

## Policy Committee – 13 September 2016



### Efficiency Plan for Acceptance of the Governments Four Settlement Offer

Report of the Strategic Manager – Financial Services (s151 Officer)

Lead Member Finance – Councillor Mulligan

Ward(s) affected: All

#### 1. **Purpose of Report**

- 1.1 To consider the government offer of a four-year funding settlement to 2019/20 to any council that wishes to take it up and provides a draft submission accepting the offer. The submission also includes a Flexible Use of Capital Receipts Strategy for 2016/17 to 2018/19 which the government offer also allowed.

#### 2. **Recommendations**

- 2.1 The Council approves the submission for the Governments 4 year settlement offer.
- 2.2 The Council accepts the Government's 4 year settlement offer.

#### 3. **Background Information – Multi-Year Settlements**

- 3.1 As part of the provisional 2016/17 local government finance settlement, the government stated that it would offer any council that wishes to take it up, a four-year funding settlement to 2019/20. At that time, information was limited on what the offer included and how to apply, but that an efficiency plan would need to be submitted when such an offer was requested.
- 3.2 The final local government settlement confirmed that the deadline for requesting this offer was 14 October 2016. However, the government did not indicate what the approval process for requesting such an offer was, so for this Council I have assumed that it is a recommendation from Policy Committee to Council.
- 3.3 The Secretary of State for Communities and Local Government issued a letter on 10 March 2016 which clarified a number of matters.
- The deadline for applying for the offer is 5pm Friday 14 October 2016.

- To apply an e-mail or letter, together with a link to an efficiency plan should be sent to MultiYearSettlements@communities.gov.uk.
- The offer covers the figures provided in the final local government finance settlement for Revenue support Grant, Transitional Grant and Rural Services Delivery Grant.
- In addition tariffs and top-ups from 2017/18 to 2019/20 will not be altered for reasons related to changes in the relative needs of local authorities, and in the final year may be subject to the implementation of 100% business rates retention.
- Efficiency plans do not need to be a separate document. They can be combined with the Long Term Financial Strategy and Medium Term Financial Plan and will be expected to show how a four-year settlement will bring about opportunities for further savings.

3.4 The Chancellor of the Exchequer in his Budget 2016 announcement to the House of Commons on 16 March 2016 included a number of changes to business rates and reference to additional savings of £3.5bn from public spending in 2019/20. The Government are to compensate local government for the loss of income as a result of the changes to business rates and, as confirmed by the Secretary of State, should not, therefore, affect the four-year funding offer to councils. What is unknown is going forward how much of the additional savings required will fall on the Department for Communities and Local Government and, in turn, local authorities, and how that might play out in 2019/20 in terms of the multi-year settlement.

3.5 Two key questions remain irrespective of the four-year funding offer:

- Firstly, what will our business rates baseline be on the implementation of 100% business rates retention? Currently it is £1.36m and forecast to be £1.47m in 2019/20; and
- Secondly, where, and to what extent, does New Homes Bonus feature in future government funding?

3.6 Despite the unknowns, on balance it is probably better to take up the offer than not, in that it would bring a degree of certainty.

#### **4. Efficiency Plan**

4.1 Members will be aware that alongside the Long Term Financial Strategy and Medium Term Financial Plan sits an Income Savings Plan which captures the projects and proposals for Council services to address the loss in Government Funding and ensure that the Council remains sustainable going forward. The purpose of the Plan is to provide structure and focus in addressing the significant financial challenge faced by the Council. Craven has a good track record of delivering efficiencies and savings since 2009.

4.2 There is no one simple solution to delivering the savings required and as a result we will need to adopt a number of ways to deliver the savings within an agreed timetable to 2019/20.

4.3 It is considered that the Income and Savings Plan meets the requirements of an Efficiency Plan and is to form the basis of the submission accepting the

offer of a four-year funding settlement to 2019/20. The draft submission is attached at Appendix A.

## **5. Flexible Use of Capital Receipts Strategy**

- 5.1 In the local government finance settlement for 2016/17, the government confirmed that it would allow councils the flexibility in 2016/17, 2017/18 and 2018/19 to use capital receipts to fund the revenue costs of service reform and transformation that generates ongoing revenue savings in the delivery of public services.
- 5.2 Guidance issued by the government recommends that a Flexible Use of Capital Receipts Strategy is prepared each year, but this does not have to be a separate document and could be part of the annual budget papers or it could be part of the Efficiency Plan linked with applying for a four-year settlement.
- 5.3 As Members will be aware the current forecasts for opportunities for the Council to generate capital receipts are limited, and that any capital receipts are required for the Capital Programme. Therefore, it is proposed that included in the submission accepting the offer of a four-year funding settlement is the following statement: The Council is not currently planning to make use of the flexibility to use capital receipts to fund the revenue costs of service reform and transformation that generates ongoing revenue savings in the delivery of public services in 2016/17, but will continue to bear this flexibility in mind as opportunities to generate savings are explored and progressed, and the Strategy updated accordingly.

