High Peak Borough Council

Efficiency & Rationalisation Strategy

2017/18 to 2020/21

1 Background and Introduction

1.1 In October 2010, the Chancellor of the Exchequer announced the outcome of the Comprehensive Spending Review (CSR). The announcements were made in the context of the objective of removing the overall budget deficit. This announcement provided the starting point for a long period of significant public spending reductions.

1.2 Since this point all of the government's announcements on public spending have brought ongoing reductions in the levels of funding for local authorities. It is against this backdrop that the Council's Medium Term Financial Plans (MTFPs) have been developed over the last six financial years (2011/12 to 2016/17).

1.3 In this time the Council has agreed and delivered two Efficiency & Rationalisation Strategies. These strategies have outlined the actions required to ensure that the budget deficits have been eliminated over the life of the MTFPs and that the Council can continue to provide excellent services in the context of its priorities. The Council agreed its previous Efficiency and Rationalisation Strategy (2014/15 to 2016/17) in February 2014. This strategy provided for General Fund efficiency savings of £2.5 million. This financial target has almost been achieved which has allowed the Council to maintain standards of services to residents.

1.4 The latest forecasts show that the need to deliver efficiency savings is on going. The latest MTFP shows a significant budget deficit in each of the next four financial years (2017/18 through to 2020/21). There is the need to develop a new a new Efficiency & Rationalisation Strategy to provide a framework for removing these budget deficits.

1.5 This strategy sets out the Council's proposed approach to balance the budget through reducing expenditure and increasing its income. The strategy details the approach to balancing the general fund budget deficit the approach developed for the Housing Revenue Account is detailed in the HRA Business Plan.

2 The Council's Previous Approach to Efficiency

2.1 The Council's efficiency plans have historically been focussed around two priorities:

- Maintaining front line services; and
- Limiting Council Tax increases

2.2 Prior to 2011/12, when the large-scale public sector spending reductions were implemented, the Council's efficiency savings were realised from the following common areas of activity:

- Procurement;

- Process Improvement;
- Workforce Planning;
- Value for Money; and
- Asset Management / Property Rationalisation

2.3 Since April 2008 these savings have been underpinned by a Transformation Programme, which was created following the formation of the strategic alliance with Staffordshire Moorlands District Council. This has seen services transformed jointly by the two councils. A unique method of transformation (AIMS – Alliance Improvement Method for Services) was developed to ensure that the shared arrangements were developed in an appropriate way. All of the Council's services are managed jointly, an arrangement which has been in place since July 2009. Since this point the Council's efficiency plans have continued to be developed jointly through the strategic alliance

2.4 The Council has sustained its successful track record of delivering efficiency savings. The performance over the financial years prior to the existing Efficiency & Rationalisation Strategy is summarised in the table below:

Year	**Financial Savings**	
	Target	**Actual**
	£'000	£'000
2005/06	280	430
2006/07	270	460
2007/08	280	400
2008/09	264	164
2009/10	662	669
2010/11	982	740
2011/12	1,202	759
2012/13	1,196	1,266
2013/14	1,056	866
Total	**6,192**	**5,754**

3 Efficiency & Rationalisation Strategy 2014/15 to 2016/17

3.1 The current Efficiency and Rationalisation Strategy was approved by the Council in April 2014. In establishing this plan, importance was placed on ensuring the programme of savings was well focussed and recognised the capacity constraints on the organisation. Therefore, external challenge work was commissioned to assist in identifying areas that had the greatest potential for further savings.

3.2 A number of principles were developed in order to ensure that the plans are focussed in the right areas and are deliverable. These were:

- Service reviews will be completed on a structured basis during the early years;
- Individual service structures would be properly combined across the Strategic Alliance;

- There would be continued protection of front-line services;
- Non-priorities would be identified in discretionary services and targeted for savings if possible;
- Mandatory services would be developed to ensure that they are efficient when compared with the best local authorities;
- Transactional services would be delivered around the needs of customers and development of “channel shift”;
- There would be a strong focus on corporate efficiencies e.g. procurement, asset management to minimise the impact on staffing levels

3.3 After taking into account these principles the Efficiency and Rationalisation Strategy was focussed upon five areas:

Enhancing Income and Improving Trading - increasing the income generated from Council Services including identifying and generating new income streams, improving the effectiveness of services that compete with other service providers, and improving the yield from fees and charges through increased activity.

