

Agenda Item 9

For publication

Bedford Borough Council – Executive

27 November 2019

Report by the Finance Portfolio Holder and Assistant Chief Executive (Enabling Services)

Subject: EFFICIENCY PLAN

1. Executive Summary

In line with best practice in relation to financial resilience, the Council has produced an Efficiency Plan to address the funding gap set out in the most recent Medium Term Financial Strategy (MTFS) – approved by Full Council 9 October 2019. The Efficiency Plan sets out Themes for delivering budget savings / generating income in order to meet the funding gap over the medium term.

2. Recommendations

The Executive is requested to consider the report and:

- a) Note the financial challenge facing the Council and the need to put in place appropriate measures consistent with financial resilience;
- b) Approve the Efficiency Plan as the most appropriate response to the funding gap facing the Council;
- c) Approve the Flexible Use of Capital Receipts (as prescribed by Regulation) to fund the revenue costs of transformation from Capital Receipts if prudent to do so.

3. Reasons for Recommendations

- a) To ensure that the Executive, in response to the challenges set out in the MTFS (principally the funding gap), are aware of the Council's financial position;

- b) To ensure an appropriate framework exists, the Efficiency Plan, to put in place actions to deliver efficiencies / savings over the medium term thereby ensuring the ongoing financial resilience of the Council.

4. Key Implications

4.1 Legal Issues

It is a statutory requirement for the Council to set a balanced budget each year and to maintain adequate Reserves. Failure to do so would result in a “Section 114” report by the Council’s designated Section 151 Officer which would lead to intervention action by MHCLG or, if appropriate, the Council’s External Auditors. The development of the annual budget should be considered within the context of medium term financial forecasts thereby underpinning financial resilience.

The Medium Term Financial Strategy (MTFS) is not the budget but provides the medium to longer term financial planning framework within which the annual budget is developed. By forecasting future levels of resources and spending the MTFS allows for early identification of actions required to ensure a balanced budget over the medium term. The Efficiency Plan enables the Council to put in place arrangements to address the funding gap identified.

The Council has a duty to consult from the Best Value Guidance 2011 which derives from provisions contained within the Local Government Act 1999.

4.2 Policy Issues

Full Council, as part of its consideration of the Revenue Budget in February each year, must consider whether the budget is both affordable and sustainable in the short to medium term having regard to anticipated resource and forecast spending.

The Council’s financial strategy needs to have regard to the “resource envelope” available to it. The three key resource elements are Government Grants (albeit that Revenue Support Grant has reduced over recent years), Council Tax and Business Rates. The Local Government Finance Settlement (LGFS) sets out control totals for each Local Authority and comprises (i) Revenue Support Grant and (ii) a Business Rates Baseline.

It should be noted that in addition to these core funding elements the Council also receives in excess of £30 million in Government Grants including Public Health, New Homes Bonus and a number of Adult Social Care funding streams (primarily BCF).

The Cipfa Financial Management Code (FM Code) issued October 2019 requires Authorities to address financial resilience and report the outcome of such resilience assessments to Members. The MTFS and Efficiency Plan taken together address financial

resilience in that the MTFS identifies a funding gap and overarching strategy over the medium term and the Efficiency Plan sets out the Council's plan to address the funding gap.

The Council's adopted Consultations Strategy 2017-2021 outlines how, why and when the Council consults with its residents and other interested parties on changes to our service provision.

4.3 Resource Implications

There are no resource implications of producing the Efficiency Plan itself.

4.4 Risk Implications

As the Efficiency Plan is forward looking there is a risk that the assumptions underpinning the Plan will need to be refreshed as time progresses and assumptions are refreshed. The MTFS is reviewed twice yearly and any material change in the financial forecast will need to be considered in terms of the Efficiency Plan.

The Efficiency Plan has a number of Themes and as such there is the risk of double counting savings. This risk is mitigated through the application of effective governance arrangements and a programme management approach to the Efficiency Plan.

4.5 Environmental Implications

There are no environmental implications arising from this report.

