

Report of	Meeting	Date
Director of Policy & Governance	Full Council	20/09/16

EFFICIENCY PLAN

PURPOSE OF REPORT

- As part of the December 2015 Spending Review, the Secretary of State for Communities and Local Government made an offer to councils to take up a four-year funding settlement for the period 2016/17 to 2019/20. To accept this offer, an Efficiency Plan must be prepared and published by 14th October 2016. The report proposes that the offer is accepted as it will create some certainty of resources and will be consistent with the Council's approach to the MTFS.
- The purpose of this report therefore is to produce the required documentation to meet the criteria set by the Secretary of State for Communities and Local Government to secure a 4 year funding settlement. Budget decision making reports are therefore separate to this efficiency plan.

RECOMMENDATION(S)

- That Council approves the Efficiency Plan included within Appendix 1.
- That Council approves to submit the Efficiency Plan to satisfy the conditions of acceptance of the four year funding settlement for the period 2016/17 to 2019/20.
- Note that the budget gap and savings identified in the efficiency plan are subject to change and will be updated and refined during budget setting process.

EXECUTIVE SUMMARY OF REPORT

- This report describes the details of the four year settlement offered by the Secretary of State for Communities and Local Government for the period 2016/17 to 2019/20. It describes the implications it has for CBC's MTFS and the reasons why this offer should be accepted.
- As part of the acceptance of the offer this report also provides an appended efficiency plan that will be published on the Council's website.

Confidential report Please bold as appropriate	Yes	No
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Key Decision? Please bold as appropriate	Yes	No
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Reason Please bold as appropriate	1, a change in service provision that impacts upon the service revenue budget by	2, a contract worth £100,000 or more
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	£100,000 or more	
	3, a new or unprogrammed capital scheme of £100,000 or more	4, Significant impact in environmental, social or physical terms in two or more wards

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

8. The Council will receive a four year funding settlement for the period 2016/17 to 2019/20. This offer relates to the RSG and transition funding already incorporated within the MTFS and ensures that it will remain unchanged “barring exceptional circumstances and subject to the normal statutory consultation process for the local government finance settlement”.
9. An Efficiency Plan must be prepared and published by 14th October 2016.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

10. If the four year offer is not accepted the RSG funding would be subject to the existing yearly process for determining the local government finance settlement. The Council will be exposed to additional risk as any national shift in economic performance will be disproportionately applied to those authorities that have not accepted the four year settlement.

CORPORATE PRIORITIES

11. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all	✓	A strong local economy	✓
Clean, safe and healthy communities	✓	An ambitious council that does more to meet the needs of residents and the local area	✓

BACKGROUND

Chorley Borough Council MTFS

12. Table 1 sets out the funding included in CBC’s final settlement, the figures for 2016/17 to 2018/19 are included in the Council’s MTFS approved by Full Council in March 2016.

Table 1: Revenue Support & Transitional Grant Included in Final Settlement

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Revenue Support Grant (RSG)	(1.370)	(0.707)	(0.299)	0.156
Transitional Grant	(0.027)	(0.027)	0.000	0.000
Total	(1.397)	(0.734)	(0.299)	0.156

13. The Council's MTFs outlines a potential budget deficit of £3m in 2018/19 as well as actions the Council could take to bridge this gap. In 2019/20 the Council will receive a reduction in RSG of £455k therefore increasing the budget gap the Council must meet.

Details of the Multi-Year Settlement

14. In December 2016 the provisional local government finance settlement stated that it would offer any council a four-year funding settlement to 2019/20. The final local government finance settlement confirmed the deadline for this request to be 14th October 2016.

A letter dated 10th March 2016 from the Secretary of State for Communities and Local Government clarified what the four year offer involved. The relevant lines that are included in the multi-year settlement offer are the Revenue Support Grant and the Transitional Grant

- In addition, tariffs and top-ups in 2017-18, 2018-19 and 2019-20 will not be altered for reasons related to the relative needs of local authorities, and in 2019/20 may be subject to the implementation of 100% business rates retention.
- To ensure that the reforms are fiscally neutral local government will need to take on extra responsibilities and functions. DCLG and the Local Government Association will soon be publishing a series of discussion papers which will inform this and other areas of the reform debate.
- The Government will need to take account of future events such as the transfer of functions to local government, transfers of responsibility for functions between local authorities, mergers between authorities and any other unforeseen events. However, barring exceptional circumstances and subject to the normal statutory consultation process for the local government finance settlement, the Government expects these to be the amounts presented to Parliament each year.

