

EXECUTIVE BOARD - 18 October 2016

Subject:	Efficiency Plan 2016/17-2019/20
Corporate Director(s)/Director(s):	Geoff Walker, Strategic Director for Finance
Portfolio Holder(s):	Councillor Graham Chapman, Deputy Leader/Portfolio Holder for Resources and Neighbourhood Regeneration
Report author and contact details:	Theresa Channell - Head of Strategic Finance & Deputy Section 151 Officer 0115 8763649 theresa.channell@nottinghamcity.gov.uk
Subject to call-in:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Key Decision:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Criteria for Key Decision:	
(a)	<input type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision
and/or	
(b)	Significant impact on communities living or working in two or more wards in the City <input type="checkbox"/> Yes <input type="checkbox"/> No
Type of expenditure:	<input type="checkbox"/> Revenue <input type="checkbox"/> Capital
Total value of the decision:	Nil
Wards affected:	All
Date of consultation with Portfolio Holder(s):	
Relevant Council Plan Key Theme:	
Strategic Regeneration and Development	<input checked="" type="checkbox"/>
Schools	<input checked="" type="checkbox"/>
Planning and Housing	<input checked="" type="checkbox"/>
Community Services	<input checked="" type="checkbox"/>
Energy, Sustainability and Customer	<input checked="" type="checkbox"/>
Jobs, Growth and Transport	<input checked="" type="checkbox"/>
Adults, Health and Community Sector	<input checked="" type="checkbox"/>
Children, Early Intervention and Early Years	<input checked="" type="checkbox"/>
Leisure and Culture	<input checked="" type="checkbox"/>
Resources and Neighbourhood Regeneration	<input checked="" type="checkbox"/>
Summary of issues (including benefits to citizens/service users):	
<p>The Government announced on 17 December 2015 an option for local authorities to access four year financial settlements (covering 2016/17 to 2019/20) intended to offer greater financial certainty (compared to the current annual settlements), support financial management and encourage collaborative service reform and future efficiency savings. To secure the four year settlement, authorities are required to submit an Efficiency Plan to the Department for Communities and Local Government (DCLG). The four year settlement will give increased certainty (but not a guaranteed amount) for the Revenue Support Grant (RSG). Over this period; Nottingham City Council's RSG allocation is set to fall from £58.379m in 2016/17 to £25.332m in 2019/20. A further £49m savings will be needed to deliver balanced budgets between 2017/18 and 2019/20.</p> <p>Recognising that an Efficiency Plan was required the Medium Term Financial Strategy (MTFS) was updated and approved by Full Council in March 2016 and forms the basis for the Council's Efficiency Plan submission. A further element of the Efficiency Plan is the Medium Term Financial Plan (MTFP), as approved by this committee in February 2016. The current MTFP was extended to four years pursuant to the requirements of the Efficiency Plan.</p> <p>This covering report highlights key elements of the Council Plan, MTFS and MTFP and acknowledges additional pressures and savings currently being considered as part of the</p>	

2017/18 budget process, links to the full reports which support this submission are detailed in section 11.

Exempt information: None

Recommendation(s):

1 To approve the Efficiency Plan and to accept the Government's option of a four year Revenue Support Grant settlement (subject to the Government's acceptance of the Council's Efficiency plan).

1 REASONS FOR RECOMMENDATIONS

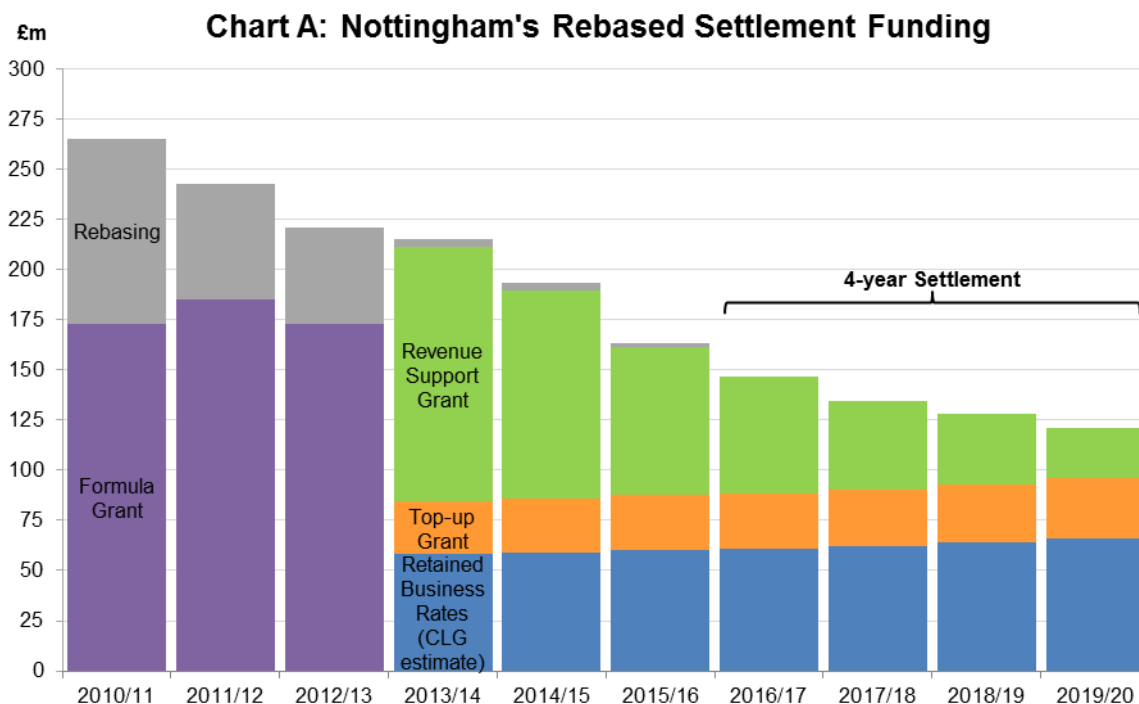
1.1 The four-year settlement will give the Council some additional certainty about future funding levels compared to the normal process of annual settlements. Though the four year settlement was 'guaranteed' by the Secretary of State this will only be true if no significant, unforeseen financial changes occur for central or local government.