4.6 Equalities Analysis

In preparing this report, due consideration has been given to the Borough Council's statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010.

A relevance test for equality has been completed. The equality test determined that the activity has no relevance to Bedford Borough Council's statutory equality duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations. An equality analysis is not needed.

5. Details

Background

The Council’s Medium Term Financial Strategy (MTFS) (Full Council – 9 October 2019) (Financial Forecast - Appendix A) set out the funding gap for the period 2021-2025 and the assumptions underpinning the financial forecast. It is evident that over the MTFS period there is a high degree of uncertainty in relation to funding – the forthcoming Spending Round 2020, Fair Funding Formula changes and 75% Business Rates Retention. In addition forecasting future cost pressures, in particular in relation to Social Care is problematic in that recent experience suggests increased demands being placed on the service with little abatement anticipated over the medium term.

Such financial uncertainty is to an extent inevitable when forecasting funding (income) and spending into the future. The current forecast period does however have more unknowns than in previous periods. The degree of uncertainty alone does not determine the extent of financial planning. Organisations should plan for financial resilience; clearly greater uncertainty requires robust financial planning and greater clarity in relation to assumptions made.

Efficiency Plan

The Efficiency Plan (Appendix B) sets out the Council’s response to the funding pressures over the period 2021-2025. There are a number of Themes to the Efficiency Plan; efficient business processes harnessing the Council investment in technology, continued supplier engagement to explore better and more cost effective ways of procuring services, targeted budget reviews and Directorate Service Proposals (DSPs) that look at what and how specific services are delivered.

It should be noted that the Efficiency Plan is for the period 2021/2022 through to 2024/2025. The 2020/2021 Budget, which will be approved by Full Council in February 2020, will become the base budget for the Efficiency Plan period. The proposals set out in the Efficiency Plan will therefore be developed during 2020/2021 thereby providing sufficient lead time for outcomes to be identified and where possible savings may be delivered earlier. It is anticipated that Spending Round 2020 will be for a three or four year period and the uncertainty around Local Government funding will have hopefully become clearer. Aligning the development of proposals over this period allows savings to be matched against the annual funding gap as these become apparent.

Although there are a number of Themes there is one Efficiency Plan. The governance of this Plan through the programme management framework will ensure that across the Themes there is no duplication of effort or double counting of savings.

| Theme | Descriptor | 2021-2025 Target £ million |
|-------------------|---|----------------------------------|
| Digital Operating | The DOM programme approved in February 2017 and has resulted in new technology being deployed to enhance / improve business processes thereby | 2.8 |

| Theme | Descriptor | 2021-2025 Target £ million |
|---|---|---|
| Model (DOM) | eradicating unnecessary administrative processes and improving productivity. The reduction in staff cost of £10.3 million over the DOM period is aligned to a programme of Service Reviews that seek to harness the benefits arising from the investment made by the Council. This is the final phase of this existing project. | |
| Efficiency Programme building on DOM Investment | Exploration of further opportunities arising from the new technical landscape recognising that a maturing and Council wide technological layer enables further cross Council efficiencies to be identified. | 4.2 |
| Strategic Sourcing | The Council has, through the Commercial Hub, targeted areas of procurement spend to achieve procurement savings whilst maintaining the level of acquisition / service levels. This approach is to be continued over the Efficiency Plan period. | 2.0 |
| Base Budget Reviews | Target Budget Management activity during 2020/2021 to identify budget areas appropriate to an in-depth base budget review. This will include the review of previous year-end outturns. | 4.0 |
| Income Generation | Review of income generation opportunities, including increased commercial activity and full cost recovery | 1.2 |
| Directorate Service Proposals (DSPs) | Range of proposals that impact on the current service configuration or offer. These are set out in further detail at Annex A | 4.1 |
| Total | | 18.3 |

It should be noted that 'back-office' costs have been the focus of the DOM and as such there is less scope for further savings in these areas. The DSPs are predominantly in relation to direct service provision as opposed to back-office functions.

