

Appendix A

West Berkshire Council Efficiency Plan 2016/17 to 2019/20

Introduction

In December 2015, the Secretary of State for Communities and Local Government, Greg Clark MP, announced that he would be giving councils the opportunity to achieve greater certainty and confidence from a four year financial settlement.

In March 2016, the Government made a clear commitment to provide minimum allocations for each year of the Spending Review period, should councils choose to accept the offer they must have published an efficiency plan on the Council's website by 14 October 2016.

This Efficiency Plan summarises previously published elements of the Council Strategy, Medium Term Financial Strategy and Efficiency Strategy for the use of Capital Receipts. The report contains links to the West Berkshire website for the full reports.

1 The Council Strategy

In 2015 we published a new Council Strategy covering the period 2015 to 2019. Although we deliver, or fund, hundreds of core or essential services, the Strategy focused only on the priorities for improvement set out below:

- Improve educational attainment
- Close the educational attainment gap
- Enable completion of more affordable housing
- Deliver or enable key infrastructure improvements
- Good at safeguarding children and vulnerable adults
- Support communities to do more to help themselves

These priorities were supported by our overarching approach to 'Become an even more effective council'.

Whilst from a financial perspective we have been challenged by changes in the Government's funding model to local authorities, our strategic direction and our priorities for improvement remain the same, and we will continue to be as effective and efficient as we can. However, going forward we will have to do things differently; finding more opportunities to work with our partners and communities, reshaping what we do and how we do it and, in some cases, stopping doing things altogether.

The full Council Strategy is available on our website:

<http://info.westberks.gov.uk/index.aspx?articleid=30139>

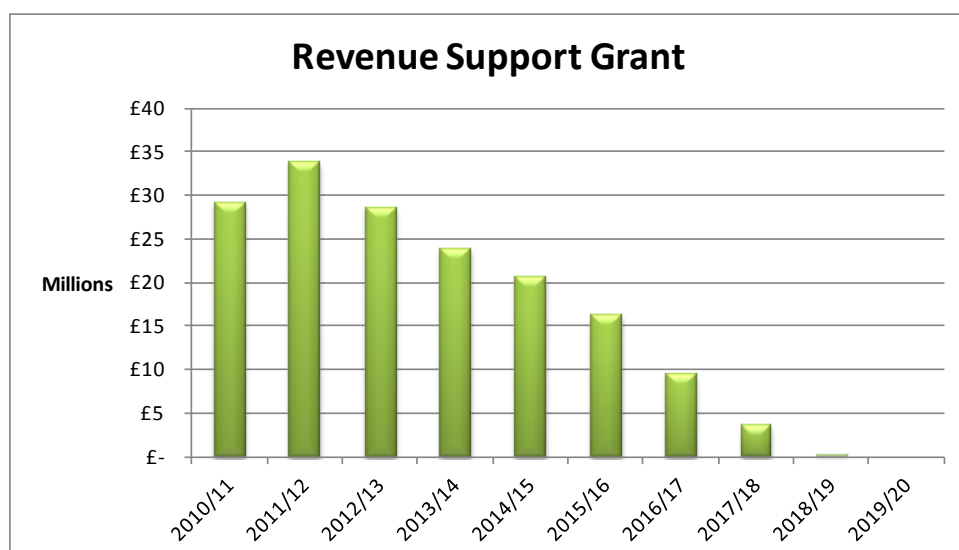
2 The Medium Term Financial Strategy

Resources

The final Local Government Finance Settlement figures were issued on 8th February 2016 and the settlement for West Berkshire was much worse than expected. In

2016/17 we will receive 44% less in Revenue Support Grant (RSG) than in 2015/16, equating to a loss of £7.6m. This was the third largest cut to RSG of all Unitary Authorities in England. Although we had planned for RSG to be cut by 25% year on year, the cuts to RSG are being applied much faster than expected.

By the end of this MTFS in 2019/20 we will no longer receive any RSG, and will also be charged an additional tariff on our business rates in order to meet the overall reductions to local government funding set in the Spending Review. The grant allocations are shown in the following chart.



