

North East Derbyshire District Council

Cabinet

10 May 2017

Update of North East Derbyshire District Council Efficiency Plan

This report is public

Report of Councillor P R Kerry, Portfolio Holder with Responsibility for Economy, Finance and Regeneration

Purpose of the Report

- At its meeting on 28th September 2016 Cabinet agreed an Efficiency Plan on behalf of North East Derbyshire District Council. That Efficiency Plan now needs to be updated in the light of the revised budgets and financial forecasts provided in the Medium Term Financial Plan approved by the Council in February 2017.

1 Report Details

Background

- 1.1. The Efficiency Plan is concerned with identifying and delivering the financial savings that are required in order to balance the Council's budget over the period of the current MTFP ending in March 2021. While some progress has already been made in addressing the position set out within the MTFP the Council is required to identify underlying savings in its net revenue expenditure estimated to amount to some £1.8m by March 2021.
- 1.2. The Efficiency Plan itself is essentially a strategic document which will be supported by a range of more detailed plans and programmes designed to deliver against the Council's Growth and the Transformation agenda. These more detailed packages of actual measures will be considered by Executive or full Council as appropriate.
- 1.3. Having implemented the first phases of the Leisure facilities Invest to Save strategies Officers are planning to move forward by developing a business case for a replacement facility at Sharley Park. It is envisaged that this will be funded from a combination of grant funding, together with the capital receipts arising from land sales. Currently Sharley Park has an operating deficit of some £0.3m a year which on the basis that this could be minimised by way of significant levels of investment would allow capital receipts to be utilised in order to generate significant levels of revenue saving. Developing a detailed Business Plan in respect of a replacement facility will require a significant commitment of officer time in order to allow Members to take an informed decision as to whether to commit to the level of investment necessary to secure a reduction in the current level of revenue subsidy. On the

basis that Cabinet are in agreement with developing a detailed Business Case officers will commence the associated detailed work.

2. Conclusions and Reasons for Recommendation

- 2.1. The Efficiency Plan is a corporate document linked to the Medium Term Financial Plan. Accordingly it needs to be amended at least twice a year in order to ensure that the information – which is available on the website – remains up to date. The attached Appendix updates the current approved Efficiency Plan, while providing a strategic framework against which to progress the Growth and Transformation agenda which are central to the Council's Plans for addressing the ongoing reduction in the level of central government funding.

3. Consultation and Equality Impact

Consultation

- 3.1. There are no issues arising directly from this report.

Equalities

- 3.2. These are covered throughout the report.

4. Alternative Options and Reasons for Rejection

- 4.1. The Council accepted the Government's offer of greater certainty over the level of resources for the period to 2020/21, in return for which it was required to publish an Efficiency Plan. Given that the Efficiency Plan is published on the Council's website it is important that it is an up to date document and remains in line with the position set out in the MTFP. This helps promote public confidence that appropriate arrangements are in place for ensuring effective financial and wider management of the Council.

5. Implications

5.1 Finance and Risk Implications

Financial

- 5.1 These are covered throughout the report and the attached Appendix. The key issue for Executive to note is that the Council needs to address a forecast underlying financial deficit of £1.8m by March 2021.

Risk

- 5.2 With regard to Risk one of the key issues identified on the Council's Strategic Risk Register is that of ensuring that the Council is able to secure the financial savings necessary to balance its revenue budget. This report and the attached Efficiency Plan are key steps in ensuring that the Council delivers a balanced budget whilst mitigating the potential impact on the quality of services provided by the Council.

6.2 Legal Implications including Data Protection

6.2 There are no issues arising directly from this report.

6.3 Human Resources Implications

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

7. Recommendations

7.1 That Cabinet:-

- (1) Note the report and agree that the updated Efficiency Plan (attached as **Appendix 1** to this report), be published on the Council's website; and
- (2) Request that a further update report concerning the detailed proposals underpinning the Efficiency Plan be brought back to a future meeting.

7.2 That Cabinet endorse the work that is currently underway in respect of considering the option to build a replacement leisure centre at Sharley Park.