There are Invest to Save elements within the Efficiency Plan. The savings set out are in excess of any capital financing costs and where made in relation to commercial activities exceed the Council's prescribed Hurdle Rate (saving greater than the cost of capital).

The Local Government Finance Settlement 2018/2019 extended the use of Capital Receipts to fund revenue costs where these are demonstrably linked to transformation activities that will reduce the ongoing costs of the Council. This flexibility, as it stands includes 2021/2022. It is anticipated that the Council may utilise the Capital Receipts Flexibility where appropriate in 2021/2022

Financial Resilience includes the strength of the Council's Balance Sheet, in that if there were concerns then these would need to be addressed as part of the Efficiency Plan, i.e. if Reserves were deemed insufficient then the Revenue Budget would need to incorporate budgeted transfers to Reserves. The Council has both Earmarked Reserves and the General Fund. Earmarked Reserves fund specific initiatives or meet corporate costs (i.e. self-funded Insurance). In terms of the former the level of the Reserve equates to the level of spend, in terms of the later these Reserves are assessed annually and currently form part of the annual budget process. The Council's General Fund is risk assessed annually and current stands at £12.1 million (within the range assessed as appropriate).

Within the Efficiency Plan there is no planned use of Reserves, therefore there is no need to reallocate existing Reserves to the Efficiency Plan. Consequently, Reserves will be utilised as currently planned. As part of the Outturn, the Council's General Fund will continue to be risk assessed on an annual basis.

Consultation

As proposals contained within the Efficiency Plan are developed, there will be appropriate consideration of whether consultation is required. The Council has a 'duty to consult' and each year undertakes consultation in relation to the authority's proposed budget.

6. Summary of Consultations and Outcome

The following Council Units or Officers and/or other organisations have been consulted in preparing this report:

Management Group
Relevant Officers

No adverse comments have been received.

Report Contact Officer: *Andy Watkins, Assistant Chief Executive & Chief Finance Officer* e-mail: andy.watkins@bedford.gov.uk
Julie McCabe, Head of Finance e-mail: julie.mccabe@bedford.gov.uk

File Reference:

Previous Relevant Minutes:

Background Papers: *None*

Appendices: *A: Financial Forecast 2021/2022 to 2024/2025*
 B: Efficiency Plan 2021-2025

FINANCIAL FORECAST 2021/2022 TO 2024/2025**Baseline Model**

| | 2021/2022 | 2022/2023 | 2023/2024 | 2024/2025 |
|---|------------------|------------------|------------------|------------------|
| | £ million | £ million | £ million | £ million |
| Council Tax | 100.4 | 104.5 | 108.7 | 113.0 |
| Business Rates | 32.6 | 33.3 | 34.0 | 34.6 |
| RSG | 4.3 | 2.6 | 1.9 | 1.3 |
| Total Resources | 137.4 | 140.3 | 144.5 | 149.0 |
| Budget Requirement Carried forward | 134.4 | 142.5 | 151.1 | 159.4 |
| Base Budget changes | 0.0 | 0.0 | 0.0 | 0.0 |
| Legislative / Funding Changes | -1.0 | -0.9 | -1.2 | -1.2 |
| Demand / Demographics | 4.8 | 5.2 | 5.7 | 5.9 |
| Other service Issues | -0.4 | 0.0 | 0.0 | 0.0 |
| Corporate Pressures | 4.2 | 3.7 | 3.2 | 3.2 |
| New Homes Bonus | 0.4 | 0.6 | 0.6 | 0.0 |
| Net Spending | 142.5 | 151.1 | 159.4 | 167.2 |
| Net Resource Position | 5.1 | 10.7 | 14.9 | 18.3 |
| Net Resource Position excluding assumed additional funding for Adult Social Care | 6.6 | 13.7 | 19.4 | 24.3 |

Note there may be rounding errors in this table.