The government has introduced a new formula for distribution of council funding. West Berkshire loses from this formula because it is based on assumptions about our ability to raise Council Tax income. Government has assumed that local authorities will increase their Band D council tax by 1.75% per year (CPI forecast) throughout the period to 2019/20. Government has also assumed that all eligible local authorities will take up the adult social care 2% precept in each year to 2019/20. Government has therefore assumed that our income from council tax will rise by 3.75% each year, and has reduced our RSG grant funding accordingly.

Our Education Services Grant (ESG) has been cut as a result of the General Funding Rate for schools being reduced from £87 to £77 per pupil. This has cost us £180k in 2016/17. The Government is consulting on including the ESG as part of the Dedicated Schools Grant from 2017/18 which would see us lose this funding stream with schools choosing either to buy back the services from the local authority or to buy from private providers.

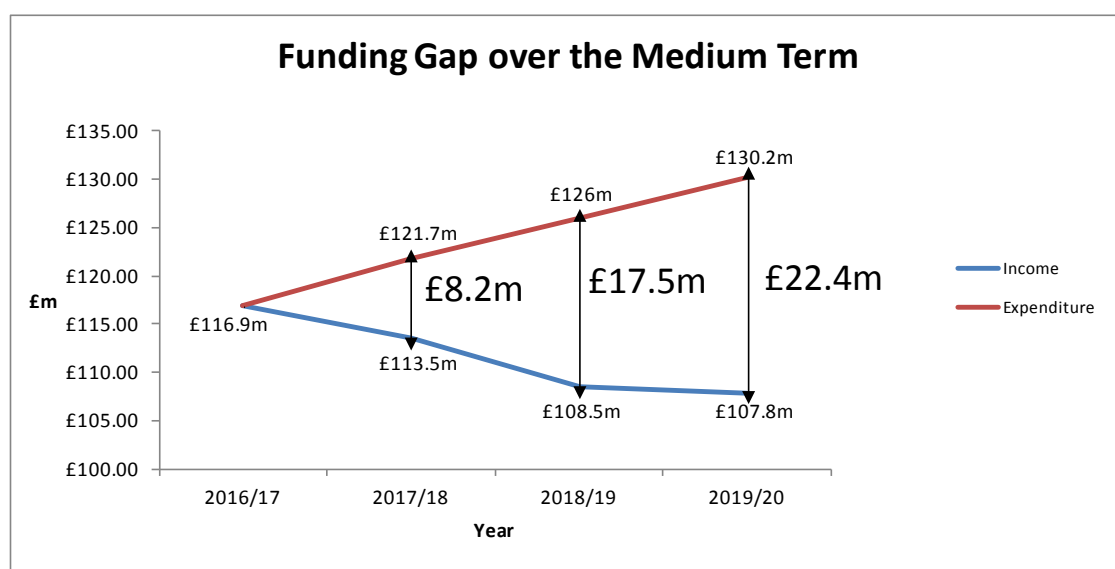
The New Homes Bonus funding is below our previous expectations as a result of proposed reforms, and this is forecast to fall by £1.5m in 2018/19 and a further £100k in 2019/20.

As part of finalising the settlement, Government announced that a transitional grant will be made available to be paid in each of the first two years of the settlement. West Berkshire will receive additional transitional grant funding from central government of £1.39m in 2016/17 and £1.37m in 2017/18. It has been agreed that

