

**What
Really
Matters?**

Budget Option
**Managing
the Money**

Savings

2014/2015	2015/2016	2016/2017	TOTAL
£000s	£000s	£000s	£000s
400	30	-	430

Option summary

This option comprises a number of proposals, including improving the way the Council allocates 'capital' funding and achieving savings through insurance fund contracts. A further element of this option is to begin recovering payment transaction charges from customers using online or credit card methods to pay for services.

A further breakdown of these factors is provided below:

- Reducing the Minimum Revenue Provision: Borrowing incurs two costs interest and a Minimum Revenue Provision (MRP). MRP equates to a repayment of loan principal. MRP savings can be made by applying (where allowable) any non-borrowing sources of capital financing against schemes with short asset lives. MRP only relates to schemes financed from borrowing. This proposal removes MRP against high cost schemes (i.e. the MRP charge for a 5 year asset life would be 20% rather than 4% for a 25 year asset life). This allows borrowing and the resultant MRP to be allocated to schemes with the longest asset lives, spreading costs over longer time periods and incurring lower charges on the annual revenue account.
- Insurance Fund Contracts: Savings have been achieved on Property and Fire insurance tenders
- Payment Transaction Charges: Where the Council is charged a fee for processing automated, online or credit card charges this cost would be recovered from the customer to achieve a saving of £38,000.

Potential impact

There is no negative impact on the public from the first two elements of this option. Future MRP savings depend upon having non borrowing sources of capital financing available and having schemes with short asset lives to which this funding can be applied.

With the payment transactions option there is a risk that customers may use other more expensive mediums to pay such as Cashiers, Post Office / Paypoint rather than on line, automated or card payment. If cash facilities were removed at the same time, then there could be a major ramification of service reduction whilst at the same time increasing costs. The authority has to ensure it only charges for what it incurs as no profit is allowed to be made in passing the transaction fee on.

There are issues with some payment handling scheme such as Pay Point and Post Office which do not allow for point of payment transaction charge add on.

Reducing the impact

There are no negative impacts for the first two elements.

Adding payment transaction charges to card payments may have a negative impact on collection rates. These costs will have to be balanced against the income raised which offsets the costs incurred. Previous experience showed that when trying to recover the payment charge (Post Office) customers reduced the amount they paid by the charge imposed leaving the authority with numerous small debts that were inevitably written off.