Accepting the Offer

15. The grants outlined in Table 1 are only part of the Council's funding allocation. The acceptance of the four year settlement does not provide Chorley with any further clarification on what the business rates baseline funding will be on the implementation of 100% business rates retention. In addition the settlement agreement does not provide certainty on the level of New Homes Bonus the Council will receive over the 4 year period, this is still being considered by the DCLG post-consultation and it is not known when the new NHB allocations will be announced.
16. Despite these uncertainties it is still in the best interest of the Council to accept the four year offer. Due to uncertainties in the national and global economic environment it is expected the grants will only vary downwards in the coming years. By not accepting the offer the Council exposes itself to an unwarranted level of funding risk.
17. To accept the four year offer, an Efficiency Plan has been prepared and is included within Appendix 1. No guidance has been issued from Government for the production of these plans but it must cover the full 4 year period and be open and transparent about the benefits this will bring to both the council and the community. Further the Government does not expect this to be a significant burden on councils but rather a drawing together of existing corporate plans and strategies, and this has been the approach adopted to produce this Efficiency Plan.

IMPLICATIONS OF REPORT

18. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	x	Customer Services	
Human Resources		Equality and Diversity	
Legal		No significant implications in this area	

COMMENTS OF THE STATUTORY FINANCE OFFICER

19. The Medium Term Financial Strategy agreed by Full Council in March 2016 incorporates the funding provided within the four year settlement offer. If this offer is accepted, it provides greater certainty as the RSG funding received would not be less than outlined in the final settlement and would not be subject to the yearly process determining the local government finance settlement.

COMMENTS OF THE MONITORING OFFICER

20. No comment

Chris Sinnott
DIRECTOR OF POLICY & GOVERNANCE

Report Author	Ext	Date	Doc ID
James Thomson	5025	09/9/16	Efficiency Plan

Background Papers - General Fund Revenue and Capital Budget and Council Tax 2016/17			
Report Author	Ext	Date	Doc ID
Susan Guinness/James Thomson	5101/5025	01/03/16	App F 2016-17 MTFS, item 16.C.316

CHORLEY BOROUGH COUNCIL EFFICIENCY PLAN

Introduction

Our Efficiency Plan 2016/17 has been developed so that the Council can qualify for the four year funding settlement from Government for the period 2016/17 to 2019/20.

The Council's [Transformation Strategy](#) is supported by the [MTFS](#). These documents outline the challenges, both financial and non-financial, facing the Council and its approach to meeting these challenges. These include managing demand, generating income through investments and growing the business rates base as well as reducing costs. These strategies illustrate how the Council can maintain financial sustainability whilst also investing in the Borough to meet the needs of its residents and businesses.

The Council has a three-year budgeting approach, which means that each year the budget process is focused on identifying the savings and income generation required to maintain the Council's financial sustainability over the three-year period. The publication of four year funding allocations as part of the 2016/17 settlement has greatly assisted the Council in updating the MTFS and complements our approach to the planning and delivery of budget savings.

The Current Position

The Council has a strong track record of high performance in meeting its stakeholder's needs as well as:

- Continuing to achieve savings targets, and not increasing council tax for four years. Savings of £2.8m have been generated since 2014/15.
- Undertaking innovative initiatives, such as the purchase of the Market Walk Shopping Centre that generates approximately £1m in net revenue to the Council every year.
- Sharing services with other organisations including Shared Financial & Assurance Services function that has generated approximately £590k savings since its inception for Chorley and South Ribble Councils.
- Investing and delivering in priority areas such as increasing the number of new homes as well as establishing and supporting new businesses and increasing employment.

Despite these successes Chorley Council recognises the future challenges it faces including generating income and efficiency savings to meet the estimated budgetary pressures. Chorley's MTFS approved in March 2016 estimated a budget gap of £3m by 2018/19. It is recognised that a further reduction in RSG of £455k as well as assumed inflationary cost increases will further extend this budget gap. Table 2 highlights that the gap in 2019/20 is currently estimated at £3.4m including the use of the estimated unallocated new homes bonus grant.

To meet the increasing budget gap the Council will consider focussing on the following areas:

1. Generating efficiency savings
2. Reducing the cost of the Council's contracts
3. Generating new sources of income and Council Tax
4. Growing the business rates base

Implementing a New Management Structure

In order to meet the challenges facing the Council a new management structure was approved in January 2016. The structure was linked to both the aims of the Transformation Strategy and the Council's commitment to increase income streams as outlined in the MTFS. This includes a new Director's post that has responsibility for expanding the business rates base and generating income through the Council's current and future assets. As such the new structure is crucial for the Council's future viability and sustainability. In addition, the new structure generated savings of £330k, 4% saving on staffing costs.