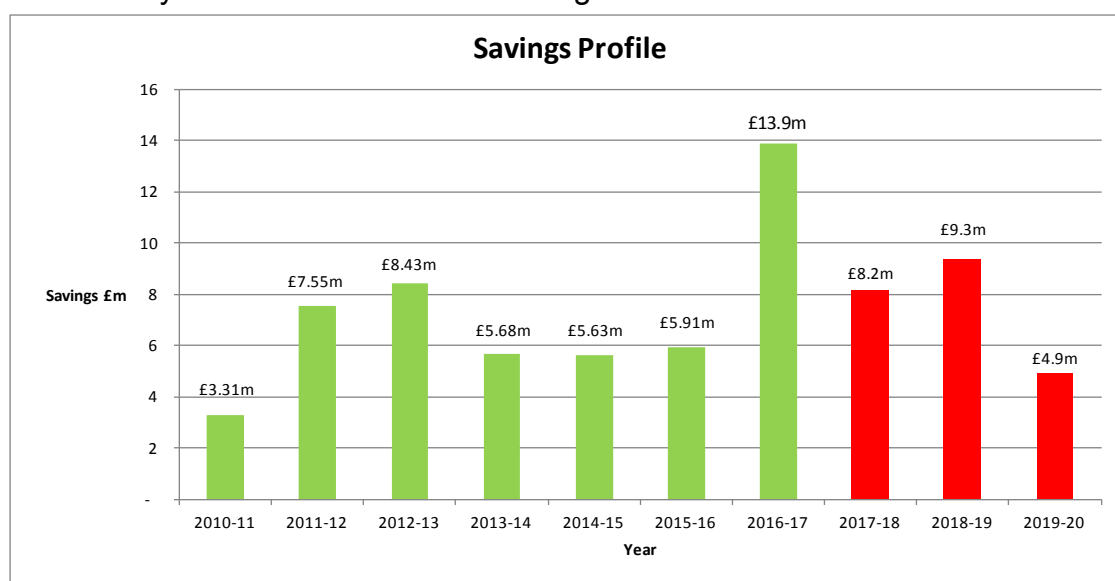
the transitional funding should be used in order to respond to the concerns of the residents of West Berkshire, for example, in supporting the library service's transition to a more sustainable financial model.

Funding Gap

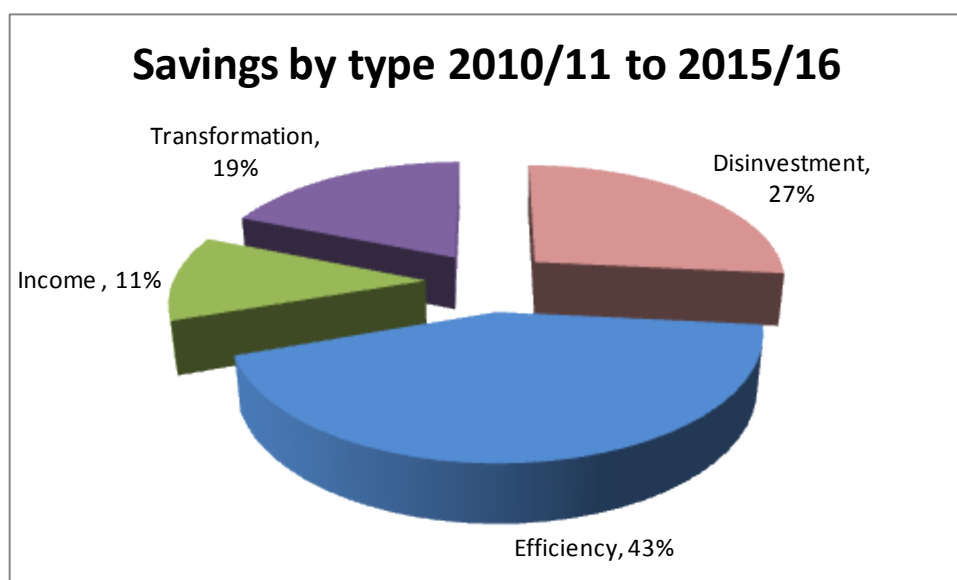
The forecast levels of funding available over the period of the MTFs, together with provision for any required budgetary increases means that a savings programme has been put in place for 2016/17 amounting to £13.9m together with a 3.99% Council Tax increase. In addition, the forecast funding gap will require a further £22.4m of savings or other income between 2017/18 and 2019/20, excluding any transitional funding or Council Tax increases. The following chart shows how the funding gap would grow over the medium term if savings or other income were not identified.