Extending Shared Services – building on the existing alliance with Staffordshire Moorlands District Council along with identifying new partners

Corporate Efficiency Projects - targeting savings that do not directly impact on front line service provision including implementation of the procurement strategy, further development of the Asset Management Plan etc.

Service Reviews – a structured and comprehensive review of all of the Council’s services

Innovation and Growth - creation of a Development Fund on an “invest to save” basis

3.4 The strategy identified a programme of £2.5 million in general fund savings to be made over the period 2014/15 – 2016/17. The financial savings agreed in the strategy are summarised in the table below:

Efficiency Strategy	2014/15	2015/16	2016/17	TOTAL
	£	£	£	£
Enhancing Income & Improving Trading	93,560	141,530	120,910	**356,000**
Extending Shared Services	25,000	50,000	50,000	**125,000**
Corporate Efficiency Projects	510,000	540,000	334,000	**1,384,000**
Service Reviews	150,000	230,000	105,000	**485,000**
Innovation & Growth	50,000	50,000	50,000	**150,000**
General Fund Efficiency Plan	**828,560**	**1,011,530**	**659,910**	**2,500,000**

3.5 In the main the delivery of the strategy has progressed well. The key achievements include:

- A comprehensive review of all services was completed with a number significant service improvements implemented whilst exceeding the overall savings targets;
- The Council's Procurement Strategy has been implemented with savings exceeding the initial targets; and
- Services have been more fully aligned across the strategic alliance which has allowed for "back-office" efficiencies such as reduced ICT system costs; administrative and support costs and further reductions in management overheads.

3.6 The estimated position at the end of March shows that there will be a shortfall in the required efficiency savings of £431,200. This is summarised in the table below:

Year	Financial Savings	
	Target	Actual
	£	£
2014/15	828,560	482,980
2015/16	1,011,530	429,260
2016/17	659,910	1,156,560
Total	**2,500,000**	**2,068,800**

3.6 The shortfall broadly relate to three areas of activity:

- **Asset management** – the Council is only part way through the fundamental review of its assets – this review is expected to be completed in the early part of 2017/18 when the savings are expected to be identified;
- **Growth fund** – the Council decided not to pursue this project in 2015; and
- **Income generation** – a number of potential initiatives have been identified but have long lead-in times.

3.7 This shortfall will need to be added to the identified MTFP deficits to establish the new efficiency savings requirements.

4 The New Savings Requirements

4.1 Since December 2016 detailed budget plans have been developed for the 2017/18 financial year and a revision to the MTFP has been made in light of these. The efficiency savings requirement can be summarised as follows:

Requirement	Financial Saving Required
	£
Shortfall from previous strategy	431,200
MTFP deficits:	
2017/18	425,820
2018/19	867,400
2019/20	311,930
2020/21	94,330
Total	**2,130,680**

5 Strategic Focus of New Plan

5.1 The new Efficiency & Rationalisation Strategy will have the effect of both reducing expenditure and increasing income. The need to grow income is now more of a priority as the Council moves more towards being self-financing i.e. not reliant on direct government funding such as revenue support grant.

5.2 The strategy has been developed with the underlying principles of protecting frontline service delivery. It is also intended that the strategy is a tool to enable the Council to ensure that its service spending is determined by the established priorities set out in the Corporate Plan.

5.3 It is intended that there will be five areas of focus:

Major Procurements
There is the opportunity to focus attention on a number of large service functions which are currently provided by an external contractor / supplier. A number of significant contracts are coming to an end. This will also allow a fundamental review of these services with proper consideration of the current financial constraints. The contract commitments have sometimes restricted the opportunity to align services across the alliance with Staffordshire Moorlands. The development of new arrangements for these services will allow the Council to benefit through the economies of scale through working through the alliance and potentially other partners. The individual projects will be as follows:

- **Waste collection & environmental services** - Development of “Teckal” company for delivery of waste collection, street cleansing, grounds maintenance and fleet management in conjunction with Ansa (wholly owned company of Cheshire East Council)
- **Leisure management** - Transformed service provision with a new operating model and a reduced subsidy. Involves three review streams– strategic priorities; asset fitness for purpose; and the operating model.
- **Facilities Management -** New arrangements upon expiry of existing arrangement with Derbyshire County Council

Asset Management
There will be a continuation of the existing priority of rationalising the Council's asset base with a focus around priorities in order to allow for the necessary capital investment.

