

Consideration of the affordability criterion – information for local authorities

The Boundary Committee has engaged independent financial consultants to review whether the options being considered for changes to the local government structures in Norfolk, Suffolk and Devon meet the affordability criterion.

The affordability criterion is set out by the Department for Communities and Local Government. For completeness this is set out in Appendix A to this note.

The Committee has requested that workbooks are completed for the draft proposal and also the other pattern (or patterns in the case of Norfolk) identified in its report.

Information provided and requested

All S151 (finance) officers of each of the local authorities in the three county areas were briefed in early April on the process which was to be followed in collecting information to enable the proposals to be measured against the affordability criterion. The Committee and its consultants provided guidance to accompany this, which stressed that the exercise is not to produce a budget for the new unitary, but to establish whether the affordability criterion is likely to be met.

One lead officer for each option has been nominated by the Boundary Committee to co-ordinate the information within the workbook.

The process to be followed in collecting information included

- a standard workbook for data collection. The workbook is:
 - o self balancing
 - o has a range of checks and balances to ensure correct completion,
 - o enables apportionments of the budgets of constituent districts and counties, where necessary, to be clearly shown
 - o enables officers to show clearly the submission's approach to Council tax calculation and equalisation if necessary
 - o shows clearly the position regarding unallocated funds availability
 - o shows clearly the expenditure and savings which have been included in the submission
 - o shows clearly the population and ward and where necessary parish apportionment which are being put forward for each option
 - o shows clearly the base figures for each of the authorities
 - o produces a transition plan which indicates whether the affordability criterion has been met

- a schedule showing the headings of income and expenditure which it is expected would be included in the submission:
 - o this included expenditure headings such as staff release costs, pay harmonisation, accommodation costs, contract release costs , and service costs – and similar savings headings. The aim was to act as a check list for officers to show that all likely areas of costs and savings had been covered in the submissions
- a list of supporting information which was required
 - o this included access to published information such as budget books and medium term financial plans but also statements about levels of unallocated balances, and a risk assessment of the issues likely to be faced in implementing the proposal

Types of assumptions authorities are being requested to make

In order to complete the workbook it will be necessary for officers in all the affected areas:

- to consult, and be consulted by, and provide relevant information to the lead officer, and be consulted on in the calculation of the expenditure and savings issues shown above, notably staff release costs and pay harmonisation issues
- to agree on a reasonable basis for the apportionment of district and county budgets where these are to take place, including net expenditure and external finance

It is understood that certain assumptions may have to be made to do this; the documentation provides for these to be set down, and this will be part of the consideration by the independent financial consultants

'Sign off' certification by each S 151 officer

To ensure as far as possible that consultation takes place, each S151 officer of each affected authority has been requested to certify as follows:

- o 'I have provided base data as required relating to my authority for the completion of the specified data collection workbook , and I have checked the base data already included in that workbook, and I am satisfied that these have been properly incorporated.
- o I have been consulted on relevant issues in the calculation of the figures for the transitional plan shown in the data collection workbook where they affect my authority, and find the figures to be not unreasonable.' (if the figures were found to be unreasonable, then a comment as to which figures and why should be provided)'

We are aware, as we would expect, that there is a high level of co-operation between the finance officers of each of the county areas with regular meetings in place since the process and the briefings have taken place. However, it may be that there are areas where officers cannot, at this stage, agree. This process should highlight where this is the case and the possible effect on the proposal will be taken into account by the independent financial consultants when they advise on the risk or other wise inherent in the proposal achieving the affordability criterion.

Support we are providing to S 151 finance officers

As well as the briefings which have been given, support is being provided to officers by the independent financial consultants. This relates to the process and the completion of the required information, not about the calculation of base budgets or expenditure and savings figures. Responsibility for support to relevant finance officers for each of the 11 proposals has been allocated to a specific independent financial consultant, who has undertaken to answer any query raised as soon as possible and certainly within two days. In addition to this, all queries and responses are logged, and the log is available on the Committee website so all interested parties can view it.

http://www.electoralcommission.org.uk/_data/assets/pdf_file/0011/56198/ifc13.pdf

Publication of information relating to the affordability criterion

All information provided by the independent financial consultants and by the local authorities in this regard will be made available on the Committee's website, and therefore will be available to all to comment on. We expect to put the completed workbooks on our website shortly after the deadline for their completion which is 12 September 2008.

External review of the independent financial consultants' work

In order to increase transparency and independence we have arranged that the overall process, the detailed documents and the conclusions of the independent financial consultants will be externally reviewed before we finally take their conclusions into account in making our final decisions for recommendations to the Secretary of State.

APPENDIX A

For completeness and reference the DCLG affordability criterion, extracted from '**REQUEST TO THE BOUNDARY COMMITTEE TO ADVISE 6 February 2008** *Proposals for unitary structures*' is reproduced here

- 2.2 The change to a unitary structure should deliver **value for money** and be **self financing** so that:
- a) Transitional costs overall must be more than offset over a period ("the payback period") by savings;
 - b) The "payback period" must be no more than 5 years;
 - c) In each year, capital transitional costs incurred are to be financed through revenue resources, or the normal process of prudential borrowing or the use of capital receipts;
 - d) In each year, other (ie revenue) transitional costs incurred are to be financed through a combination of the following:
 - In year revenue savings arising as a result of restructuring;
 - Other in year specified revenue savings that are additional to annual efficiencies (e.g. Gershon savings) which local authorities are expected to make;
 - drawing on available revenue reserves, subject to ensuring that satisfactory amounts remain to meet unforeseen pressures or other potential calls on reserves.
- 2.3 Use of revenue reserves should be the final option considered, both because of the need to preserve a contingency to meet future pressures and because use of reserves adversely affects the fiscal aggregates in a given year, increasing spending but not receipts and so placing further pressure on the Government's fiscal rules;
- e) The use of capital resources to meet revenue costs will not be permitted.
- 2.4 All costs incurred as a result of reorganisation must be met locally without increasing council tax.
- 2.5 Central Government will accept no liability for any miscalculation or cost overrun in the final outturn. The Government will not accept that any additional, unforeseen costs of restructuring should be recovered from

council tax payers and that, therefore, any unforeseen costs will need to be financed from other sources.