Generating Efficiency Savings - Transformation Strategy

The Transformation Strategy is the Council's response to the widely recognised budgetary, demographic and policy challenges facing public services over the coming years, which make transformational change the only option. The Council's ambition is to both reform public services in Chorley and Lancashire, whilst meeting the budgetary pressures identified above. At this stage an estimated £750k saving is assumed as part of the strategy. Further details of the major strands that impact on efficiency are outlined below.

Integrated Community Wellbeing Service

The Transformation Strategy will facilitate a greater integration of public services. In partnership with Lancashire Care NHS Foundation Trust (LCFT) the Council is implementing an Integrated Community Wellbeing Service. The proposal is to integrate public services that relates to promoting health and wellbeing of individuals or communities and are aimed particularly around prevention and early intervention.

The service will consist of functions drawn from both LCFT and Chorley Council and will include around 45 FTE from Chorley Council. The partnership is currently in the enabling phase but when implemented is expected to generate efficiency savings for the Council and its partners.

Worksmart Programme

The Worksmart Programme will maintain the momentum already generated at the Council and continue to encourage behavioural change to develop a shared culture of smarter working within the organisation. To this end, it will maximise the use of technology and digital information management, make the most of flexible working practices and improve working environments. Budget savings of £280k have already been achieved through restructuring front office functions. The Worksmart Programme will look to build on these efficiencies by consolidating office space, reducing reliance on non-digital communication and embedding a culture of efficient work practices.

Community Action, Coproduction and Shared Services

The Council will facilitate the empowerment of communities and residents to take an active role in their community, realising the value of key local assets. Residents will be engaged, communities more resilient with increased customer satisfaction and improved long term outcomes.

Contract Savings

The Council has a strong track record in generating efficiencies through contract negotiation including £170k of savings in ICT contracts over the past four years. The Council will continue to scrutinise its current contracts and actively seek to generate savings through effective procurement processes. It is assumed that a £500k reduction in the cost of the Council's contracts is achievable by 2019/20.

Generating New Sources of Income

Generating Income through Council Owned Assets

The refreshed 2014 Economic Regeneration Strategy identified that the Council would take a hands-on approach to inward investment by buying land and developing employment space or by working with partners to do the same. Some of the current large scale projects that are being developed are described below:

- A £9m investment in a **retirement living complex** in Chorley with 65 units that the Council will rent to tenants. The project is a partnership between Chorley Council, Lancashire County Council and the Home & Communities Agency.
- A £12m **extension of Chorley's Market Walk Shopping Centre** to bring major retailers, restaurants and a cinema complex to Chorley town centre. The purchase of the current shopping centre has been very successful in generating income for the Council and the extension is expected to further grow this income stream.

Due to construction times and the profiling of occupancy rates it is assumed that net income of £100k in 2018/19 and £550k in 2019/20 can be generated through investing in income generating assets.

Fees & Charges

The Council will conduct a thorough interrogation of its fees and charges to maximise the income the Council's assets can generate. In addition the Council will investigate the potential introduction of new fees and charges that in accordance with cost reduction proposals, could address the budget deficit.

Increasing Council Tax

Due to the continued expansion of housing in Chorley the Council Tax Base included in Table 2 is assumed to grow by 1% per year. Potential increases in Council Tax based on this growth are modelled below:

% Increase In CTAX	2017/18 £	2018/19 £	2019/20 £
0.50	(32,000)	(65,000)	(99,000)
1.00	(64,000)	(130,000)	(198,000)
1.50	(96,000)	(196,000)	(299,000)
2.00	(128,000)	(262,000)	(400,000)

Growing the Borough's Business Rates Base

Chorley has a range of employment sites totalling 86 hectares either with planning consent or allocated in the [Chorley Local Plan](#). If brought forward, the employment sites would have the potential to create thousands of jobs for local people. Indeed, developing just half of the sites could provide over 3,000 jobs. The [2014 Economic Regeneration Strategy](#) cited the Council's ambition to facilitate 50% of these employment sites by 2022 by taking a hands-on approach by buying land and developing employment space or by working with partners to do the same.

