

**Bolsover District Council**

**Executive**

**3<sup>rd</sup> October 2016**

**Bolsover District Council Efficiency Plan.**

This report is public

**Report of the Leader of the Council**

**Purpose of the Report**

- For Executive to approve that the Efficiency Plan – attached to this report as Appendix 1 – be published on the Council’s website and that officers inform the Department for Communities and Local Government that the Council has agreed its Efficiency Plan.

**1 Report Details**

**Background**

- 1.1. The Government announced as part of its local government financial settlement in February 2016 that it would offer a guaranteed minimum grant level, paid to councils for a 4-year period from April 2016 covering Revenue Support Grant, transitional funding and Rural Services Delivery Grant. This, in the view of the Secretary of State, would increase local authority certainty and confidence and was a key step in supporting councils to strengthen financial management and collaborative work with local partners when considering the way local services are provided in future. The main condition which local authorities are required to meet before being able to benefit from the four year settlement is that they publish an Efficiency Plan on their website by 14<sup>th</sup> October 2016. The content of that Plan has been left to the discretion of individual authorities although some general guidance was provided in an announcement from the Department for Communities and Local Government in February 2016. Of more assistance has been the publication of some ‘unofficial’ guidance notes from the Local Government Association and CIPFA concerning an appropriate format for the Efficiency Plan.
- 1.2. Within the guidance provided by the LGA and CIPFA the following key points are made:
  - The Efficiency Plan should not be a major piece of work but might best consist of a narrative of two to three pages linked to other key strategies with details of ongoing and planned transformation projects. Council’s should focus on what works for them and their communities, with the Plan requiring political ‘buy in’ from the Council’s themselves who determine the process required to secure approval.

- Given that the multi year settlement does not cover all funding streams and unpredictable pressures impact upon costs the Efficiency Plan needs to allow for risk and provide sufficient reserves contingencies for risk to be managed.
  - The 'localisation' agenda of replacing RSG with NNDR has significantly increased the level of financial uncertainty. Although local government can promote economic growth thereby generating increased NNDR income it needs to be recognised that there are a range of factors outside of local authority control which impact upon the ability to generate growth, whilst levels of income may fluctuate as a result of local economic decline, revaluation appeals, etc. which are outside local control.
  - A key principle in developing the Efficiency Plan is that it should build upon existing corporate managerial arrangements such as financial plans set out in the MTFP, the service plans to deliver the Corporate Plan and the performance management framework. For most Council's including Bolsover District Council the Efficiency Plan requires that the existing MTFP which runs to March 2019 should be extended by a further year to cover the period until March 2020.
  - It would be appropriate that it be submitted jointly by the Chief Executive and the Council leader.
  - The Efficiency Plan needs to acknowledge that elections, etc may change priorities.
  - Authorities should take it as an opportunity to extend MTFP to a period of 4 years.
- 1.3. The Council's Efficiency Plan has been developed in the light of both local circumstances and the LGA/CIPFA guidance. Over previous years the Council has successfully managed the reduction in the level Government funding and its financial and governance arrangements are robust. It is therefore appropriate that we follow the guidance and adopt a relatively light touch approach in respect of the Plan itself.
- 1.4. While the Efficiency Plan that is recommended for adoption by Bolsover District Council is deliberately light touch, Executive will be aware that the Council has in place robust and well established mechanisms to ensure that efficient and effective service delivery arrangements are maintained against a background of the public sector austerity agenda. In particular there is an agreed Growth and Transformation strategy which should both benefit local communities and deliver the financial efficiencies which the Council will need to secure. Executive should note that it is intended that the Efficiency Plan be maintained as an up to date document and therefore it will be subject to amendment and refresh over time to reflect amendments to the Medium Term Financial Plan or other similar changes as approved by Members. It should be noted that the Efficiency Plan as recommended within this report reflects the currently approved position.
- 1.5. One of the key principles that has been adopted locally is that the Council has adopted what amounts to a ongoing series of base budget reviews, opportunities to review systems, taking advantage of employees voluntarily leaving the organisation, or the introduction of new or upgraded ICT systems. The Council's approach to change has helped maintain continuity of service has limited severance costs and has generally reduced the level of disruption associated with the requirement to deliver services against a background of an ongoing reduction in the level of resources available to fund services.

## **2. Conclusions and Reasons for Recommendation**

- 2.1. On balance there would appear to be some potential financial advantages associated with accepting the Government's promise of a four year financial settlement. While the settlement only offers certainty around a limited number of funding streams that increased level of certainty will be beneficial to the Council and given that the only requirement to meet is the publication of a light touch Efficiency Plan the benefits would appear to outweigh the costs. The development of an Efficiency Plan also raises awareness across the Council of our requirement to deliver on going efficiency savings in order to meet the challenges of the austerity agenda.