- **Asset Management Plan -** Assessment of property condition and review of priorities with the objective of rationalisation and implementation of a prioritised investment plan

Growth
Development of a clear focus upon housing and economic growth based upon the clearly established Local Plan. The individual projects will be as follows:

- **Housing Growth** - This will include the necessity to develop projects to ensure that the targets for housing development included in the planning framework are achieved. The Council will utilise its land holdings to support the market provision of housing.
- **Business Growth** - There will be a continuation of the approach used by the Council to secure inward investment. This will include working with funding partners such as the Local Enterprise Partnership and other local partners to secure funding to support new schemes.

Income Generation
There will be a focus on increasing the yield from existing sources of income. This will include a regular strategic review of fees and charges. There will also be a drive towards identifying new sources of income. The individual projects will be as follows:

- **Pavilion Gardens** – including an initial savings programme to offset Octagon development costs and the market testing of the trading operation
- **Enhanced Trading** – initial focus on improving the financial yield from existing services such trade waste but will involve the investigation of the potential to trade other services
- **Advertising / Sponsorship –** generate money from sponsorship of assets such as car parks, boundary signs, open spaces and buildings.
- **Fees & Charges** - Increases in levels in line with annual review of subsidies and the consideration of new fees and charges

Rationalisation
There will be a commitment to reducing expenditure on non-priority areas of spend. The individual projects will be as follows:

- **Management Arrangements –** review of management structure in line with the move towards new service delivery models
- **Channel Shift –** continuing rollout of the existing programme
- **Parish Grants -** review of concurrent function and council tax support grant levels
- **Rationalise Non-Statutory Services -** investigate on an opportunistic basis

5.4 The deliverables are set out in more detail in Annex A.

5.5 The level of financial savings anticipated from the strategy is detailed in the table below:

Efficiency	2017/18	2018/19	2019/20	2020/21	TOTAL
	£'000	£'000	£'000	£'000	£'000
Major Procurements					
Waste Collection etc.	100	200	100	100	500
Leisure Centres	-	-	-	400	400
Facilities Management	-	75	-	-	75
	100	**275**	**100**	**500**	**975**
Asset Management					
Asset Rationalisation	-	30	200	-	230
	-	**30**	**200**	**-**	**230**
Growth					
Housing Growth	-	40	40	40	120
Business Growth	-	-	-	150	150
	-	**40**	**40**	**190**	**270**
Income Generation					
Fees & Charges	-	120	-	120	240
Pavilion Gardens	40	60	70	-	170
Advertising / Sponsorship	50	10	-	-	60
Enhanced Trading	-	-	-	-	-
	90	**190**	**70**	**120**	**470**
Rationalisation					
Management Staffing	100	-	-	-	100
Channel Shift	-	-	-	-	-
Parish Grants	-	26	20	-	46
Service Rationalisation	20	20	-	-	40
	120	**46**	**20**	**-**	**186**
TOTAL	**310**	**581**	**430**	**810**	**2,131**

6 Risks

6.1 The successful delivery of the Efficiency and Rationalisation Strategy is subject to a number of risks. There are a number of specific risks associated with the individual projects and these are identified in Annex A. There are however a number of key risks that are inherent throughout the programme. These are identified below along with the proposed mitigating actions:

Risk category	Risk	Mitigation and Controls
Financial Implications	Robustness of financial assumptions within the Efficiency and Rationalisation Strategy	Structured project management arrangements with detailed business cases for each initiative
Financial Implications	Additional financial pressures emerge	The strategy is kept under constant review and adjustments are made where necessary
Management of Change	Management of corporate and local, cultural change; behavioural risks; residual effects of aggregation	Progress with achievement of aims should be monitored with an effective performance management structure
Performance Management	Adequacy of framework to monitor progress	Risk management processes need to be aligned and understood
Programme Delivery	Delays in implementation of efficiency savings	Effective governance arrangements in place to monitor plans. Project Executives to own delivery of efficiencies. Establishment of a Transformation Board with Executive Director (Transformation) as programme director. Board meets monthly to react to a changing landscape and develop additional initiatives if necessary. Use of surplus reserves to mitigate for shortfalls / delays
Programme Delivery	A number of the efficiency / rationalisation initiatives are not achieved	Structured project management approach for delivery including effective exception reporting The strategy is kept under constant review Fundamental review in October 2017 in line with budget planning processing Identification of further efficiency / rationalisation opportunities through benchmarking / effective member working groups
Reputation and Relationship Risks	Maintaining existing partner confidence	Communication plan for delivery of transformation programme needs to be developed and implemented
Political Support	Lack of Members support for Plan.	Regular reporting and member briefings including effective scrutiny arrangements

