themes set out in the Corporate Plan.

Examples of this are:

- Parking charges can be used in support of environmental, transport and city centre regeneration strategies, or to promote community safety by funding improved car park security.
- Environmental Health Charges can be used in support of environmental sustainability and healthy living.
- Simplifying access to concessions and increasing take up of services can help to tackle social exclusion as part of an anti-poverty strategy.

The existing Corporate Plan objectives, together with agreed Corporate Strategies and how existing charges may link to these are set out at **Appendix 1**.

It is proposed that the more detailed principles to be used in supporting thematic areas of work identified in the Corporate Plan be developed further within each Service within the annual budget (charges review) process. Where there is conflict in the achievement of the Council's corporate objectives, the pros and cons of the competing –often-incompatible – objectives will need to be clearly set out, and where this is identified, the Executive will assist in determining priority.

1. Guidance on Policy Principle Two - Consistent Concessions

There is currently a lack of consistency and consistent policy base towards the concessions that the Council currently grants.

It is proposed that in future the Council move towards a consistent policy to the application of concessions for target disadvantaged groups resident in the city. In future, where concessions are offered, they should be standardised wherever possible, and over a period of time if necessary, to a common subsidy rate. It is also proposed that a one-stop shop approach is developed to determine eligibility, which will assist target groups in maximising take-up of concessions on offer.

It is fully recognised that there will be exceptions to the granting of concessions for some services / target groups and the case for these will be made to the Executive as part of the annual review.

Subject to the above proviso, concessions should be investigated to the following target groups:

- Unemployed
- People in receipt of Family Credit
- OAP's
- Young Persons under the age of 18
- Registered Disabled
- Students in Full Time Higher Education
- Community Groups

Clearly differences between the existing income position and that proposed may arise, and the implications of introducing change must be explored, with transitional arrangements (e.g. phasing in changes over a set period) made where necessary. It would be for Managers to show the cost and justification for concessions within their annual review.

1. **Guidance on Policy Principle Three – Income Targets**

Policy targets should guide income from fees and charges, subject to:

- Having regard to the Council's commitment to deliver the corporate objectives through the application and tactical management of charges as set out in Policy Principle One
- The application of the concession scheme as set out at Policy Principle Two
- Having regard to any statutory constraints over charging levels
- Maintaining levels of customer satisfaction in and demand for Council services

The policy income target for the period 2004/05 to 2006/07 has been set so as to produce a minimum overall increase in income equal to inflation plus 1%. (It should be noted that a 1% change in the income raised from charges impacts a £1.40 change in the level of a Band D Council Tax).

For the financial year 2004/2005, this would mean that each Service has been given a corporate target for income generation of **3.5%.** I.e. an additional 1% increase over and above the assumed Retail Price Index for 2004/05 (which has been assumed as 2.5%*). As part of this Managers should investigate the scope for charging for services that have not been traditional charging areas in the past.

1. **The 2004/05 Review of Fees and Charges**

Service Managers should carry out their annual review of fees and charges for 2004/05 in line with the principles set out within this policy, and in accordance with the budget timetable. This should include an assessment of the basis of the charge from first principles. Any practice of simple annual increments in line with the rate of inflation is inappropriate, as would be any copycat approach that simply compares prices with neighbour authorities, without taking into account other local factors.

Service Managers should carry out as much of the review as possible, and clearly identify those areas not yet reviewed with a specific timetable for action.

Each charge applied within the Authority should also be fundamentally reviewed at least once every five years as part of the Best Value Review process. The challenges raised by the issue of charging should lie at the heart of any searching Best Value review:
Why are we providing this service at all?

- Who benefits?
- Why do we subsidise it, and what are we trying to achieve?
- How much do clients value the service, and how willing are they to pay for it?

The fundamental review process will examine the budgetary and cost setting process which underpins each charge, the level of subsidy, the standards and targets applied within each area of service, the levels of take up of service and investigations of demand and price sensitivity, recovery rates, and subsidy. The views of users and citizens should be sought and customers involved in the design of tariffs and review process.

1. Financial and Management Information Systems

As an incentive to Managers, any additional income achieved from a review of charges over and above the budget target will be shared on request from the Head of Service, on the basis of 75% returning to the Council's corporate reserves and 25% being retained by the area of service. This is subject to the additional income being used to improve the service, and the details of the improvement being agreed by the Head of Finance in conjunction with the relevant Head of Service. Also, in order to prevent distortion of the Council's overall spending priorities, a financial limit of **£10,000** is set for that element to be retained by the Service Department. Any amounts required over £10,000 would be subject to the approval of the Executive. This would be on the general principle that any **shortfall** in targeted income (or excess of associated expenditure) will be reimbursed through savings from the service department concerned.

Clearly this policy requires close co-operation between the Financial Services Business Unit and Service Managers in the forecasting and setting of realistic annual targets for each area of service. Managers will be required to prove assumptions behind targets and to set realistic, achievable targets. There will also need to be sensible negotiations regarding future year base income targets.

In addition to the above, Service Managers will need to develop or introduce their own Management Information systems to give user information required to make valid decisions.

8. Conclusion

The management of fees and charges is fundamental to the financial performance of the Council, and the adoption of a policy to guide the process is crucial to the achievement of Best Value for the authority.

The above policy principles and associated guidance are intended to address the requirement for a more corporate approach to the issue of fees and charges and to give Members and Managers a clear framework within which to work. At the same time it is intended that the Principles should not impose narrow constraints that could impede creative approaches to charging for specific areas.

The policy principles and guidance will be reviewed annually in advance of the budget cycle and amended as appropriate in the light of experience.

Council Objectives and Linkages of Charges ANNEX (TO CCP)

Objectives of the Corporate Plan	Corporate Strategies	Possible Charge Linkages
Communities ◦ Encourage Community participation and Inclusion ◦ Reduce crime and the fear of crime ◦ Tackle poverty and deprivation by regeneration	- Crime and Disorder Strategy - Anti-Poverty Strategy - Supporting People Strategy	- Car Park Charges - Assembly Room Charges
Economic Prosperity • In partnership, develop, support and modernize the local economy • In partnership, develop and retain skills in the Carlisle area. •	- Economic Development Strategy - Tourism Strategy - Marketing Strategy - Partnerships Strategy	- Car Park Charges - Assembly Room Charges
Health and Well Being • Promote healthy living and lifestyle • Co-ordingate a strategic approach to Housing • Statutory requirements for Environmental Health •	- Recreation Strategy - Sports Development Strategy - Parks and Countryside Strategy - Waste Management Strategy - Environmental Health Strategy	- Leisure Charges - Environmental Health Charges - Hostel Charges - Bereavement Charges
Infrastructure, Environment and	- Local Agenda 21	- Environmental

Transport • Promote and maintain a sustainable environment • Promote good access and transportation	Strategy - Waste Management - Parks and Countryside - Local Transport Plan	Health Charges - Car Park Charges - Bereavement Charges
Celebrating Carlisle City Council • Improve Carlisle's image • High standard cultural and educational facilities • Make best use of heritage and natural surroundings.	- Marketing Strategy	- Economic Development Charges - Tullie House Charges
Various Council Management objectives		all charges