### **Reasons for Recommendation**

- 2.2. To enable Executive to agree that the Council should endorse and publicise the Efficiency Plan set out as Appendix 1 to this report.

## **3. Consultation and Equality Impact**

### **Consultation**

- 3.1. There are covered throughout the report. It should be noted that consultation in respect of any specific proposals outlined as options within the Efficiency Plan including Transformation, Growth or Council Tax increases remain options which will need to be agreed through the usual approval process.

### **Equalities**

- 3.2. These are covered throughout the report.

## **4. Alternative Options and Reasons for Rejection**

- 4.1. The Council could take the view that it is not appropriate to accept the Government's offer of a period of four years of financial stability in respect of a limited number of grant schemes. While the Government's proposals still leave the Council with a range of funding streams which are at risk of fluctuation or decline there is a clear advantage in securing greater certainty to at least part of our income. While the reward being offered by the Government could be viewed as a relatively limited one this needs to be balanced against the fact that the preparation of an Efficiency Plan is relatively simple as it is based upon existing plans and procedures which are already in place.

## **5. Implications**

### **5.1. Finance and Risk Implications**

#### **Financial**

- 5.1.1 There are covered throughout the report and the attached Appendix. The key issue for Executive to note is that we need to address a forecast annual shortfall which over the period to March 2020 requires cumulative savings approaching £2m.

## **Risk**

5.1.2 There are covered throughout the report and the attached Appendix.

## **6.2. Legal Implications including Data Protection**

6.2.1 There are no legal or data protection issues arising directly out of this report.

## **6.3. Human Resources Implications**

6.3.1 There are no human resource issues arising directly out of this report.

## **7. Recommendations**

7.1. That Executive note the report and agree the Efficiency Plan (attached as Appendix 1 to this report), be published on the Council's website in order to allow the Council to benefit from the Government's four year financial settlement.

7.2. That the Efficiency Plan be maintained as an up to date document by amending it to reflect any decisions in respect of the Medium Term Financial Plan or other key policies as agreed by Executive or Council.

## **8. Decision Information**

<b>Is the decision a Key Decision?</b> (A Key Decision is an executive decision which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
<b>District Wards Affected</b>	None directly.
<b>Links to Corporate Plan priorities or Policy Framework</b>	Effective financial management underpins the effective operation of the Council and its ability to secure all of the Corporate Plan priorities.

## **9. Document Information**

<b>Appendix No</b>	<b>Title</b>
1	Bolsover District Council Efficiency Plan
<b>Background Papers</b> (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
<b>Report Author</b>	
<b>Contact Number</b>	
Executive Director - Operations	2431
Assistant Director – Finance, Revenues and Benefits	2214

**BOLSOVER DISTRICT COUNCIL : EFFICIENCY PLAN**

The Council's Efficiency Plan is based upon our established Corporate policy of continuing to deliver priority services to local residents whilst ensuring that the underlying level of expenditure remains in line with the underlying level of resources.

At the core of the Council's Governance arrangements are a Corporate Plan which establishes priorities for service delivery, together with a Medium Term Financial Plan. These inform the Performance Management Framework which is intended to ensure that the Council continues to provide good value services to local residents. In developing its Efficiency Plan the Council is seeking both to strengthen its existing framework of Corporate Governance whilst ensuring that it secures the increased certainty regarding the level of future resources promised by the Government.

The Council has a good record of managing the issues which arise from ever reducing level of Government funding. It is envisaged that the Council will address further reductions in funding by continuing to progress its policies of Growth and Transformation which were re-affirmed as two of the four Corporate Aims in the current Corporate Plan covering the period up to 2019. The Council's Efficiency Plan is based upon:

**Growth:**

Under the localism agenda Councils are increasingly dependent upon the increased levels of income arising from economic growth. While historically the District Council has always been actively supportive of economic growth, under the revised local government financial arrangements which have applied since April 2012 part of the Business Rate income growth is retained by the Council. As new businesses are created, or the decline in existing businesses is slowed the increased level of business rates provides additional income to the Council. Economic prosperity also serve to reduce cost pressures on the Council as prosperity reduces the level of intervention required to support our local communities.

