

CABINET

7 September 2016

THE OVERVIEW AND SCRUTINY COMMITTEE

12 September 2016

EFFICIENCY PLAN 2016 - 2020

REPORT OF CORPORATE MANAGEMENT TEAM

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RECENT REFERENCES:

CAB2815: Four Year Settlement, 6 July 2016

EXECUTIVE SUMMARY:

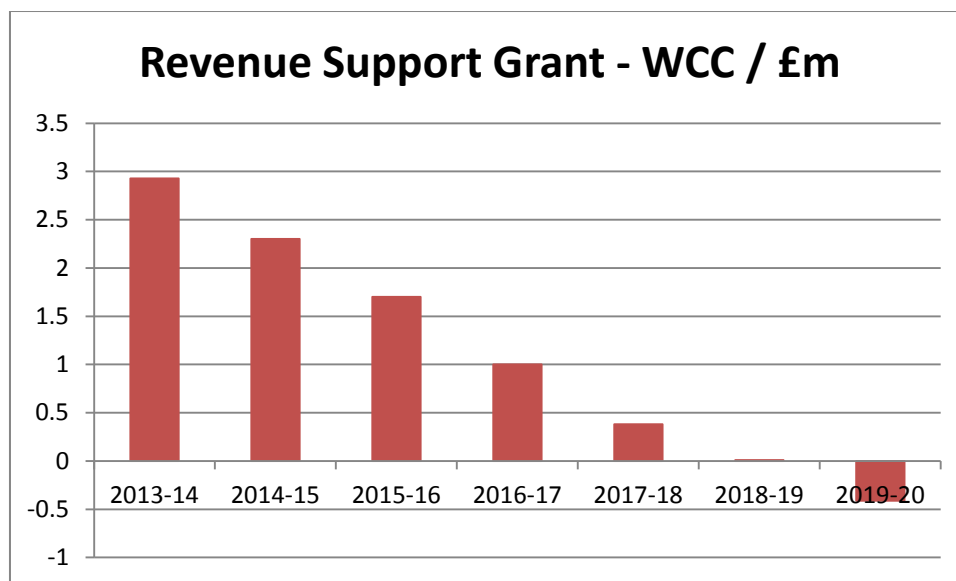
This report sets out the Council's Efficiency Plan 2016-2020 for approval. The publication of an Efficiency Plan is a prerequisite to receiving a four year funding settlement to 2019/20 from the Government.

RECOMMENDATIONS:

- 1 That Cabinet approve the draft Efficiency Plan 2016 – 2020
- 2 That delegated authority be given to the Corporate Director (Professional Services) in consultation with the Leader to further develop the Plan to include targets for revenue savings and income prior to the Efficiency Plan being submitted to Government in October 2016.

CABINET7 September 2016THE OVERVIEW AND SCRUTINY COMMITTEE12 September 2016EFFICIENCY PLAN 2016 - 2020REPORT OF CORPORATE MANAGEMENT TEAM1 Introduction

- 1.1 The City Council is ambitious for its district and aims to become self sufficient in its funding. As set out in its Community Strategy, the Council wants to ensure that the district continues to have a prosperous economy, maintains a high quality environment, and has active communities. It also wants to continue to provide the wide range of vital services to the public it currently offers in the most efficient manner.
- 1.2 The funding regime for local authorities is radically changing, with Councils needing to consider a fundamental shift in how services are funded, away from central Government grant and towards a more self sufficient and sustainable model which is driven by local strategy. The level of the key funding stream from Government, Revenue Support Grant, that the Council has, and is expected to receive, between 2013-20 is highlighted below:



- 1.3 Against this background the Council faces a forecast budget deficit starting from 2018/19 due to the transition in the funding regime to one which places

more emphasis on self reliance and less on central grant. That regime will inevitably require significant central intervention to balance resources and need nationally, but will also place a clear onus on Councils to generate the income they need to maintain services and meet local aspirations. There is also increasing pressure on the Housing Revenue Account as a result of the national rent reduction policy which needs to be addressed in a way which also supports the Council in achieving its aspirations for the area.