EFFICIENCY PLAN 2021-2025

Introduction

This Efficiency Plan for Bedford Borough Council covers the period 2021 to 2025 consistent with the MTFS approved by Council on the 9 October 2019. The MTFS set out assumptions around the trajectory of both funding and spending over the medium term. The “base case” identifies a funding gap of £18.3 million after taking into account assumed additional funding for Social Care over the period of £6.0 million.

The Efficiency Plan sets out the Council’s response to this funding gap and as such identifies the strategies proposed over the period to either reduce spending or increase income. Forecasting spending and funding over the MTFS inevitably brings judgement into play and to a greater extent the longer the time horizon. The Efficiency Plan should be considered against this backdrop. It should be noted that although the Efficiency Plan sets the direction over the MTFS period it will need to be reviewed annually to ensure its ongoing applicability

Context

Over the period 2015/2016 to 2019/2020, the Council has made savings of £33.5 million and increased Council Tax Yield by £23.5 million, yet over this period its net budget has effectively remained constant in cash terms. This highlights that over the recent past the Council has had to absorb a combination of reduced government funding and cost pressures (primarily in social care). Consequently, with the passage of time it has become increasingly challenging to set a balanced budget and retain a sustainable level of Reserves to manage the ongoing uncertainties in public sector funding.

There is currently no certainty with regard to national funding over the medium term. Spending Round 2019 set Government Department cash limits for 2020/2021 only with the expectation that a full Spending Round (Review) will take place in 2020, and this will set Government Department cash limits for a three / four year period (as has previously been the norm). In terms of Local Government finance there are further funding uncertainties in relation to (i) Fairer Funding – a new methodology of allocating funding across Local Authorities and (ii) Business Rates Retention – how moving to a 75% retention scheme will be enacted (recognising that across the sector this is fiscally neutral).

In addition recent economic forecasts suggest that the economy may not grow as much as forecast with an inevitable impact on the public finances; both in terms of tax revenues and potential welfare related spending. In addition, the change in accounting for Student Loan Debt and incorporating recent Government spending commitments would imply that it will be difficult for the Government to comply with the established Fiscal Rules. This can only mean either (i) reappraisal of the Fiscal Rules or (ii) increased taxation and/or (iii) a return to Austerity.

In summary, the context for the Efficiency Plan is one of a high degree of uncertainty and probable fiscal pressure. Against such a backdrop, the Efficiency Plan assumes paramount importance as a vehicle for enabling the financial resilience of the Council.

Cipfa Financial Management Code

Cipfa have published a Financial Management Code (FM Code) (October 2019) in response to a number of high profile cases that highlighted financial management weaknesses in local government. The FM Code requires the Council “demonstrate that its processes satisfy the principles of good financial management”. Section 3 of the FM Code addresses **long to medium-term financial management**. Specifically there are four standards:

- The authority has carried out a credible and transparent financial resilience assessment
- The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members
- The authority complies with the *CIPA Prudential Code of Capital Finance in Local Authorities*
- The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans

The combination of the MTFS and the Efficiency Plan meet these requirements. In addition, Full Council is required to approve the Council’s Capital Strategy annually that sets out the Council’s capital spending and funding plans into the future. Integrating capital plans and the revenue consequences of capital within the MTFS are key to ensuring financial resilience.

Annual Revenue Budget

The Council is required by statute to set a Balanced Budget on an annual basis. The FM Code reinforces this legal requirement but additionally stresses the importance of the Annual Budget in the context of the MTFS and therefore the Efficiency Plan. An effective MTFS process should enable effective annual budget planning; likewise, unforeseen issues arising from the Annual Budget should inform future iterations of the MTFS and their consequent impact on the Efficiency Plan.