Building new homes, or bringing back existing properties into use benefits the Council through both New Homes Bonus and additional Council Tax income. The Council supports its growth agenda by:

- Working with Partners including D2N2, Sheffield City Region, Derbyshire County Council, the HCA to bring investment, grant funding, skills training, improved infrastructure into our District. We work closely with both funding and other strategic partners, while we engage with local business to better understand their issues to optimise the external support we are able to secure.
- Effective Planning arrangements and engagement with developers to facilitate both business and housing development which strengthen our local communities.
- The Council directly invests in supporting local business operating The Tangent a Business Hub at Shirebrook, providing business space providing a wide range of business space at Pleasley Vale Mills, whilst supporting a range of apprenticeship and other schemes which assists residents to re-enter the employment market.

- The Council has a programme of building new Council houses, with work in progress on a programme for a further 100 properties. This programme makes a contribution to meeting local housing needs, supports the growth agenda directly, whilst the contractual arrangements include clauses specifying social outcomes in terms of apprenticeships / training, etc.
- The Council has established a Joint Venture Company with the private sector to bring forward mixed tenure housing projects to meet local need and to help ensure that financially marginal projects on sites earmarked for regeneration proceed at the earliest opportunity.

The Council has been successful in working with partners to secure both business and housing growth. With respect to National Non Domestic rates the Council is currently securing levels of income some £1m above its baseline figure with further growth anticipated over the period of the current MTFP. The Council is working with partners on a limited number of strategic sites which should generate further growing levels of NNDR beyond March 2020. In addition the Council is benefitting with the core revenue budget being supported by some £1.3m of New Homes Bonus.

### **Transformation:**

The Council has in place a policy of modernising and improving the efficiency of services in order to maintain / improve the quality of service to local people whilst providing 'more from less'.

- Currently the major programme underway is a £4m extension to the Council's core Leisure facility, which will provide a pool and enhanced fitness suite. On the basis of the Business Plan the new facility – which will replace a traditional pool elsewhere in the District – will end the requirement to provide a subsidy to the Council's Leisure facilities.
- The Council has invested heavily in ICT over the past five years including a new Customer Relationship Management System (CRM) with upgrades to the majority of other systems.
- The Council has worked hard to develop and increase its income streams including business centres.
- The Council operates as part of a Strategic Alliance with a neighbouring authority North East Derbyshire District Council which has generated significant financial efficiencies primarily in the area of back office costs.
- The Council has undertaken an office rationalisation programme moving its administrative headquarters, reducing the space required for back office services freeing up surplus space for rental to external organisations. There have been both revenue savings together with a significant reduction in backlog capital maintenance costs.

While the Council has managed the initial years of the austerity agenda well it needs to be recognised that this has been achieved by a range of what might be viewed as strategic options including a Strategic Alliance, Office rationalisation, ICT upgrades, maximising income streams, etc. While we would anticipate securing further gains from all of these areas it does need to be recognised that they will provide diminishing returns in the future. The Council therefore needs to identify further 'low hanging fruit' if

it is to continue to protect services to local residents at a time of reducing Government funding.

The scale of the challenge facing the Council is set out in the table below:

**BDC : Summary of Potential Savings Opportunities**

	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's
<b>Current Efficiency Target / Budget Shortfall</b>	<b>265</b>	<b>1,040</b>	<b>1,250</b>	<b>1,830</b>
Options Identified:				
NNDR Growth Target		(100)	(200)	(300)
Transformation, Secondments & Joint Working	(150)	(300)	(450)	(600)
Vacancy Management	(50)	(50)	(50)	(50)
Council Tax Increase (1.9%) – Subject to Council Approval.	(65)	(130)	(195)	(260)
<b>Total Savings Options</b>	<b>(265)</b>	<b>(580)</b>	<b>(895)</b>	<b>(1,210)</b>
<b>Unidentified Savings Target / (Call on General Fund Balances)</b>	<b>0</b>	<b>460</b>	<b>355</b>	<b>620</b>

These figures are extracted from the Council's MTFP and identify an indicative total savings figure of £1.8m over the period to March 2020. While the estimated figures provided above are fit for purpose it does need to be recognised that they contain a range of assumptions around such areas as NNDR, New Homes Bonus and specific grant levels that are invariably subject to fluctuation. In addition the Council is currently in the process of implementing a number of transformation projects which once completed should secure reductions in the underlying level of expenditure. Although the figures provided are estimated and include some significant uncertainties, it does need to be recognised that under any scenario the 'austerity' agenda will require significant reductions in the net expenditure of the Council. The indicative savings options provided in the table above are estimated figures and it is necessary to translate these into detailed proposals, before securing Member approval and moving to implementation. The development and implementation of the strategic opportunities identified above requires a significant amount of work and time and the Council is well aware of the risks that the options identified may not be achievable in practice. Some of the key risks together with the mitigation that will be used are highlighted below.

