



Report To: Cabinet

15 September 2016

Lead Officer: Alex Colyer, Executive Director – Corporate Services

Efficiency Plan

Purpose

1. This report introduces the efficiency plan as required by the Department of Communities and Local Government (DCLG), describes its purpose and contents and asks cabinet to consider whether a plan should be submitted by the council.
2. This is not a key decision. It has been brought forward for consideration as it relates to an efficiency plan for the council which is to be submitted to government and may have implications for the local government finance settlement for the council in 2017/18 and the following two years.

Recommendations

3. It is recommended that Cabinet agrees to the submission of an efficiency plan to DCLG and delegates drafting and approval of the plan to the Executive Director – Corporate Services, as the council's Section 151 Officer, in consultation with the Portfolio Holder for Finance and Staffing.

Reasons for Recommendations

4. An efficiency plan is a short document, drawing together existing budget and financial planning information. Publication, submission to DCLG and their subsequent approval will confirm elements of the indicative finance settlement for the council for the three years 2017/18 to 2019/2020, enabling the council to budget with more confidence over that period. Producing an efficiency plan will contribute towards managing the corporate risk STR08 – Medium Term Financial Strategy

Background

5. As part of the provisional local government finance settlement, on 17 December 2015 it was announced that authorities producing an efficiency plan could fix certain elements of the settlement for the 4 years, 2016/17 to 2019/20. These elements are Revenue Support Grant (RSG), Transitional Grant and Rural Services Delivery Grant. The settlement effectively phases out RSG, currently a key element of SCDC income, over the 4-year timeframe.
6. In addition, business rates 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, although in the final year they may be subject to the implementation of 100% business rates retention.

Considerations

7. In Budget 2016, the Chancellor announced his intentions to eliminate the deficit over the next four years. To achieve this £3.5bn of savings from departmental spending in 2019/20 would be necessary. This requirement could reduce the funding available for local government.
8. However, after the EU referendum vote and in response to the economic uncertainties flowing from it, the requirement to eliminate the deficit in this timeframe was relaxed. Despite some speculation to the contrary, there is a consensus from civil servants and others that the funding for local government is unlikely to increase over the remainder of the parliament. Therefore, it is thought improbable that any elements of the overall settlement for the council, including the negative RSG / tariff/top-up adjustment, will be changed without compensating changes in other elements.
9. DCLG is not intending to issue formal advice on the form or contents of an efficiency plan. Informal guidance is available from the Chartered Institute of Public Finance & Accountancy and the Local Government Association, a summary of which is attached for information at Appendix A.
10. In line with this guidance, it is intended to use the Medium Term Financial Strategy (MTFS) approved by Council in February 2016, as a basis for the plan. It will reference the key savings / income generation initiatives in the MTFS, namely commercialisation, shared services, office space utilisation, procurement efficiencies and refuse collection round optimisation.

Options

11. Option 1 – Produce and submit an efficiency plan: If accepted by DCLG, this confirms key funding streams assumed within the MTFS and allows the council to plan with some certainty. On the basis of guidance outlined above this option should not be onerous, and is therefore recommended.
12. Option 2 – Do not produce and efficiency plan: This is not recommended as it exposes the council to the risk of funding reductions. These could be more severe if other councils' funding is fixed and all the potential cuts are concentrated on a smaller number of councils.

Implications

13. In the writing of this report, taking into account financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered: -

Financial / Risk Management

14. The report addresses the financial implications of producing or not producing an efficiency plan, and seeks to minimise the financial risk to the council.

Effect on Strategic Aims

15. The report support all strategic aims, in that it seeks to protect the funding of the council which supports the delivery of all services.

Report Author: Caroline Ryba – Head of Finance / Telephone: (01954) 713072