7 Governance

7.1 The delivery of the Efficiency and Rationalisation Strategy and will be managed and monitored by a Transformation Board. The Transformation Board is made up of:

- Executive Director (Transformation) – Programme Director & Chair
- Executive Director (People)
- Executive Director (Place)
- Head of Operational Services
- Head of Customer Services
- OD & Transformation Manager
- Finance & Procurement Manager
- Assets Manager
- Regeneration Manager
- Programme Manager / Support

7.2 The board will provide regular reports on progress with the delivery of the strategy to the Alliance Management Team.

7.3 The progress made with the delivery against each Council's efficiency targets will be included in the quarterly financial updates provided to the Corporate Select Committee and the Executive.

8 Managing the in-year Shortfalls

8.1 It is recognised that as the spending of the Council has declined over the years it is becoming increasingly difficult to implement efficiency saving programmes. The financial savings that are to be achieved from the programme are going to have longer lead-in times which will result in shortfalls against the requirements in the early years of the strategy.

8.2 The table below sets out the anticipated position:

Efficiency	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000
Deficit from previous strategy	431	-	-	-
Deficit in MTFP	426	867	312	95
Total in-year savings requirement	**857**	**867**	**312**	**95**
Anticipated in-year savings	**310**	**581**	**430**	**810**
Amount required to fund deficit	**547**	**833**	**715**	**-**

8.3 For a number of years the Council has accrued additional reserves through under spending on its service delivery or from windfall income. Reserves are now at a level that is significantly higher than the required contingency level of £1.3 million. It is proposed that the surplus reserves above this level will be applied to manage the shortfalls.

8.4 The expected reserves position will be as follows:

	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000
General Reserves at start of year	**2,500**	**2,173**	**1,340**	**1,425**
Re-designation of Earmarked Reserves*	220	-	800	-
Total General Reserves at start of year	**2,720**	**2,173**	**2,140**	**1,425**
Reserves required to meet shortfall	547	833	715	-
General Reserves at end of year	**2,173**	**1,340**	**1,425**	**1,425**

* Re-designation of reserves relates to Pension Liability (March 2017) – due to completion of triennial review; Buxton Crescent (March 2019) – reduction of reserve following completion of construction phase of project.

Major Procurements

Efficiency	Projected Savings					Timescales	Risks / Constraints	Opportunities
	2017/18	2018/19	2019/20	2020/21	TOTAL			
	£'000	£'000	£'000	£'000	£'000			
Waste / Street Cleansing / Grounds Maintenance	100	200	100	100	500	• Preferred option (joint venture partnership) - completed • Decision on way forward - February 2017 • Savings to be accrued from the end of the current waste collection contract - August 2017 • Integration with partners' services will develop over time – on-going	• Teckal compliance • Workforce issues i.e. pensions, equal pay • Standardisation of service provision e.g. waste collection methodology • Relationships with disposal authorities • Fleet procurement arrangements • Governance arrangements • Impact on support services	• Wider trading opportunities could further reduce cost • Waste collection methodology changes may be positive for residents
Leisure Centres	-	-	-	400	400	• Property condition surveys - completed • Report commissioned to set out current service provision and delivery options - report to members March 2017 • Work commenced to establish required service focus – completion expected June 2017 • Way forward to be determined - March 2018	• New operating model may take some time to determine • Expiry of existing contract – February 2019 • Fundamental change of approach is required – potential cessation of some services • Provision of service a zero subsidy may be difficult to achieve • Workforce issues	• Could be opportunities for income generation beyond the level of savings
Facilities	-	75	-	-	75	• Initial options appraisal (identifying DCC and Penda as potential options) – already considered • Further options appraisal of the two options – March 2017 • Way forward agreed – December 2017 • New arrangements to commence – April 2018	• Legalities e.g. delegation of functions • Existing contract extension requirement • Specification complexities • Current asset condition may add risk premium to outsourced arrangement	• Arrangement could support regeneration and capital projects
	100	**275**	**100**	**500**	**975**			