2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)

2.1 Introduction

Since 2010 RSG as a proportion of the Council's total revenue funding has been reducing and will continue to reduce in future years as a result of the Government's plan to reduce the fiscal deficit.

Chart A illustrates how RSG is profiled to fall from £126.819m in 2013/14 to £25.332m in 2019/20



The MTFs is predicated on this reduced funding envelope and the need to identify further efficiencies and new ways of working.

2.2 Savings history

The Council has delivered significant savings, income growth and efficiencies over recent years and has further savings projections included within its

Medium Term Financial Outlook (MTFO) as a result of the substantial reductions in funding.

Table 1 below shows the profile of how £204m of savings have been achieved between 2010/11 and 2016/17. A further £49m savings will be needed to deliver balanced budgets between 2017/18 and 2019/20.

TABLE 1 : BUDGET SAVINGS					
Financial Year	New budgeted savings *	Continuing profile of previous savings	Projected MTFO gap	Annual total savings	Cumulative savings
	£m	£m	£m	£m	£m
2010/11	(18.425)	(5.106)		(23.531)	
2011/12	(38.404)	(6.903)		(45.307)	
2012/13	(19.596)	(7.165)		(26.761)	
2013/14	(19.171)	(7.881)		(27.052)	
2014/15	(22.619)	(1.084)		(23.702)	
2015/16	(25.033)	(3.734)		(28.768)	
2016/17	(20.826)	(8.016)		(28.841)	(203.961)
2017/18		(3.777)	(23.347)	(27.124)	
2018/19		(3.370)	(10.793)	(14.163)	
2019/20		0.216	(7.927)	(7.710)	(48.997)

* as reported in the appropriate February Executive Board budget reports

2.3 Council Plan 2015-2019

The latest Council Plan, approved by councillors on 9 November 2015, sets out the Council's ambitions for the city up to 2019 and is founded on five key objectives:

- Ensure that every child in Nottingham is taught in a school that is judged good or outstanding by Ofsted
- Build 2,500 new homes that Nottingham people can afford to rent or buy
- Cut the number of victims of crime by a fifth and continue to reduce anti-social behaviour
- Tackle fuel poverty by setting up a not for profit energy company, to sell energy at the lowest possible price to Nottingham people
- Guarantee a job, training place or further education plan for every 18-24 year old

The Council strives to be a great organisation, despite the challenging financial environment and continuing reduction in funding, the principles outlined in the Council Plan set those within the MTFS.

2.4 Medium Term Financial Strategy (MTFS)

The purpose of the Medium Term Financial Strategy (MTFS) is to set out the strategic direction for the financial management of the Council and is driven by the following:

- take account of the priorities within the Council Plan 2015-2019;
- address demographic and service pressures through investment;
- reflect the significant reductions in external funding (especially general and specific Government grants) by reducing expenditure on those activities;
- support the Council's determination to be efficient, improve performance and modernise the organisation;
- recognise the very challenging financial landscape and future outlook and the impact on all sectors, including the Public Sector.

In addition, the Council's approach to setting recent budgets has, where possible, been guided by the following principles:

- to pursue commercialisation opportunities to generate income for the Council; and help offset a proportion of the impact of grant reductions;
- reducing demand and reviewing the way we commission our services;
- redesigning and modernising our service provision / identifying efficiencies;
- to protect frontline services and minimise the impact of service reductions and changes on vulnerable citizens

The MTFS outlines the principles and key assumptions that direct the construction of the Council's Medium Term Financial Plan (MTFP).

2.5 Medium Term Financial Plan (MTFP)

The MTFP reflects the culmination of the extensive work of councillors, colleagues and other stakeholders. The main financial objective is to focus on ensuring financial planning and management supports citizens to have access to value for money services which are modern and fit for purpose; maintaining good underlying financial health and good governance and always taking a longer term view.

Consequently the approach to the 2016/17 budget and MTFP has where possible been guided by the following key aims:

- minimise the impact of service reductions and changes on vulnerable citizens:
- protect frontline services:
- pursue commercialisation opportunities to generate income for the Council, and help offset a proportion of the impact of grant reductions.