## **6. Implications**

### **6.1 Financial and Value for Money Implications**

As set out in the report. The aim of the report being to secure certainty of the amount of Settlement Funding to 2019/20.

### **6.2 Legal implications**

Local authorities are required to have regard to the Guidance on Flexible Use of Capital Receipts issued by the Secretary of State for Communities and Local Government.

### **6.3 Contribution to Council Priorities**

Certainty of funding will assist in the financing of initiatives and services to deliver the Council's priorities

### **6.4 Risk Management**

The risk of further reductions in settlements should the offer not be accepted.

6.5 **Equality Impact Assessment**

The Council's Equality Impact Assessment Procedure **has been** followed. An Equality Impact Assessment **has not** been completed on the proposals as completion of **Stage 1- Initial Screening** of the Procedure identified that the proposed policy, strategy, procedure or function **does not have** the potential to cause negative impact or discriminate against different groups in the community based on •age • disability •gender • race/ethnicity • religion or religious belief (faith) •sexual orientation, or • rural isolation.

7. **Consultations with Others**

None

8. **Access to Information : Background Documents**

None

9. **Author of the Report**

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10. **Appendices**

Appendix A Submission to Department for Communities and Local Government Four Year Settlement Offer

**CRAVEN DISTRICT COUNCIL SUBMISSION TO ACCEPT THE OFFER OF A 4-YEAR FUNDING SETTLEMENT**

	The Council's Long Term Financial Strategy (LTFS) covers both revenue and capital budgets over a rolling ten-year period, and it is this Strategy that underpins the budget setting process and the Medium Term Financial Plan (MTFP) each year and over the strategy period. The aim of the LTFS is to give the Council a realistic and sustainable plan that forecasts the Council's resources to fund services and Council priorities.
	Members are fully aware of the significant financial challenge faced by the Council as a result of the Government's ongoing budget deficit reduction programme which has resulted in continuing reductions in the financial support it can offer to local government. We believe, that our LTFS and MTFP are resilient and the financial pressures likely to confront the Council can be addressed in a measured and controlled way, but with ever increasing pressure this is becoming progressively more difficult.
	Alongside the LTFS and MTFP sits an Income and Savings Plan (Efficiency Plan) detailed below the target for which was updated and approved by full Council following the local government finance settlement 2016/17. The purpose of the Plan is to provide structure, focus and direction in addressing the significant financial challenge faced by the Council and, in so doing, recognise there is no one simple solution and as a result we will need to adopt a number of ways to deliver the savings within an agreed timetable.
	The offer of a four-year settlement will bring a degree of certainty which will aid financial planning and, in turn, afford the opportunity to take a measured and structured approach to budget pressures and identifying requisite savings rather than a "knee jerk" reaction.
	<b><u>INCOME AND SAVINGS PLAN 2016/17-2020/21 (EFFICIENCY PLAN)</u></b>
	<b><u>Introduction</u></b>
	Craven District Council has when compared to its net revenue budget to deliver some significant savings in our financial planning. These savings equate to 22% of the current net revenue budget. Following the publication of the provisional Local Government Settlement for the four-year period 2016/17 to 2019/20, over the 10 year life of our LTFS and 3 year MTFP we are very likely to have to deliver savings or additional income of at least £1.2 million in our base budget.
	It could be more severe than that depending on what happens nationally. This is a major task when our net revenue expenditure is approximately £6.1m and we have already delivered over £1.6m in savings over the last 6 years, including recently delivered savings which are built into the draft Budget for 2016/17.
	We are fortunate that we do not have to make all the savings required in our first year and can spread the challenge in 'tranches' over a few years, as set out within the LTFS and MTFP. Nevertheless, we need to