Asset Management

<table>
<tr><th rowspan="2">Efficiency</th><th colspan="5">Projected Savings</th><th rowspan="2">Timescales</th><th rowspan="2">Risks / Constraints</th><th rowspan="2">Opportunities</th></tr>
<tr><th>2017/18</th><th>2018/19</th><th>2019/20</th><th>2020/21</th><th>TOTAL</th></tr>
<tr><td></td><td>£'000</td><td>£'000</td><td>£'000</td><td>£'000</td><td>£'000</td><td></td><td></td><td></td></tr>
<tr><td>Asset Rationalisation</td><td>-</td><td>30</td><td>200</td><td>-</td><td>230</td><td>• Property condition surveys including estimated investment costs (30-yr) – already complete
• Asset management working group considering and confirming priorities – expected completion April 2017
• Rationalisation plan agreed – September 2017
• Implementation of plan – March 2019</td><td>• Obligations associated with heritage buildings
• Aligning with partners' property plans
• Backlog investment requirements
• Timescales
• Success / stability of third party trusts</td><td>• Additional savings from fully integrated public estate</td></tr>
<tr><td></td><td>-</td><td>30</td><td>200</td><td>-</td><td>230</td><td></td><td></td><td></td></tr>
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Growth

Efficiency	Projected Savings					Timescales	Risks / Constraints	Opportunities
	2017/18	2018/19	2019/20	2020/21	TOTAL			
	£'000	£'000	£'000	£'000	£'000			
Housing Growth	-	40	40	40	120	• Local Plan – agreed and adopted • Accelerated housing development approach agreed – June 2017	• Housing market conditions • Development feasibility • Deadweight increases • Value of land / capital receipts • Empty property growth impacting on yield	• Potential to generate significantly higher income levels if local plan development commitments are met
Business Growth	-	-	-	150	150	• Chapel employment approach agreed – April 2017 • Reform of business rates retention system known – December 2019	• Derbyshire Pool arrangements – Combined Authority may impact • Appeals impacting on yield • Revaluation • Potential impact of retention reforms	• Additional inward investment could have significant benefit
	-	**40**	**40**	**190**	**270**			

Income Generation

Efficiency	Projected Savings					Timescales	Risks / Constraints	Opportunities
	2017/18	2018/19	2019/20	2020/21	TOTAL			
	£'000	£'000	£'000	£'000	£'000			
Fees & Charges	-	120	-	120	240	• Annual review – February each year • Car parking review post on-street changes – December 2017	• Elasticity of demand • Reductions in demand levels • Competition from private sector	• Ability to levy higher fees in new planning regime
Pavilion Gardens	40	60	70	-	170	• New approach to trading – already agreed • Outcome from implementation of cost rationalisation measures – reviewed – September 2017 • Market testing exercise completed – September 2017 • Implementation of new operating model – March 2018	• Further reductions to income levels • Impact of refurbishment works • Additional capital costs • Other partners	• Improvements in trading could result in self-financed facility
Advertising / Sponsorship	50	10	-	-	60	• Investigate feasibility – June 2017	• Market conditions • Potential conflicts of interest	• Potential new income stream
Enhanced Trading	-	-	-	-	-	• Investigate feasibility – March 2018	• Trade Waste - Role of joint venture • Demand / market conditions	• Potential new income stream
	90	**190**	**70**	**120**	**470**			

Rationalisation

Efficiency	Projected Savings					Timescales	Risks / Constraints	Opportunities
	2017/18	**2018/19**	**2019/20**	**2020/21**	**TOTAL**			
	£'000	£'000	£'000	£'000	£'000			
Management Staffing	100	-	-	-	100	• Temporary Heads of Service arrangements – already agreed • Management structure review following full implementation of joint venture arrangements for waste, street cleansing & grounds maintenance – September 2018	• Workforce issues	
Channel Shift	-	-	-	-	-	• Approach already agreed and currently being implemented • Review of progress – March 2018	• Technology issues / system constraints • Take-up by residents • Process review	• Potential for further efficiency savings as forecasts are pessimistic
Parish Grants	-	26	20	-	46	• Review of existing model – July 2017	• Impact on individual parish councils	
Service Rationalisation	20	20	-	-	40	• Identify potential areas for focus – on-going	• Impact on residents	
	120	**46**	**20**	**-**	**186**			