Themes

The Efficiency Plan incorporates a number of Themes consistent with the MTFS, these include:

| Theme | Descriptor | 2021-2025 Target £ million |
|-------------------------------|---|---|
| Digital Operating Model (DOM) | The DOM programme approved in February 2017 and has resulted in new technology being deployed to enhance / improve business processes thereby eradicating unnecessary administrative processes and improving productivity. The reduction in staff cost of £10.3 million over the DOM period is aligned to a programme | 2.8 |

| Theme | Descriptor | 2021-2025 Target £ million |
|---|---|---|
| | of Service Reviews that seek to harness the benefits arising from the investment made by the Council. This is the final phase of this existing project. | |
| Efficiency Programme building on DOM Investment | Exploration of further opportunities arising from the new technical landscape recognising that a maturing and Council wide technological layer enables further cross Council efficiencies to be identified. | 4.2 |
| Strategic Sourcing | The Council has, through the Commercial Hub, targeted areas of procurement spend to achieve procurement savings whilst maintaining the level of acquisition / service levels. This approach is to be continued over the Efficiency Plan period. | 2.0 |
| Base Budget Reviews | Target Budget Management activity during 2020/2021 to identify budget areas appropriate to an in-depth base budget review. This will include the review of previous year-end outturns. | 4.0 |
| Income Generation | Review of income generation opportunities, including increased commercial activity and full cost recovery | 1.2 |
| Directorate Service Proposals (DSPs) | Range of proposals that impact on the current service configuration or offer. These are set out in further detail at Annex A | 4.1 |
| Total | | 18.3 |

In terms of the MTFS Financial Forecast (Full Council – 9 October 2019) the Efficiency Plan addresses the Net Resource Position as set out.

Risk

Forecasting both funding (income) and spending into the future is problematic. Clearly the further into the future a forecast the more vulnerable the forecast is to variation. It is essential therefore that as the MTFS is refreshed (twice yearly) that any significant variation in the forecast be reflected in the Efficiency Plan.

As there are a number of Themes within the Efficiency Plan it is essential that there is a strong governance framework overseeing the Plan to ensure that there is not a duplication of effort or savings.

Investment

There are Invest to Save elements within the Efficiency Plan. The savings set out are in excess of any capital financing costs and where made in relation to commercial activities exceed the Council's prescribed Hurdle Rate (savings greater than the cost of capital).

Flexible Use of Capital Receipts

The Local Government Finance Settlement 2018/2019 extended the use of Capital Receipts to fund revenue costs where these are demonstrably linked to transformation activities that will reduce the ongoing costs of the Council. This flexibility, as it stands includes 2021/2022.

The Flexible Use of Capital Receipts will be considered on an annual basis and will take into account the overall financing requirements of the Council's capital programme.

DSPs Detail

| Directorate | Executive Ref | Report Description | Efficiency Plan Period £000 |
|-------------|---------------|--|-----------------------------|
| Adults | EP - A1 | Implementation of a charging policy, primarily in relation to Respite Care, that has traditionally been based on an average cost to one based on actual cost thereby better matching the actual cost of provision and subsequent charging. | 65 |
| Adults | EP - A2 | Review of care packages consistent with the current assessed level of need with the objective of promoting independence to achieve better outcomes at a lesser cost. | 200 |
| Adults | EP - A3 | Introduction of a Strengths Based approach to social care with the focus on what individuals can do to maintain independence as opposed to a more traditional assessment of care provision. | 150 |

| Directorate | Executive Ref | Report Description | Efficiency Plan Period £000 |
|-------------|---------------|--|--------------------------------|
| Adults | EP - A4 | To extend Occupational Therapy support at Care Reviews to ensure that alternative solutions to existing care provision including the increased use of equipment and assistive technology is better considered. | 200 |
| Adults | EP - A5 | To expand the Shared Lives Scheme (a scheme with specially trained and approved carers in a family home setting) that will enable support, such as short breaks, day opportunities or longer term support as an alternative to care in a formal care setting, which is more cost effective and is person centred with positive outcomes. | 75 |
| Adults | EP - A6 | The merging of two current registered care services, George Beale House and Brookside, onto one site to develop and deliver a new model of provision. The outcome of the merger will result in a more efficient unit, fit for purpose renovated accommodation and a more cost effective solution that will improve outcomes for service users. | 250 |
| Adults | EP - A7 | To implement new and more efficient ways of procuring social care contracted services and at the same time focus on improved outcomes through more effective engagement with providers with a focus on outcome based contracts. Scope of procurement activity across all care provision but with a focus on Learning Disability. | 1,500 |

