

# AGENDA ITEM 15

## POLICY, FINANCE AND ADMINISTRATION COMMITTEE

12 JULY 2016

### REPORT OF THE CHIEF EXECUTIVE

#### EFFICIENCY PLAN

#### 1.0 PURPOSE OF REPORT

- 1.1 The purpose of this report is to update members on the progress made towards the development of the Council's Efficiency Plan as a first step in consideration of submission of the plan together with supporting documents as the Council's Efficiency Statement to Government.

#### 2.0 RECOMMENDATIONS

**It is recommended that:**

- 2.1 **The draft Efficiency Plan be approved for further work and submission for final approval to this committee at its meeting on 30<sup>th</sup> September.**
- 2.2 **The Terms of reference of the Transformation and Efficiency Board as a task and finish group of this committee be approved and allocation to its membership be made.**

#### 3.0 KEY ISSUES

- 3.1 As Members are aware the Local Government Settlement set out by Government in its Autumn Statement and then subsequent Rate Support Grant for individual Councils together with the further three year forecast covering the period 2016/2020 results in the need for the Council to make significant savings in its spending in this period. Current estimates and understanding of this sum are that it is in the region of £900,000 for the General Fund.
- 3.2 The Council has a good record in relation to its approach to budget reductions and efficient and effective working with teams and partners that has produced large savings in previous years. The approach ranges from smaller savings made within teams and services within the council such as the reorganisation of customer contact in Customer services through to larger sums from reorganisation, renegotiation of contractual relationships or closer partnership working bring in new income streams.
- 3.3 In order to meet the savings required over the coming years Members have indicated that they wish to continue this "whole Council" approach to service delivery and finances. They have guided Officers that there is a wish to adhere to the Council's priorities but in acknowledgment of the need to target capacity and resources to achieve this.

- 3.4 In order to achieve this “whole Council” approach to achieving savings within the context of continuing with the Councils direction of travel an approach to preparation of the Efficiency Plan has been developed across six themed areas. These include business efficiency effectiveness and economy, based on the tenants of a Value Money approach together with looking at business expansion, business change and ultimately contraction. Each of these themes has identified a first raft of potential projects which form the basis of the Plan. The projects have a current estimated savings target and have been subject to an assessment as to whether they would require full project management or a light touch approach bearing upon the impact the project may have and the resources required. Taking these matters into account the projects have then been scheduled over the relevant financial years 2016/17 to 2019/20. This approach has developed the first draft of the Efficiency Plan which is set out in Appendix A to this report.
- 3.5 The detail of the delivery of the Efficiency Plan will be worked through into project action plans with timetabled resource needs allocated and a reporting schedule through to the Senior Management Team on an allocated basis at their monthly meetings. This process will be overseen as Members directed by the Chief Executive and the Head of Central Services in her role as Section 151 Officer.
- 3.6 Members will note that the estimated savings total identified in the first draft is £702,000 for the General Fund with £55,000 identified for the HRA. This first draft primarily includes those internal projects which can be identified. Work is beginning on further outward facing proposals under ‘commercialism’ approach which is being supported by the Local Government Association at this stage. Also the total does not account for smaller projects which will be initiated within and through service areas and teams. The new Management Development and Learning cohort will take certain of these projects forward as part of the development programme.
- 3.7 Members will note elsewhere on the agenda the proposal to establish a Spending Pressure Reserve has been made this will enable Members to manage more effectively the impacts of change on the overall Council business and make appropriate business decisions based upon the fact that some provision has been made to support these, allowing for forward planning.
- 3.8 The challenge to the Council to achieve these savings in a way which maintains service delivery as appropriate and needed as well as moving forward with the Council’s direction of travel is significant. However, there is a recognition that the Members agreed focus is supported and a willingness to deliver in this way identified through the first draft Efficiency Plan as prepared. This targeted and prioritised approach is shown elsewhere on this agenda with the report dealing with the One Council Delivery and Development Plan. As well as a report finalising the Plan being made to the next meeting of this Committee the move towards delivery will be further evidenced at the Members Away Day in October.

#### **4.0 POLICY AND CORPORATE IMPLICATIONS**

- 4.1 The Leader has also advised Full Council at her wish to engage Members more fully in these processes to give effective guidance to Officers. Therefore it is proposed to establish a Transformation and Efficiency Board which will be a Task and Finish Group of this committee. The proposed terms of reference for this Group are attached at Appendix B. Members are requested to approve the formal

establishment of the Task and Finish Group.