Table 2 in section 4 outlines the net budget and assumed funding included within the current MTFP and shows a budget gap from 2017/18 to 2019/20. The assumptions within the Medium Term Financial Outlook (MTFO) are subject to on-going review and challenge; this includes looking at future financial pressures and savings to address the budget gap for 2017/18 onwards.

2.6 Future Financial Pressures and Savings

Pressures

An integral part of the current year budget monitoring and longer term financial planning is reviewing and identifying future financial pressures and savings. This constant review and challenge of pressures informs future MTFs and MTFP reports; there continues to be budget pressures in the following areas:

- Demographic pressures from the aging Adult population within Nottingham
- National Living Wage and the impact on the cost from external providers of Adult Social Care
- Children in Care demographic changes – increases in the numbers of Children in Care and increasing costs of external placements.
- The new Apprenticeship Levy which comes into effect from the 1st April 2017 will add an additional pressure for future years
- Pensions cost increases following recent actuarial reviews
- Reductions in Public Health and Educational Support Grants

Future savings

Pursuing **commercial** opportunities continues to be a key element to help offset a proportion of the pressures and grant reductions, examples of how commercial activities have and continue to be explored include:

- Shared services
- Partnership working
- Trading units
- Arms-length companies
- Outsourcing (or purchasing from another public sector body)
- Insourcing (bringing procured services back in-house)
- Selling services to other public sector organisations (via any of the methods above) or to others

Partnership working and Health Integration

Integration of social care budgets with NHS budgets leading to cost efficiencies and tailored care to meet individual needs in a smarter more joined up way. These initiatives are in early stages of development however it is believed that exploring new ways of working together can give the best possible service to adults who need our help in the community.

Capital receipts to support transformational projects

Transformational projects will be a key mechanism to unlocking future efficiencies. In order to support these projects the Council may look to use capital receipts to fund initial investments. Future budget reports as necessary will list each transformational project that plans to make use of the capital receipts flexibility to ensure the appropriate approval is gained prior to implementation.

3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

- 3.1 The Council could choose not to submit an efficiency plan and be subject to the annual settlement announcement. However the Secretary of State said that he “cannot guarantee future levels of funding for those who prefer not to have a 4-year settlement” and these authorities may shoulder a disproportionate share of any future cuts. Submitting an efficiency plan mitigates this risk.

4 FINANCE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY/VAT)

- 4.1 Detailed tables are included within the MTFP Annex 2 Revenue MTFP 2016/17 to 2019/20 which shows the individual assumptions and savings included within the Medium Term Financial Outlook. Table 2 shows the budget gap as reported in the MTFP.

TABLE 2: MEDIUM TERM FINANCIAL OUTLOOK				
DESCRIPTION	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
2015/16 Net Budget Requirement	255.814	255.814	255.814	255.814
Budget Refresh	4.564	12.288	18.032	21.454
New Pressures	4.325	10.039	15.686	18.460
SUB-TOTAL	264.703	278.142	289.533	295.728
Portfolio Proposals	(19.826)	(20.038)	(22.749)	(22.749)
Corporate Proposals	(1.000)	0.000	0.000	0.000
ASSUMED NET BUDGET	243.878	258.104	266.783	272.979
Retained Business Rates, Top-up & RSG	(148.201)	(136.063)	(129.261)	(122.625)
Council Tax	(94.212)	(98.694)	(103.383)	(108.288)
Collection Funds	(1.465)	0.000	0.000	0.000
ASSUMED FUNDING	(243.878)	(234.757)	(232.644)	(230.913)
NET MTFO POSITION	0.000	23.347	34.139	42.066

NB table may not sum exactly due to rounding

5 LEGAL AND PROCUREMENT COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND INCLUDING LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)

- 5.1 None

6 STRATEGIC ASSETS & PROPERTY COMMENTS (FOR DECISIONS RELATING TO ALL PROPERTY ASSETS AND ASSOCIATED INFRASTRUCTURE)

- 6.1 None

7 SOCIAL VALUE CONSIDERATIONS

- 7.1 None

8 REGARD TO THE NHS CONSTITUTION

8.1 None

9 EQUALITY IMPACT ASSESSMENT (EIA)

9.1 Has the equality impact of the proposals in this report been assessed?

No

An EIA is not required because:

The report does not contain proposals for new or changing policies, services or functions.

Yes

10 LIST OF BACKGROUND PAPERS RELIED UPON IN WRITING THIS REPORT (NOT INCLUDING PUBLISHED DOCUMENTS OR CONFIDENTIAL OR EXEMPT INFORMATION)

10.1 None

11 PUBLISHED DOCUMENTS REFERRED TO IN THIS REPORT

11.1 **Council Plan 2015-2019**

<http://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=155&MId=4980>

Medium Term Financial Strategy 2016/2020

<http://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=155&MId=4982>

Medium Term Financial Plan (MTFP) 2016/17 – 2019/20

<http://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=177&MId=5042>

12 OTHER COLLEAGUES WHO HAVE PROVIDED INPUT

12.1 Jo Worster - Team Leader Strategic Finance

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