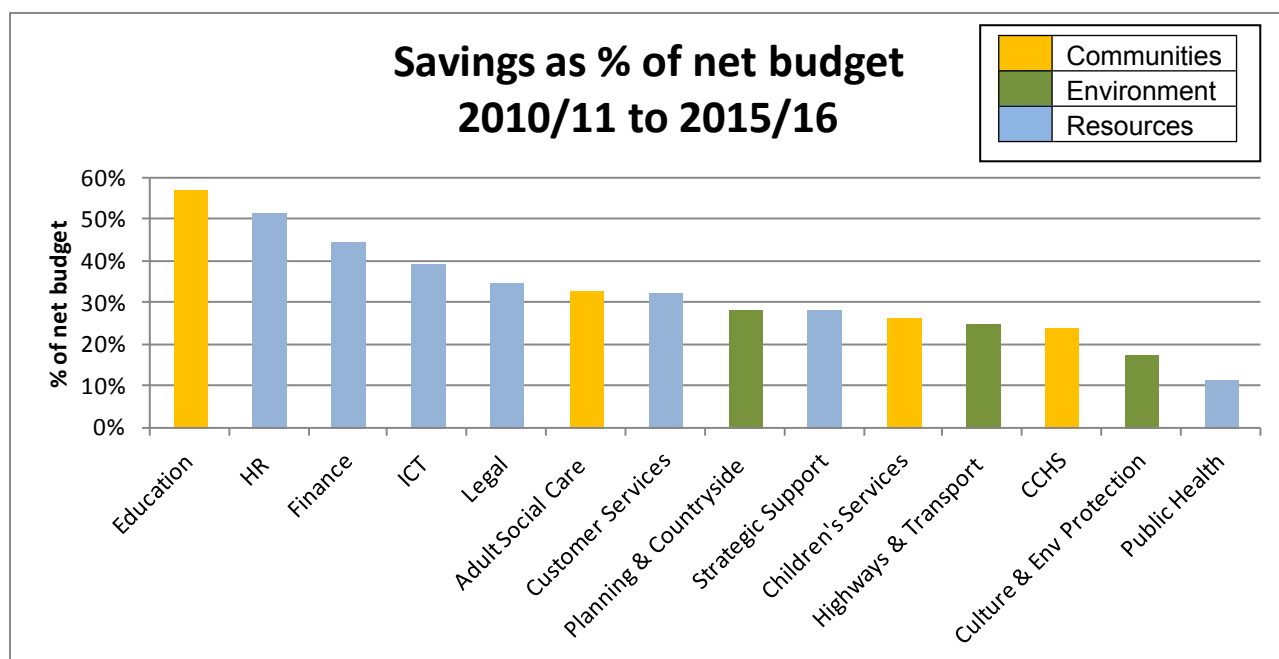
A savings programme is being developed that addresses the forecast funding gap over the medium term. The savings profile over the previous seven years and for the next three years is shown in the following chart:



Over the past few years, the savings programmes have focussed largely on becoming more efficient at what we do and reducing the Council's administrative functions. The following graph shows the savings by type over the last six years.



The services that this has impacted is shown in the chart below, as the percentage of savings made by service as compared to their net budget.



It is becoming increasingly difficult to continue to provide the wide range of Council services at the same level. The savings programme for 2016/17 is guided by the Council Strategy and priorities and the Manifesto commitments, and the Council has aimed to protect those priority areas where it can. Whilst efficiencies are still a priority, they are not enough to cover the savings requirements. The Council is therefore looking at new ways of delivering services, working in partnerships, increasing our income, value for money using benchmarking, a more commercial

approach, better contracts and procurement and seeking contributions from other organisations, in order to help preserve service provision.

Reserves

The main reserve that the Council holds is the General Fund which is comprised of the 'General Fund' and the 'Medium Term Financial Volatility Reserve' (MTFVR). In addition, Earmarked Reserves are held for future restructuring costs and specific future liabilities.

As part of the budget setting process, the General Fund and Earmarked Reserves are reviewed in detail. The General Fund is at a low level as a result of supporting the revenue budget in 2015/16. As such there is minimal planned use of reserves over the MTFS period. However, due to the financial pressures the Council is under, there are also no resources available to replenish the reserves to a more prudent level. The use of reserves is a one off solution and must be used prudently to ensure it does not undermine longer term budget sustainability. Estimated usable reserves are shown in the following table:

	2014/15	2015/16	2016/17
Usable Reserves estimate at year end	£'000	£'000	£'000
General Funds:			
General Fund	6,438	5,470	5,470
Medium Term Financial Volatility Reserve	1,530	1,031	1,031
Total General Fund	7,968	6,501	6,501
Earmarked Reserves	12,036	10,149	8,428
Total Revenue Reserves	20,004	16,650	14,929

Medium Term Financial Strategy

The Council's MTFS aims to ensure that our available resources are aligned with the vision, aims and priorities identified in the Council Strategy 2016 to 2020. The Council Strategy acknowledges that the reduction in government funding means that a more radical reshaping of the Council is now required. This needs to be driven by a review of what the Council has and wishes to do itself and a consideration of what might be best done by others, or possibly not done at all.