	plan to make these savings and achieve as much as possible in the earlier years to provide the best long-term financial sustainability.
	The Council has a good track record of shared services and collaborative working, which have generated savings, efficiencies and best practice with neighbouring authorities. For example; Until January 2016 the Council provided IT services for Selby District Council. We currently share a payroll system with Richmondshire District Council. The Council currently has a shared Internal Audit Service with Harrogate Borough Council, and also shares a Housing Officer for Strategic Housing. In addition we are working collaboratively with Bradford Council for the management of the Revenues and Benefits Service.
	<b><u>Objectives</u></b>
	In developing this Plan, the Council has set the following objectives: <ul style="list-style-type: none"> <li>• To deliver sufficient savings in order to bridge the funding gap identified in the Council's LTFS and MTFP, and to deliver those savings as quickly as possible in order to minimise risk to the Council's finances;</li> <li>• To direct resources to priority areas in line with the principles of the Council Plan;</li> <li>• To maintain the Council's reputation of good front line service provision;</li> <li>• To adopt a 'mixed' approach to addressing the funding gap through a series of 'themes';</li> <li>• To be open to accept 'cultural' change in the ways we work and offer services to the public in order to release efficiencies and savings; and</li> <li>• To engage, as appropriate, with relevant stakeholders when determining how savings will be achieved.</li> </ul>
	<b><u>The Plan</u></b>
	It is recognised that there is no one simple solution to addressing the financial challenges faced. The Council will need to adopt a number of ways to deliver the savings within an agreed timetable.
	This Plan sets out a framework for delivering the necessary savings through a series of 'themes'. Each theme has a deliverable target within a timeframe.
	Whilst the framework includes some major areas where income and savings can be made without direct effect on services, by adopting this Plan the Council has recognised that it may need to decide that some service areas should change to accommodate saving requirements. That might mean doing things differently, more efficiently and with increased income opportunities where there is the opportunity to do so. It might also mean that services will simply need to be run with fewer resources. The Council is committed to engagement with relevant stakeholders as proposals are brought forward.
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	The Themes, Targets, and Timeframes for the Plan are set out in the

	table, and will be the subject of regular review. Achievement against the theme targets will also documented to aid transparency.
	Progress on identifying and implementing savings across the various themes will continue to be reported to and reviewed monthly by Corporate Management Team and in-year update quarterly reports presented to Members of Policy Committee as part of the budget monitoring process.
	<b><u>Flexible Use of Capital Receipts Strategy</u></b>
	The Council is not currently planning to make use of the flexibility to use capital receipts to fund the revenue costs of service reform and transformation that generates ongoing revenue savings in the delivery of public services in 2016/17, but will continue to bear this flexibility in mind as opportunities to generate savings are explored and progressed, and the Strategy updated accordingly.

**CRAVEN DC EFFICIENCY PLAN**

Council Priority		Indicative Years	Target £'000	Included in 2016/17 Budget £'000	To Achieve £'000	Projects in hand and proposals	
Enterprising Craven - facilitating economic growth across Craven							
Aims	(a) to enable the provision of 290 homes across Craven to meet the needs of our current and future communities. (b) to stimulate business growth. (c) to improve the economic vitality of Craven's market towns and villages	Efficiencies	2016/17 - 2019/20	116	6	110	Balance to be delivered 2017 - 2020. Risk of underachievement based on previous history 25%
		Income Generation	2016/17 - 2019/20	151		151	Balance to be delivered 2017 - 2020. Risk of underachievement based on previous history 25%
		Procurement	2019/20	5		5	
		Savings to be identified	2019/20	78		78	
Resilient Communities -creating sustainable communities across Craven							
Aims	(a) to enable active communities and improve quality of life. (b) to create greener communities	Efficiencies	2016/17 - 2019/20	37		37	Balance to be delivered 2017 - 2020. Risk of underachievement based on previous history 25%
		Income Generation	2017/18 - 2019/20	82	17	65	Balance to be delivered 2017 - 2020. Risk of underachievement based on previous history 25%
		Procurement	2016/17 - 2019/20	0		0	
		Savings to be identified	2016/17 - 2019/20	201		201	
Financial Sustainability - ensuring a self-sustainable Council							
Aims	(a) to eliminate reliance on Government Revenue Support Grant by 2020	Efficiencies	2016/17 - 2019/20	194	31	163	Balance to be delivered 2017 - 2020. Risk of underachievement based on previous history 25%
		Income Generation	2016/17 - 2019/20	159	69	90	£6k in progress, with further £36k to be delivered 16/17 to give total £42k. Balance to be delivered 2017 - 2020. Risk of underachievement based on previous history 25%
		Procurement	2016/17 - 2019/20	50	31	19	
		Savings to be Identified	2016/17 - 2019/20	427		427	
Total				1,500	154	1,346	Target will need increase of £154k to allow for underachievement risk
Gap by 2019/20 as per current LTFS/MTFS				1,274	154	1,120	