



**SOUTH RIBBLE COUNCIL EFFICIENCY PLAN**

**TO 2019/20**

## 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 [Medium Term Financial Strategy](#) and [Business Transformation Programme](#), including the move to a greater use of digital data, outline both financial and non-financial challenges facing the Council and its approach to meeting these challenges. These include managing demand, generating additional 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 medium term. 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 stakeholders' needs as well as:

- Continuing to achieve savings targets, and not increasing council tax for six years within a seven year period and budgeted efficiency programmes since 2011/12 totalling in excess of £4.6m.
- Undertaking ambitious initiatives, such as the City Deal partnership with Lancashire County Council and Preston City Council bringing large scale investment and development into the borough.
- 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 South Ribble Council recognises the future challenges it faces including generating income and efficiency savings to meet the estimated budgetary pressures. South Ribble's MTFs approved in March 2016 estimated a budget gap of £2.3m by 2018/19. It is recognised that a further adjustment to the settlement in 2019/20 of £494k will further extend this budget gap.

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

1. Generating budget 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

## **Contract Savings – Waste Collection Services**

The Council has a strong track record in generating efficiencies through contract negotiation including £600k per annum of savings when the Waste Collection contract was recently re-tendered. The Council will continue to scrutinise its current contracts and actively seek to generate savings through fundamental service reviews and effective procurement processes. It is assumed that a £200k reduction in the cost of the Council's contracts could be achievable by 2019/20.

## **Generating Efficiency Savings – Business Transformation (BT) Programme**

The Business Transformation Programme is the Council's response to the widely recognised budgetary, demographic and policy challenges facing public services over the coming years, which makes change the only option. The Council's ambition is meet the budgetary pressures identified above. The project work that is undertaken as part of the well-established and embedded Business Transformation Programme includes the following:-

### *Digital Working*

BT projects will maintain the momentum already achieved by the Council and will 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 and development of the role of the Customer Relationship Management system to also maximise efficient and effective working practices and also increase customer satisfaction. Budget savings have already been achieved through the review of front office functions. The BT Programme seeks to further develop these efficiencies by consolidating office space, reducing reliance on non-digital communication and embedding a culture of efficient work practices.

### *Shared Services and Coproduction*

The Council has been working closely with a neighbouring District Council to deliver a shared service agreement in respect of both Financial and Assurance Services. The successful working arrangements has reduced the cost of these functions by circa £590k being over 30% of the original budget. Expanding shared services within the original agreement or widening its scope would realise further budgetary savings whilst utilising existing management frameworks and governance arrangements.

The Council could also seek to 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.

## **Fundamental Service Provision Review**

The Council is committed to continuing to review core service provision such as Waste Collection and Leisure services. Significant budget efficiency savings were generated via the Waste Collection service without any impact to the services received by residents. Other key service provisions will continue to be reviewed in order to maximise the most cost effective options whilst at the same time providing innovative, relevant, modern and fit for purpose facilities aimed at also improving the health and wellbeing of families and residents.

## **Implementing a New Management Structure**

Recent service reviews and scrutiny reports have highlighted that the Council should review its management structure to ensure that it is best placed to meet the future challenges facing the Council. The structure should be linked to both the aims of the Corporate Strategy, Business Transformation programme and the Council's commitment to increasing income streams and reducing net expenditure as outlined in the MTFS.

## Generating New Sources of Income

### *Generating Income through Council Owned Assets*

The newly developing Property Investment Strategy is targeted as expanding on the Council's present property portfolio that generates one of our key income streams in the sum of £1.100m. The Borough Investment Account was established as part of the 2016/17 Budget Setting process with the first purchase recently completed which was successful in increasing additional income into the authority.

### *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*

As per the assumptions in the Local Government Finance Settlement increasing Council Tax is a potential source of increased income for the Council. Potential increases in Council Tax for illustrative purposes are modelled below:

<b>Potential % Increase In Council Tax</b>	<b>2017/18 £</b>	<b>2018/19 £</b>	<b>2019/20 £</b>
0.50	(36,300)	(73,000)	(110,300)
1.00	(72,500)	(146,000)	(221,600)
1.50	(108,800)	(220,200)	(334,100)
2.00	(145,100)	(294,300)	(447,700)

## Growing the Borough's Residential and Business Rates Bases including City Deal

South Ribble is part of the City Deal partnership with Lancashire County Council and Preston City Council delivering significant development and investment across the borough. Progress is well underway in delivering the planned increases in both residential homes and also a range of employment sites totalling 328 square meters of commercial space, the employment sites also having the potential to create jobs for local people.

The planned number of new homes is 6,905 which equates to circa £1.400m additional income excluding any potential New Homes Bonus that may be generated under the revised scheme.

The City Deal employment sites are planned to deliver in excess of £4.0m additional income receipts in accordance with the existing Business Rates Retention scheme but this could be exceeded under a revised scheme that enables the Council to retain 100% of new growth benefit.

Despite the ambition of the Council to expand the business rates base, the Council will continue to take a cautious approach when determining growth within the base budget until it can be assumed new growth is permanent and the implications and potential impact of the Baseline Need re-setting exercise can be fully assessed and forecasted. 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 following:-

- 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 and for additional decisions to be made outwith the standard process that are additional reductions to the appeals process decisions.
- The VOA is conducting a national revaluation of business rates base in 2016/17 leading to further uncertainty in South Ribble Borough Council's retained business rates income once the appeals cycle starts afresh from the new 2017 rating list.

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.

### **Mitigating Risk**

The 2016/17 MTFS forecasted a general reserve level of £3.3m taking into account a planned upfront payment into the Pension Fund to potentially increase an ongoing budget efficiency achieved as part of the last triennial valuation. The Council also has £12.0m in Earmarked Reserves some of which is available for invest to save schemes and mitigating against the increased risk of financial uncertainty with regard to future changes in core funding. 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.

The Council recently commissioned an expert external review into its Reserves Strategy. This strategy confirmed the authority's accurate track record of reserves budgeting and forecasting and will be used to determine future years' contributions profile. Potentially budgeted contributions could be reduced to update and re-profile future investment and could realise significant budget savings.

The table below illustrates that the budget gap forecast in 2018/19 can be managed, in conjunction with income generation and efficiency savings. The forecast remaining general balances in 2019/20 is £3.3m 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 South Ribble Council website and will be monitored as part of any review and update of the MTFS.