As part of the 2016/17 budget setting process an analysis of future business developments was undertaken and identified potential business rates growth of approximately £1m by 2019/20. As the timing and value of this growth is uncertain Chorley Council has set aside investment funding to bring forward employment sites

Some of this investment set aside to develop sites has already allowed the Council to agree outline approval for a £4.1m European Regional Development Fund Grant towards the construction of a state-of-the-art £9m **Digital Office Park**. The Digital Office Park will be a new prestigious development owned by Chorley Council to put Chorley and Lancashire in the centre of the expanding digital economy. The centre will provide 5,000 m² of bespoke digital office and start up accommodation.

Despite the ambition of the Council to expand the business rates base the Council will continue not to include any growth in the retained business rates budget until it can be assumed the growth is permanent. Growth in the retained business rates income budget can be uncertain as there are numerous reasons why, despite new developments being completed, the rates base may not expand. These include:

- The rateable value of new commercial properties are provided by the Valuation Office Agency (VOA), however, the Council often experiences delays in receiving these rateable values. The VOA has a backlog of appeals and so the budget implications of new developments and the resultant appeals may not be understood until future financial years.
- During 2016/17 appeals have resulted in an erosion of the business rates base. It is common for successful appeals to be granted without the knowledge of the Council for example in 2016/17 a successful appeal was granted for a large motorway service station.
- Chorley Council has other large sites, such as Chorley and South Ribble District General Hospital, that represent a significant risk to the Council's income stream if valuations were to fall.
- The VOA will be conducting a national revaluation of business rates base in 2016/17 leading to further uncertainty in Chorley Borough Council's retained business rates income.

The business rates base will be monitored closely and if expansion is realised, growth in the business rates base will be brought into the budget during the budget setting process. As per table 2 it is anticipated that £300k of growth in retained business rates income is achievable by 2019/20. This represents approximately 8% of the current retained business rates budget.

Mitigating Risk

The 2016/17 MTFS identified a need for working balances to reach £4.0m by 2018/19. Working balances are there to protect Councils against the 'peaks and troughs' in expenditure and income and they allow fluctuations to be managed by bringing budgets back into balance. The increased reliance on business rates to fund the Council's expenditure creates uncertainty over the MTFS period. Variances against the forecast business rates base can be created by numerous occurrences including appeals, delays in receiving valuations and a slowdown in the economy. Increasing working balances enable the Council to better manage these unforeseen variances.

Working balances will also be increased to fund the unavoidable one-off expenditure of any future restructures the Council undertakes.

Table 2 illustrates that by building sufficiently high reserves in the years up to 2018/19 the budget gap forecast in 2018/19 can be managed, in conjunction with income generation and efficiency savings, using these general balances. The forecast remaining general balances in 2019/20 is £2.9m leaving the Council in a strong position to manage the fundamental changes expected in Local Government financing in 2019/20.

Monitoring the Efficiency Plan

This Efficiency Plan will be made available on the Chorley Council website and will be monitored as part of any review and update of the MTFS.

Table 2: Updated Financial Position of Chorley Borough Council 2016/17 to 2019/20

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Revenue Support Grant	(1.397)	(0.734)	(0.299)	0.156
Retained Business Rates	(4.378)	(4.378)	(4.378)	(4.378)
Council Tax (assuming 1% increase in Band D properties)	(6.242)	(6.415)	(6.479)	(6.544)
New Homes Bonus (Estimated)	(4.455)	(4.148)	(2.754)	(2.461)
Total Funding	(16.471)	(15.675)	(13.910)	(13.226)

Budgeted Use of NHB	4.455	2.444	1.703	1.444
Budgeted Net Expenditure	12.016	13.330	14.776	15.174
Total Net Expenditure	16.471	15.774	16.479	16.619
Net Budget (Surplus)/Gap	0.000	0.099	2.569	3.393

Estimated Savings and Income Generation

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Efficiency Savings				
Transformation Strategy			(0.500)	(0.750)
Contract Savings				(0.500)
Estimated Efficiency Savings	-	-	(0.500)	(1.250)

Income Generation				
Net Income Generating Council Owned Assets			(0.100)	(0.550)
Fees and Charges		(0.280)	(0.580)	(0.850)
2% Increase Council Tax		(0.128)	(0.262)	(0.400)
Retained Business Rates Income				(0.300)
Total Income Generation	-	(0.408)	(0.942)	(2.100)
Total Estimated Savings	-	(0.408)	(1.442)	(3.350)

Estimated Budget (Surplus)/Gap	0.000	(0.309)	1.127	0.043
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Estimated General Balance	(3.360)	(3.860)	(4.120)	(2.993)
Forecast General Balances after Budget Gap	(3.360)	(3.860)	(2.993)	(2.950)