**Growth**

While the Council is working on a range of economic development initiatives there is a time lag before these are translated into expanding businesses and increasing business rates. Although the Council actively progresses its growth agenda through securing external funding for infrastructure, training, site reclamation work etc, it needs to be recognised that this investment secures economic returns over a period beyond the four years which is the focus of the Council's financial planning process.

On the basis of the information currently available we are confident that over the short term current levels of moderate economic growth will be sufficient to increase the level of NNDR by an estimated amount of some £100k p.a. While improvements arising from new and expanded businesses will exceed that figure some of the increased NNDR secured from start ups will be required to offset reductions in income arising from business closure / revaluation, etc. While there is reasonable certainty regarding the

level of new business development in the pipeline, it needs to be recognised that the Council has less understanding / control of the risks that may arise from the revaluation of premises, or from a higher than anticipated failure rate of existing business.

### Transformation

With respect to Transformation the Council has an established programme of work which is based upon a combination of approaches. In the first place we review services on an on-going basis in order to identify those areas where costs appear to be high, or performance indicates difficulties in meeting agreed standards. Reviews are generally structured around the introduction of new or upgraded software application, or from a Business Process review of current procedures. The Council endeavours to run two to three business processes reviews at any one time and the areas to review are generally selected in response to local circumstances, which include consideration of comparative costs. To minimise the costs and disruption of Restructuring the Business wherever possible changes to structures, etc are introduced as existing employees leave the employment of the authority. In addition improvements to services such as waste collection allows the service to continue to operate with existing resources against a background of increasing house numbers. These processes have worked well in the past and the Council has secured significant levels of financial savings, with change on the basis of 'natural wastage' generally minimising disruption and promoting effective working relationships with staff.

The Council has a strong commitment to the process of managed change, however, the approach will need to continue to demonstrate that it can address the scale of the financial challenges that face the authority. If the current approach fails to deliver the financial savings / efficiency gains / service standards required then the authority will be required to look at other options. These may well involve the prioritisation of existing services and are likely to impact both upon the level and quality of services to residents and upon the employees who deliver our services.

As part of the Transformation Programme the Council will seek to secure savings through vacancy management. The savings identified in the table above are those which arise from delays in filling vacancies, however, much of the Transformation Savings will come through changing business processes which provide the opportunity to make a decision not to fill vacancies as they arise thereby securing a permanent reduction in the Council's staffing establishment. While the natural wastage process may be a slower mechanism for delivering savings, there remain significant levels of staff turnover in a number of areas and it is generally more cost effective to realise financial savings through natural wastage than by compulsory redundancy.

The key Transformation Projects which are currently underway / planned are as follows:

	Savings Anticipated £000's			
	16/17 £000's	17/18 £000's	18/19 £000's	19/20 £000's
Upgraded Leisure Facilities generating additional income levels.	0	100	200	220
Savings from Service Restructures	120	160	200	310
IT Efficiencies / Non Employee Costs	30	40	50	70
Projected Transformation Savings	150	300	450	600



## **Council Tax Increases**

Given the extent of the pressures that are evident on the Council's revenue budgets then one of the options which Elected Members will be required to consider is that of a Council Tax increase. Any decision on such increases will clearly take place in the context of the Council's annual budget process giving appropriate consideration to the impact of such increases upon residents.

## **Reserves**

The Council currently has two main unallocated General Fund reserves which are the General Fund which stands at £2m, together with a Transformation Reserve which has an uncommitted balance of £1.5m. The level of General Fund reserves is considered to be appropriate in the light of the risks facing the Council and officers consider that they would allow us a period of 1 year to adjust and to make appropriate changes to our expenditure and income packages, before General Reserves fell below the £1m mark at which point more 'radical' measures to manage the situation would be necessary.

The Transformation reserve effectively is an invest to save fund which is available to use on investments in projects which secure a revenue saving. It is crucial investment funding to facilitate service transformation and to invest in generating additional income streams for the Council.

## **Summary**

The Efficiency Plan is intended to provide a concise summary of the issues facing Bolsover District Council arising from the need to continue to deliver good quality public services against the background of the public sector austerity agenda. It forms part of the Council's wider Governance framework intended to ensure the effective management of service performance, finance and risk. Given that the Efficiency Plan is intended to help manage a process of change the Efficiency Plan will evolve over time to ensure that it remains relevant to assist the Council in securing its objectives.

Councillor Ann Syrett  
Leader of the Council

Dan Swaine  
Chief Executive