It is important that the Council maximises the generation of income. The main income source is Council Tax, at over two thirds of our income. Our grant funding is now based on our ability to raise Council Tax and on the Government assumption that we raise by CPI (currently 1.75%) each year. Any reduction in income raised, will have a direct affect on the savings required and ultimately on the services the Council provides. With our assumptions around not raising Council Tax over the period of this MTFS, a further £22.4m of savings or other income will need to be generated between 2017/18 and 2019/20.

The Council will undertake to maximise all efficiencies from across its service areas. This work has been ongoing over the last seven years contributing almost half of the £50m savings taken out of our budgets so far. Services will continue to look for efficiencies and in order to do this, it is important that all comparative costs are

understood. We will compare ourselves to other local authorities and look to learn from those who have a lower cost base. Income generating sources and fees and charges will be reviewed as part of our benchmarking work, comparing ourselves nationally and with similar authorities.

The Council will continue to review what it does and look at statutory provision. The Council has had to disinvest from many areas over the last few years and this will continue to be reviewed. Where disinvestment is the only option, the Council will aim to work with partners and other providers to minimise the impact.

Transformation programmes are in place across the Council and will continue to focus on identifying savings through continuing to deliver services differently. In line with the Care Act (2014) the Council's Adult Social Care service is completing a major programme of change that will allow a greater focus on prevention and early intervention. By working with people earlier we know that we can enable them to live independently for longer, delivering more innovative, person centred outcomes and reduce reliance on long term services.

The Council will review the district's boundaries in order to ascertain the optimum number of Members.

The Revenue Budget 2016/17 and the Capital Strategy and Programme 2016/17 to 2020/21 are available on our website:

<http://decisionmaking.westberks.gov.uk/ieListDocuments.aspx?CId=116&MId=3167&Ver=4>

The Medium Term Financial Strategy 2017/18 to 2019/20 is available on our website:

<http://info.westberks.gov.uk/index.aspx?articleid=30139>

3 Efficiency Strategy for Use of Capital Receipts 2016/17

As part of the Local Government Spending Review announced on the 17th December, the Government has provided Councils with the flexibility to use Capital Receipts received in the financial years 2016/17, 2017/18 and 2018/19 to fund transformation and restructuring of services in order to achieve efficiencies and revenue cost savings.

Projects to be Funded from Capital Receipts in 2016/17

The main capital receipt expected in 2016/17 is £2.9 million from the sale of the former Pound Lane depot (which is dependent on the success of the planning application which has been submitted for the development of the site).

Our interpretation of the definition of qualifying expenditure includes:

- Exit costs for staff being made redundant from 1 April 2016 onwards in order to achieve revenue savings;

- Work planned to be undertaken from April 2016 onwards to transform the way services are delivered (e.g. developing and piloting new ways of delivering Adult Social Care). This includes work which may have already started and which may already be allowed for in the 2016/17 revenue budget;
- Other additional costs associated with implementing savings such as sales to support service transition in frontline services and transforming or changing the use of buildings which are no longer needed for their existing operational purposes or one off payments for early termination of contracts.

The definition does not include the cost of continuing to provide existing services until it is practically possible to end them (i.e. the part year shortfall in respect of savings which can only to be implemented part way through the year). However if capital receipts are used to fund qualifying costs which are already allowed for in the revenue budget, this will create an additional saving which will offset the part year shortfall from the implementation of some planned savings.

Qualifying projects currently planned to be funded from capital receipts in 2016/17 are as follows:

Project	Capital Receipts funded / £m	Other sources / £m	Expected Annual Savings / £m
Expected cost of redundancies incurred in the financial year 2016/17	1.9	0	2.7
Transformation of service provision	1	0	0.5

The strategy will be amended as and when necessary to give a more detailed breakdown of projects to support the transformation of service provision.