8. Decision Information

Is the decision a Key Decision? (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
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Affected	None directly
Links to Corporate Plan priorities or Policy Framework	Effective financial management underpins the effective operation of the Council and its ability to secure all of the Corporate Plan priorities

9. **Document Information**

Appendix No	Title
1	North East Derbyshire District Council : Efficiency Plan
Background Papers (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)	
Report Author	Contact Number
Executive Director - Operations	7154
Assistant Director – Finance, Revenues and Benefits	7658

AGIN 11 (CAB 0510) Efficiency Plans/AJD

NORTH EAST DERBYSHIRE DISTRICT COUNCIL : EFFICIENCY PLAN May 2017

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 starter business units at Coney Green and providing a range of other 'easy in – easy out' business unit across the District, operating as Accountable Body for employment training and working in disadvantaged communities to provide support to individuals re-entering the employment market.

- The Council through its housing partner Rykneld Homes (an ALMO) has built in excess of 100 new Council houses over the last three years, and has approved plans which will see a further 100 Council and Registered Provider properties constructed during the next 3 years. 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 been more successful in securing housing as opposed to Business Rate growth, with the core revenue budget being funded by £1.2m of New Homes Bonus. With respect to National Non Domestic rates whilst the Council is currently securing level of £0.7m above its baseline figure the available data indicates that it would not be realistic to anticipate significant further growth over the period to March 2021. The Council is, however, working with partners on a limited number of strategic sites which should generate growing levels of NNDR beyond March 2021.

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'.

- The Council has recently completed a £2m upgrade of the Council's core Leisure facilities. While these upgrades will promote higher level of usage, they also generate additional income for this investment to constitute an Invest to Save project.
- 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 Bolsover 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. While the revenue savings have been modest there has been 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:

NEDDC : Summary of Potential Savings Opportunities

	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's
Current Efficiency Target / Budget Shortfall	513	1,050	1,456	1,863
Agreed Measures				
NNDR Growth Target	0	0	0	0
Transformation, Secondments & Joint Working	(150)	(300)	(450)	(600)
Vacancy Management	(50)	(50)	(50)	(50)
Debt Repayment / Capital Investment	0	(150)	(200)	(250)
Council Tax Increase (up to £5 at Band D)	(150)	(300)	(450)	(600)
Total Savings Options	(350)	(800)	(1,150)	(1,500)
Unidentified Savings Target / (Call on General Fund Balances)	163	250	306	363

These figures are extracted from the Council's MTFP and identify an indicative total savings figure approaching £1.9m over the period to March 2021. 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. 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 approved by Members for 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 long 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 ensure that the increased NNDR secured from start ups while not generating additional income will offset reductions in income arising from business closure / revaluation, etc. Although 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.

With respect to New Homes Bonus the MTFP is assuming that we will continue to generate approaching £200k of NHB on an ongoing basis. That will require a net increase in the number of new homes in excess of 200 homes per annum.

While the Council regards economic growth as a key priority it is aware that growth is not only about generating income for the Council, but is also crucial in securing benefits for our local community and residents. Growth will therefore be encouraged and facilitated within the parameters established by the Council's Corporate Plan.

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 ongoing 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.

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. Recent changes in central government policy support the view that moderate increases in Council Tax are one of the options that need to be considered in order to fund a greater proportion of local authority expenditure from revenue raised locally. Any decision on such increases will need to be made as part of the Council's annual budget process including consideration of the impact of any increase upon local residents.

Reserves

The Council currently has two main unallocated General Fund reserves which are the General Fund which stands at £2m, together with the Invest to Save Reserve which has an uncommitted balance of £0.5m. The level of General Fund reserves is considered to be appropriate in the light of the risks facing the Council and officers consider that it 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 'radical' measures to manage the situation would be necessary.

The Invest to Save reserve effectively is an investment 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 North East Derbyshire 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 Graham Baxter O.B.E.
Leader of the Council

Dan Swaine
Chief Executive