- 1.4 The Efficiency Plan at appendix 1 represents the first stage of the Council's budget planning and the framework for the Medium Term Financial Strategy (MTFS). It sets out the principal tools which will be used to address the medium term budget deficit and ensure the Council has a sustainable funding model going forward.
- 1.5 The Efficiency Plan contains four main themes; the contribution to the MTFS made by the Council's assets, the Income Strategy, Growing the Local Economy and Transformation savings. The Efficiency Plan does not create new themes but rather draws together existing strategies for ensuring financial stability whilst also delivering key outcomes and services.
- 1.6 These themes have been chosen because of the positive impact work in one area can have on outcomes in other areas; for example work to develop Winchester's economy will create a vibrant and lively town for all residents and visitors, protecting Council services by increasing its revenue through rental income and through increased business rate collection.

2 Four Year Settlement – Efficiency Plan requirement

- 2.1 In the provisional local government finance settlement 2016/17, the government stated that it would offer any council that wishes to take it up, a four-year funding settlement to 2019/20. Whilst not providing any additional resources, that approach would give the Council the benefit of certainty. At that time, information was limited on what the offer included and how to apply, but indication was given that an efficiency plan would need to be submitted when such an offer was requested. The below table shows the provisional grant funding offer:

Non-specific Grant Income	15/16	16/17	17/18	18/19	19/20
	£000	£000	£000	£000	£000
Revenue Support Grant (Tariff)/Top-up Adjustment	1,728	1,003	381	8	0
Transition Grant	0	92	92	0	0
Rural Services Delivery Grant	9	46	37	29	37
Non-ringfenced Government Grants (excl. NHB)	1,737	1,141	510	36	-372
<u>Other Non-specific grant income</u>			Forecast	Forecast	Forecast
NNDR Baseline Funding Level	2,024	2,041	2,081	2,142	2,211
New Homes Bonus	2,830	3,284	2,551	2,123	2,295
Total Non-specific grant income	6,591	6,466	5,142	4,302	4,133
Protected Income (£000)			510	36	-372
Protected Income (%)			10%	1%	-9%

- 2.2 At its meeting of 6 July, Cabinet agreed to accept the Government's offer of a four year funding settlement and endorse the publication of the required efficiency plan at their September meeting.
- 2.3 Limited guidance has been given by the Government on what form efficiency plans should take; however advice is that it should be a high level document drawing together existing strategies for supporting the Council's budget. The key documents to which it links are the Community Strategy, the Medium Term Financial Strategy, the Asset Management Plan, the Capital Strategy and the Transformation Plan.
- 3 Next steps
- 3.1 The Efficiency Plan is a key document in helping Winchester meet the financial challenges we face. The task over the next few weeks is to explore further each of the themes it identifies and develop a clear understanding of the savings or income which may be available under each. That will depend on the Administration's priorities, and what scope they see for maximising the contribution each makes to a balanced budget.
- 3.2 Further work will be undertaken with Cabinet Members during September to assign targets to each of the main Efficiency Plan themes. The Efficiency Plan will be submitted to Government in October to secure a Four Year Settlement. These figures will also be included in the MTFS which will be presented to Cabinet for approval in October.

4 Monitoring

- 4.1 Actions within the Plan will be contained within Portfolio Plans and so will be monitored by Members and officers using existing channels through reporting to The Overview and Scrutiny Committee and ongoing review by Portfolio Holders. Specific development projects will also be monitored through Cabinet and Cabinet (Major Projects) Committee. Ultimately, the regular budget monitoring will track progress against closing the forthcoming significant budget gap starting in 2018/19.

OTHER CONSIDERATIONS:

5 COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

- 5.1 In the context of reducing resources in the public sector, combined with the ending of central Government grant, the implementation of the programme within the Efficiency Plan will help ensure the Council's ability to continue to deliver important services to the community and achieve its aims as set out in the Community Strategy and Portfolio Plans whilst achieving a balanced budget overall.