## 5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

- 5.1 The finance settlement sets out the centrally allocated resources for all councils which are allocated within the context of the spending review. A Settlement Funding Assessment is awarded which consists of a Revenue Support Grant (fixed grant) and a Baseline Funding Level which is used to calculate the level of business rates that can be retained from that estimated to be collected locally. Figures were announced for the period 2016/17 to 2019/20 with the announcement that where council's desired the certainty of a guaranteed four year budget this would be available with the submission of an efficiency statement. No further information of what the alternative option is nor what the efficiency statement should consist of have been made available and it has been left to council's to determine the format of their efficiency plans.
- 5.2 The four year finance settlement shows the Council is set to incur an overall loss of grant of £933k between the financial year 2015/16 and 2019/20 representing a 42% reduction. This is in addition to the previous reductions of £1,859k or 57% over the period 2010/11 to 2015/16. Once Revenue Support Grant no longer exists an adjustment is made to the business rates retained in order to continue with the reductions to funding. A review of the current business rates system is underway with the aim to move to a 100% retention of business rates by the local authority sector. A consultation is due later this month. Whilst the detail of the implications is not known it is clear that there will be a redistribution mechanism across the country which will further impact on the level of financial resources available to spend in each area.
- 5.3 In addition to the core funding there is a live consultation regarding New Homes Bonus (NHB) which could see further significant losses in funding. Whilst the consultation has now closed there has been no feedback on the outcome.
- 5.4 Over the years Melton has demonstrated a strong efficiency culture through the continuous review of how it delivers services in order to drive out savings and efficiencies. Value for money (VFM) is key in delivery good quality services at a reasonable price which is a philosophy supported by both Senior Management and Members. Since the inclusion of a VFM assessment by External Audit Melton has always received a positive assessment with the latest audit report stating there weren't any improvements to be made in how the Council seeks VFM.
- 5.5 Melton has achieved savings since 2007/08 of over £3m including those generated by moving to Parkside with the operation of a more efficient office space, savings in external interest and debt repayments following the decision to go debt free on the general fund following a large capital receipt and restructuring of services to ensure they remain fit for purpose. During this time the Council has also undertaking savings exercises to ensure all the quick wins and easy to achieve 'low hanging fruit' had been removed from the budgets but this is beginning to be exhausted now.

- 5.6 As the Council looks forward to the future funding pressures it will be facing and predicted budget gap of £900k as outlined in the current Medium Term Financial Plan it will be a very tough challenge to meet this as the council is a lean organisation and many of the easy savings have been made. Therefore, it is important Melton develops robust and deliverable efficiency plans in order to identify and secure savings that will help meet this future funding challenge. The council will need to be more innovative and commercial in its approach to how it delivers the necessary savings building on its past successes in this area. Whilst the primary aim will be to protect priority services and avoid service reductions it may be that ultimately this cannot be avoided in all areas.
- 5.7 The efficiency plans will underpin the MTFS with the estimates it contains needing to be included in order to demonstrate how the council intends to meet the estimated funding gap. A number of savings assumptions had already been incorporated into the existing MTFS and these will also need to be delivered in addition to the further savings set out in the efficiency plans in order to deliver a balanced budget. The current MTFS will be reviewed as part of the budget setting process for 2017/18.
- 5.8 Whilst the efficiency plans at Appendix A indicate an overall saving of £702,000 for the General Fund and £55,000 for the HRA, this is a first draft and has been generated by internal discussions based on our current knowledge and skills available to us at this time. The move to a more commercial approach will require a change in culture and the associated knowledge and skills this will require. In order to start this process of change the council has applied for a grant from the LGA to commission external support to identify commercial opportunities the council could exploit moving forward that would service to increase the level of savings achievable. In addition the Council is also looking for external support to identify any property opportunities there may be from the council's existing land/property holdings but also from any acquisition opportunities.

## **6.0 LEGAL IMPLICATIONS/POWERS**

- 6.1 Support from the Council's Legal team in dealing with some of the more complicated project issues arising from proposals will be put in place in order to organise the use of capacity appropriately. Legal advice as required to develop and take forward proposals will be provided.

## **7.0 COMMUNITY SAFETY**

- 7.1 There are no particular implications arising from this report, however certain projects/proposals may impact upon this area of the Council's activity.

## **8.0 EQUALITIES IMPACT ASSESSMENT**

- 8.1 Equalities Impact assessments will be provided for individual projects/ schemes as required

## 9.0 RISKS

### 9.1

<b>L I K E L I H O O D</b>	<b>A</b>	<b>Very High</b>			<b>1</b>	
	<b>B</b>	<b>High</b>			<b>2</b>	
	<b>C</b>	<b>Significant</b>			<b>3</b>	
	<b>D</b>	<b>Low</b>				
	<b>E</b>	<b>Very Low</b>				
	<b>F</b>	<b>Almost Impossible</b>				
			<b>Negligible 1</b>	<b>Marginal 2</b>	<b>Critical 3</b>	<b>Catastrophic 4</b>

**IMPACT**

<b>Risk No</b>	<b>Risk Description</b>
1	Risk of achieving a balanced budget as a result of government funding cuts without resulting in significant cuts in service provision.
2	Challenge of cultural issues which could undermine our ability to transform the Council and deliver required savings. Savings will be dependant at achieving high quality work within timelines, culture changes is also required to achieve savings over the next 3 years, including the commercial culture being developed.
3	Schemes do not achieve the identified savings set out in the plan which could be due to a lack of resources, over ambitious targets, poor assumptions or lack of approval for final proposals.

## 10.0 CLIMATE CHANGE

10.1 There are no particular implications arising from this report

## 11.0 CONSULTATION

11.1 Consultation has been carried out with the Trade Unions and they have indicated support for the Council's approach to achieving the savings particularly the establishment of the Spending Pressures Reserve which they see as a positive move towards supporting staff with service delivery and change in these difficult times.

## 12.0 **WARDS AFFECTED**

### 12.1 All

Contact Officer: Lynn Aisbett- Chief Executive/ Dawn Garton –Head of Central Services

Date: 16 June 2016

Appendices : Appendix A – Draft Efficiency Plan  
Appendix B- Terms of Reference of the Transformation and Efficiency Board

Background Papers: Initial draft plan proposals.

Reference : X:/Cttee, Council &Sub Cttees/PFA/ 2016-17/12 July 2016/ Efficiency Plan