| Directorate | Executive Ref | Report Description | Efficiency Plan Period £000 |
|-------------|---------------|---|--------------------------------|
| Adults | EP - A8 | Engage with the NHS to develop protocols to ensure that where care provision encompasses both NHS and Social Care provision that NHS funding is forthcoming for that element that is the responsibility of the NHS. | 150 |
| Adults | EP - A9 | To review contracts in relation to high cost care provision for older people with a focus on improved outcomes at a lesser cost. | 150 |
| Adults | EP - A10 | To review contracts in relation to high cost provision for mental health clients with a focus on improved outcomes at a lesser cost. | 150 |
| Adults | EP - A11 | To further develop sustainable and transformational outcomes through technology enabled care across all client groups through collaborative partnerships. Such partnership working enables improved access to technology (and therefore cost efficiency) to support greater levels of independence. | 150 |

| Directorate | Executive Ref | Report Description | Efficiency Plan Period £000 |
|-------------|---------------|---|--------------------------------|
| Children's | EP - CH1 | To ensure better support for Childminders. This proposal brings in-house a service which is currently commissioned to support childminders. | 15 |
| Children's | EP - CH2 | To improve support for Children with disabilities. This proposal brings in-house a service which is currently commissioned to support children with disabilities. | 75 |
| Children's | EP - CH3 | To review Foster Care provision in the light of the level of fees paid to independent Fostering Agencies | 500 |
| Children's | EP - CH4 | To improve support for families in need of housing who have no recourse to public funds by directly renting properties as opposed to using a third party | 50 |

| Directorate | Executive Ref | Report Description | Efficiency Plan Period £000 |
|-------------|---------------|--|--------------------------------|
| Environment | EP - E1 | Turn down Streetlights during the middle of the night (between 12 to 5am) to save energy, except at sites where public, community or road safety is an issue. Detailed assessments will be undertaken to indicate suitable areas and to ensure that this does not reduce safety to the public or road users. | 100 |
| Environment | EP - E2 | Subject to further consultation extend the existing Library Plus (self service) operating model, which has been successfully implemented at Bedford Central/Bromham/Wootton Library sites into Putnoe and Kemspton Library sites. | 49 |
| Environment | EP - E3 | Restructure of the Library Hub shared service (with Central Bedfordshire Council) and the associated staffing budget provision in this area. | 20 |
| Environment | EP - E4 | To enter into a Primary Authority agreement with commercial partners for the provision of assured/expert advice regarding regulatory services. | 10 |

| Directorate | Executive Ref | Report Description | Efficiency Plan Period £000 |
|-------------|---------------|--|--------------------------------|
| Environment | EP - E5 | To lease space and the existing building at the Elstow Park & Ride site to a third party to deliver additional income. This proposal will ensure that any present park and ride bus service will not be compromised. | 130 |
| Environment | EP – E6 | To introduce a small departure charge to Bus Operators as a means of covering the Council's costs; cleaning, lighting, roadworks and barriers. | 25 |
| Environment | EP – E7 | To increase income under the Highways Act 1980 as the authority is permitted to charge for the cost incurred in providing permits, thereby ensuring full cost recovery. This will include changes to road closure, scaffolding and skip permits. | 25 |
| Environment | EP – E8 | To introduce virtual parking permits to eliminate associated back office costs e.g. paper, printing and post. | 10 |

| Directorate | Executive Ref | Report Description | Efficiency Plan Period £000 |
|--------------|---------------|---|--------------------------------|
| Corporate | EP-CO1 | To reduce the Marketing and Publicity Budget by 15%. | 15 |
| Corporate | EP-CO2 | To reduce external contract costs across Financial Assessments, Blue Badge and Concessionary Travel | 20 |
| Total | | | 4,084 |