6 RESOURCE IMPLICATIONS:

- 6.1 The 2016/17 budget set by Council in February produced a balanced budget in 2016/17 but highlighted increasing financial pressures leading to projected annual deficits of over £1m by 2018/19. Current forecasts show that this deficit could now exceed £1.5m per annum caused by delays to major income generating projects.
- 6.2 To put this into context the most recent forecast (CAB2763 Revised) showed projected baseline Cost of Services of £16.9m in 2016/17 rising to £18.2m by 2020/21 (caused mainly by contractual inflation estimates of 2% per annum and pay inflation of 1% per annum). The key funding estimates were based on no increases in Council Tax, retained Business Rates to rise in line with inflation, New Homes Bonus as per the estimates in CAB2760 taking into account both the current consultation and local estimates, and other government funding to be in line with the settlement.
- 6.3 The Efficiency Plan will guide the MTFs which is due to be refreshed and presented to Cabinet in October. These documents will guide the detailed budget considerations over the coming months where options will be considered for producing a balanced budget over the medium term.
- 6.4 The Council recognises that there is significant risk associated with a number of funding streams, such as the New Homes Bonus and Retained Business Rates, and has set aside appropriate risk and strategic earmarked reserves to provide both a buffer against these risks and to ensure sufficient resources are available to proceed with the transformation required to meet its objectives and deliver a balanced budget

7 RISK MANAGEMENT ISSUES

- 7.1 The main risk is the non-achievement of efficiency savings and income targets, potentially leading to an unmanaged and un-strategic approach needing to be taking to maintain financial stability within the MTFS. There is also the risk that the budget gap is not closed leading to a significant impact on the delivery of services which would need to be reduced in order to make essential savings. If the Plan is adopted and progress against delivering it maintained, it is considered that the likelihood of the risk occurring is unlikely.

BACKGROUND DOCUMENTS:

None

APPENDICES:

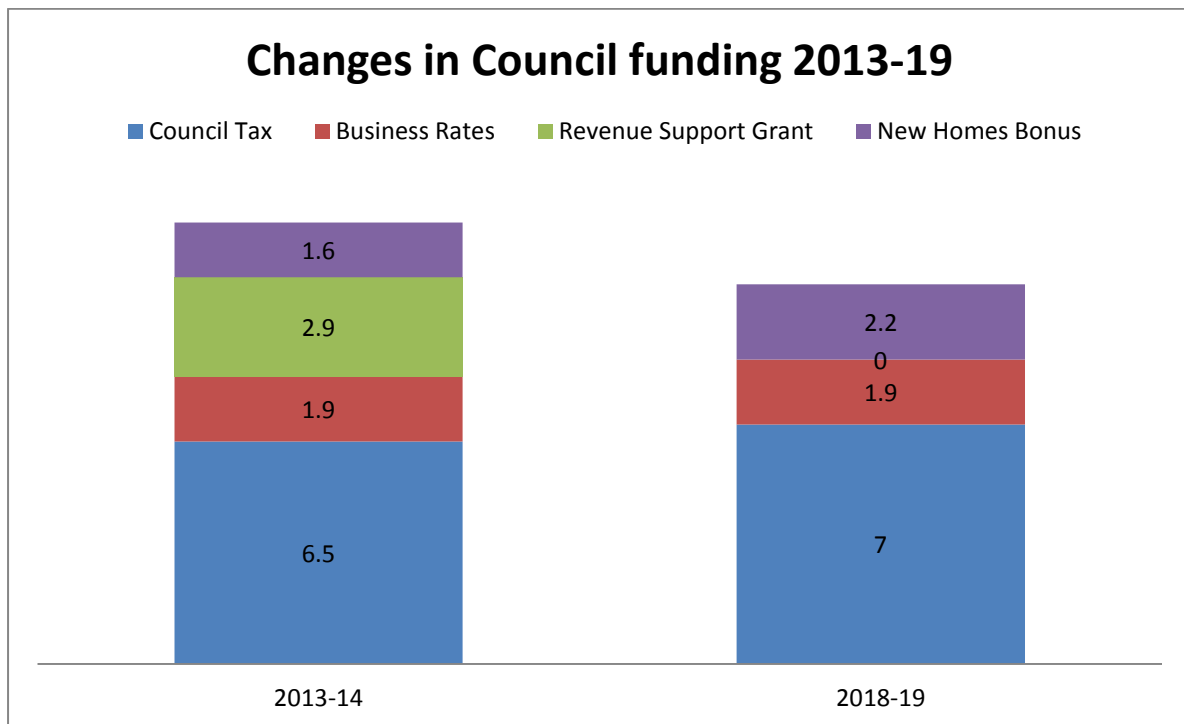
Appendix 1 – Winchester City Council Efficiency Plan 2016 - 2020