Impact on Prudential Indicators

If £2.9 million capital receipts are used to fund the set out above costs in 2016/17, this will mean that it is necessary to borrow £2.9 million more in 2016/17 to fund capital expenditure than was originally planned. In order to ensure that this additional borrowing is affordable within the proposed revenue budget for 2016/17 and future years, the capital financing strategy has been amended as follows:

1. By taking account of the fact that PWLB interest rates have decreased slightly since the original capital strategy for 2016/17 was compiled;
2. By increasing the period over which we plan to borrow to fund some assets (e.g. from 25 to 30 years and from 40 to 50 years);
3. By reprofiling the annual provision for the future repayment of maturity loans (i.e. reducing the amount planned to be set aside over the next five years, but increasing the amount planned to be set aside over the following five years, by which time we expect that borrowing costs to be increasing more slowly);

4. By anticipating that additional capital receipts or revenue income from the disposal of surplus assets will become available in 2017/18 and/or 2018/19 to help meet the cost of the capital programme.

4 Supporting Information

The Medium Term Financial Plan (MTFP) is shown in the following table.

2016/17	Line ref	Medium Term Financial Plan	2017/18	2018/19	2019/20
£m			£m	£m	£m
82.28	1	Council Tax income	83.27	84.27	85.28
9.53	2a	Revenue Support Grant	3.70	0.12	0.00
1.39	2b	Transitional Grant Funding	1.37	0.00	0.00
0.07	2c	Other Non-Ringfenced Grants	0.06	0.05	0.04
87.41	3a	<i>Business Rates Collected</i>	89.16	90.94	92.76
-69.76	3b	<i>Business Rates sent to Central Government</i>	-69.82	-71.25	-74.48
17.65	3c	Retained Business Rates	19.34	19.69	18.28
1.84	4	Education Services Grant (ESG)	1.84	1.84	1.84
3.95	5	New Homes Bonus	3.95	2.50	2.40
-1.01	6	Council Tax Collection Fund deficit (-)/ surplus	0.00	0.00	0.00
1.17	7	Use of Capital Receipt	0.00	0.00	0.00
116.88	8	Funds available	113.54	108.47	107.84
111.93	9a	Opening Directorate Budget	107.72	103.93	98.36
0.00	9b	Opening budget adjustments	-0.76	0.00	0.00
2.30	10	Base budget growth	1.37	1.37	1.37
0.38	11	Contract inflation	0.90	0.90	0.90
3.89	12	Unavoidable service pressures	1.50	1.50	1.50
1.74	13	Other risks	0.00	0.00	0.00
-13.90	14	Requirement for savings or other income	-8.17	-9.34	-4.90
1.39	15	Transitional funding	1.37	0.00	0.00
107.72	16	Directorate budget requirement	103.93	98.36	97.23
9.10	17	Levies & capital financing costs	9.60	10.10	10.60
0.00	18	Use of reserves	0.00	0.00	0.00
0.05	19	CTSS support for Parishes	0.00	0.00	0.00
116.88	20	Budget requirement	113.54	108.47	107.84

Conclusion

Local Government has been one of the areas of the public sector that has seen the highest reductions in government spending, and it is clear this will continue for at least the next three years. In light of the ongoing funding reductions, the Council will continue to make changes to service delivery whilst remaining in line with the Council Strategy and local priorities.

The Council has ensured that despite the funding cuts it has a robust financial structure on which to base its long term decisions and to prioritise available resources. Budgets have been reviewed to ensure each service has the appropriate level of budget to deliver the service expected, and budgets will continue to be

reviewed as part of the financial process. Capital investment will continue to ensure that core assets are maintained and protected. Reserves have been reviewed to ensure there are sufficient reserves for the Council to deliver services and take appropriate risks in amending service delivery models without impacting on the financial viability of the organisation.

The Council has a track record of strong financial management. Historically budgets have been delivered without significant over or under spends. The Council's ability to manage within significant financial challenge is vital to its continuing success in delivering the Council Strategy. The Council is in a very difficult place financially and in addition to the £13.9m savings programme for 2016/17, we are facing a further savings or other income requirement over the medium term of £22.4m. This is being addressed by looking at a range of strategies including new ways of delivering services, working in partnerships, increasing our income and continuing to drive efficiencies, in order to help preserve service provision.

Consultation and Engagement

Consultation will take place where appropriate on the individual savings proposals for future years.