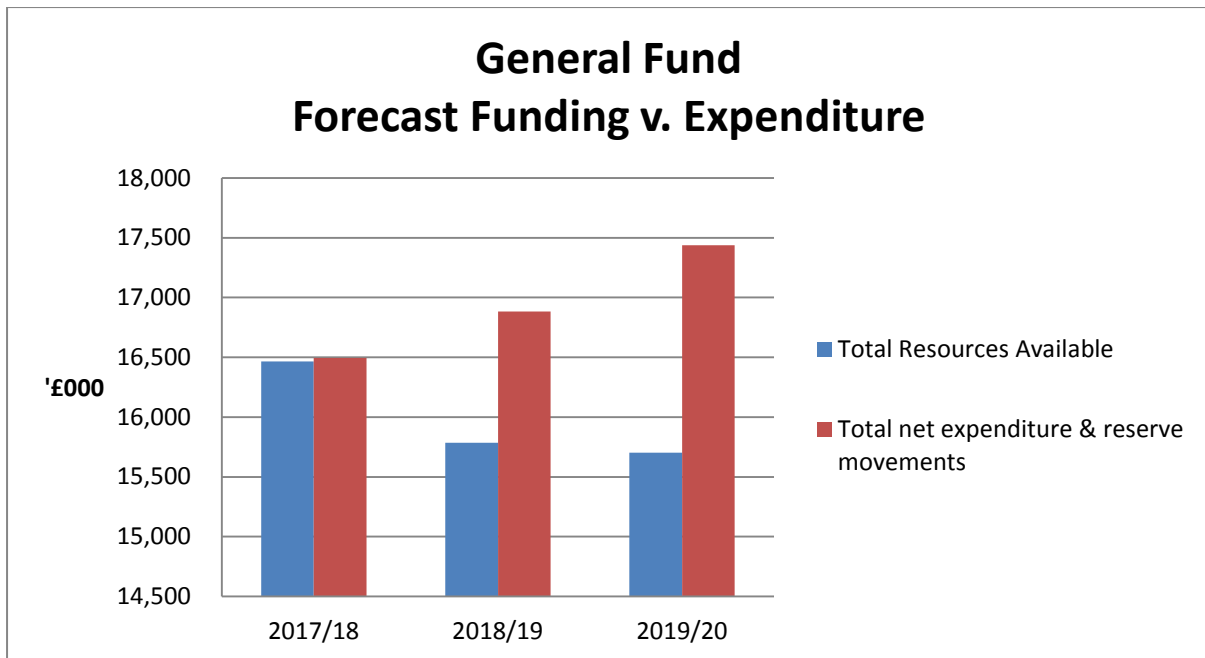
Winchester City Council
Efficiency Plan 2016 – 2020

Background

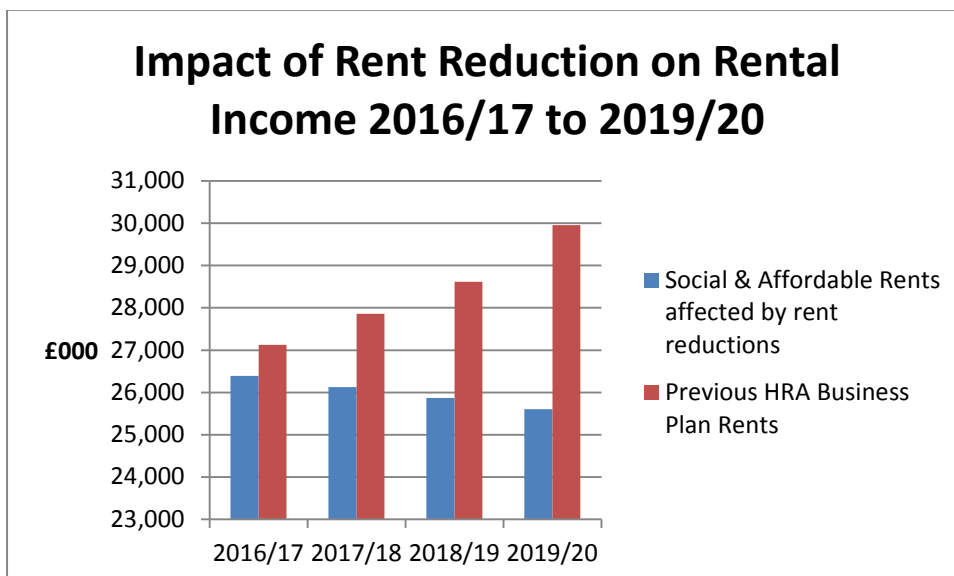
The City Council is ambitious for its district and aims to become self sufficient in its funding. As set out in its Community Strategy, the Council wants to ensure that the district continues to have a prosperous economy, maintains a high quality environment, and has active communities. It also wants to continue to provide the wide range of vital services to the public it currently offers in the most efficient manner.

The funding regime for local authorities is radically changing, with Councils needing to consider a fundamental shift in how services are funded, away from central Government grant and towards a more self sufficient and sustainable model which is driven by local strategy.





Against this background there is also a projected budget deficit within the Housing Revenue Account. Starting in 2018/19, and due to the transition in the funding regime and increasing pressure on the Housing Revenue Account as a result of the national rent reduction policy, this deficit needs to be addressed in a way which also supports the Council in achieving its aspirations for the area.

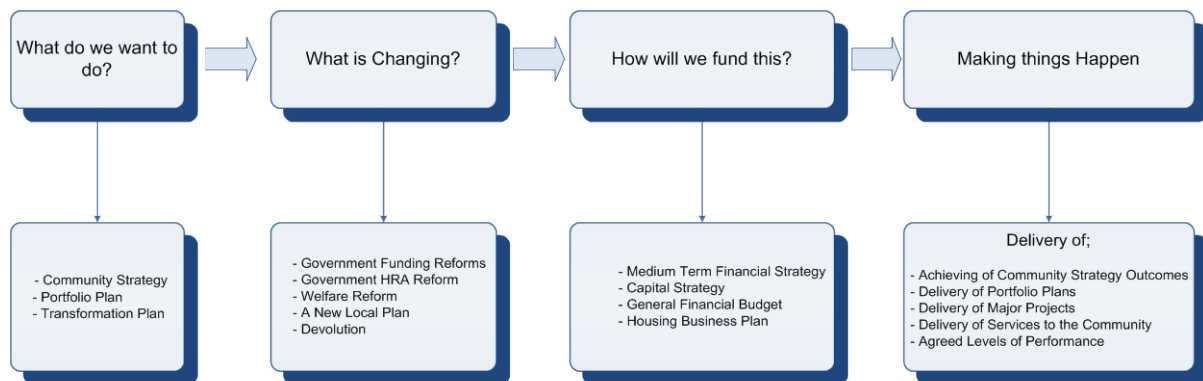


How Efficiency Plan links to other key documents

The Council has three main outcomes that it wants to achieve for the district: Active Communities, a High Quality Environment and a Prosperous Economy. It also has a further outcome of being an ‘Efficient and Effective Council’. Within these four outcomes, the Council has specific priorities that it wants to achieve via the delivery of its services and its programme of major projects. These are set out in the Community Strategy and then further detailed in its Portfolio Plans.

This Efficiency Plan sets out the framework for the Medium Term Financial Strategy and gives clear direction as to what the Council will do to ensure its budget can deliver the Community Strategy and its corporate priorities.

The diagram below illustrates the role played by the Efficiency Plan in facilitating the Council's ambitions and ensuring our Financial Strategy can support their delivery:



Core themes

The above diagram also sets out the four core themes for the Efficiency Plan. It is based on the Cabinet's priority of supporting the District's economy and increasing sources of revenue to the Council, and making revenue savings by transforming the way we work, not by 'salami slicing' budgets. These themes are all interlinked and will have positive impacts on each other as they are delivered.

The Efficiency Plan does not introduce any new themes for the Council, and as such progress will be monitored via our existing performance management system,

including online performance indicators, annual budget setting and monitoring, performance monitoring by The Overview and Scrutiny Committee and through reports to Cabinet on progress of major projects.

1) Contribution to be made by the Council's assets

1.1 Using the Council's estate to our advantage

The Council has set an ambitious capital programme in order to deliver important outcomes for the District and to deliver a financial return to the Council for maintaining services. In adopting this approach to supporting its MTFs, the Council avoids the need to make hard choices elsewhere in the budget. It also provides the flexibility through the extra revenue raised to make positive choices around additional activities or levels of service.

Working with partners in the public and private sector, the Council is targeting to receive a financial return via leases and rental income for the following major projects:

- Station Approach Regeneration
- St Clements Surgery development
- Redevelopment of the old Bar End Depot
- Review of City Offices accommodation

Due to the scale of these projects the timing of delivery is uncertain by nature and they are therefore subject to robust monitoring to ensure clear ownership and accountability and any financial projections are kept up-to-date. This is undertaken internally via officer monthly monitoring in conjunction with the Member Project Champions, and publicly through Cabinet, the Cabinet (Major Projects) Committee and The Overview and Scrutiny Committee.

1.2 Making Best Use of Housing Assets

The Council has determined a 30 year investment programme to ensure that it is able to maintain dwellings to the Decent Homes Standard throughout the life of the existing HRA Business Plan. It is currently reviewing all assets including land, garage sites and other non operational assets with a view to determining priorities for future development and a potential disposal programme to generate receipts in response to proposals included in the Housing Bill. This work also includes a review of options to support future housing delivery, such as housing companies or "special purpose vehicles" which may assist with reducing the reliance on HRA funding for future housing schemes.

2) Contribution to be made by our Income Strategy

The Council's approach to raising income in the future absence of central Government funding will represent an integral part of its strategy to continue to thrive

and deliver services in the district. The Government's assumption is that over the life of the Four Year Settlement, Council tax will rise by 2% per year. This will form part of the baseline for the Council's Medium Term Financial Strategy. The Income Strategy will be developed further, in addition to the using the Council's asset to raise revenue, to create further finance earned or raised locally, whilst ensuring income is as broadly spread as possible, to minimise risk.

Teams are challenged to deliver their services in a commercial way with a view to minimising the net cost of each service as far as possible through the regular review of both the range and level of fees and charges. New income streams will also be put forward for consideration by Members to determine their fit within the corporate and service plans. Part of this strategy is consideration of demand, and the recognition that demand for chargeable services is a key element of the pricing structure.

Fees and charges are reviewed annually as part of the budget cycle, however the Council will also be undertaking a more fundamental review of its income strategy to ensure that existing fees and charges are appropriate to supporting our MTFS and that opportunities to generate further income are actively pursued.

3) Contribution to be made by growing the Local Economy

This is a key element of the Council's Community Strategy and recognises the importance of encouraging and facilitating the growth of local business in order to provide local employment and prosperity to the district.

The growth in business rate base is also vital for the Council to continue to provide services to residents and businesses across the district. By 2018-19, Business Rates will make up almost 20% of the Council's core income. Therefore, growth in the overall business rate base helps to fund core services as well as reduce financial pressures elsewhere and on local taxation.

This theme is very closely linked to both how the Council's uses its assets and the Income Strategy. A strong local economy is a key element in delivering the Council's efficiency plan and growing locally generated income through retained business rates, investment property income, and car parking income.

4) Contribution to be made by Transformation savings

4.1 Transformation for Customer Service Excellence

Customer Service Excellence is a core value for the Council and there is a challenge to ensure that we are responding to what customers need when we are reviewing what level of service we are able to provide within available resources. Excellent customer service and working more efficiently are not mutually exclusive and as a central part of its Transformation Plan, the Council has already redesigned the way it delivers Planning services and made significant savings by focussing delivery

around the customer using the Vanguard methodology. This approach will be rolled out to other high volume and customer contact heavy services over the coming year.

As part of this theme, all opportunities to improve digital service delivery and digital methods of working will be adopted to maximise efficiencies and meet customer requirements. The levels of service provided by the Council will be reviewed in conjunction with its Income Strategy and its methods of interacting with customers.

4.2 Procurement

The Council spends significant sums of money every year through its procurement of goods and services. The appointment of a senior officer specialising in procurement will ensure savings are made in the day to day procurement of goods and services, as well as enhancing the Council's commercial skill base to understand how to get the best from its private and voluntary sector partners.

Savings targets will be set for this role which will be confirmed as part of the MTF5 for the next financial year.

4.3 Workforce Development

The Council is seeking to maintain its current baseline paybill over the medium term projections from 2016/17 to 2020/21, to make a contribution towards the current future year deficits. It is expected that the active management of vacancies using a variety of methods, including secondments will continue to form an important part of this strategy. Our Workforce Development Strategy sets out the contribution that the Council's approach to managing its human resources will make to efficiency savings.

4.4 Working with our Partners

The Council actively reviews its service delivery models with options that include partnership working with both other local authorities and the wider public and charity sectors / outsourcing / and in-sourcing. Recent examples of this include the shared IT service with Test Valley Borough Council, the joint environmental service arrangements with East Hampshire Borough Council and the Hampshire Cultural Trust project involving joint working with Hampshire County Council to deliver Museum services across Hampshire.

The Council is currently looking at the range of options available post the environmental service contract renewal in 2019 to work with partners and contribute to our Efficiency Plan. Our strategy of developing our own estate will also provide opportunities which we are exploring to partner with other organisations to meet mutual aims and make efficiencies – for example the Council is currently looking at options for its City Offices.

Earmarked Reserves

The Council has available a number of earmarked reserves which are broadly split into the categories of either risk related reserves or strategic reserves.

In order to determine the correct level of reserves a financial risk assessment is produced alongside the annual budget process by extracting financial risks from the Corporate Risk Register. During this process both the likelihood, impact, and mitigation is assessed and this helps to determine the required 'risk reserves' both at a general level (the £2m general fund balance) and at a specific level (the £1m business rates retention reserve).

Strategic reserves are determined through linkage to the Asset Management Plans, IT Strategy, Car Parking Strategy, Transformation Plans, and the Portfolio and Service plans. These plans determine what the resource requirements are over the medium term planning period.

The Council has put significant resources into these reserves in order to fund the requirements and the total general fund balances at 01/04/2016 were £21.6m. The most significant of these reserves are listed below:

- | | | |
|-------|--|-------|
| (i) | Major Investment Reserve | £7.9m |
| | Which is planned to fund major one-off revenue or capital expenditure, for example the revenue budget associated with the new leisure centre is funded from the Major Investment Reserve. | |
| (ii) | Property – Asset Management Plans | £3.7m |
| | Which is planned to fund major one-off revenue or capital expenditure identified in the Asset Management Plans. This is mainly supporting the maintenance of the Council's existing assets. | |
| (iii) | Organisational Development | £1.6m |
| | Which is planned to fund the Council's Transformation plans, which are expected to largely be revenue in nature. | |
| (iv) | Car Parks Property | £1.5m |
| | Which is planned to fund major one-off revenue or capital expenditure identified in the Car Parking Strategy and Asset Management Plans. This is mainly supporting the maintenance of the Council's existing assets. | |