HARTLEPOOL BOROUGH COUNCIL

EFFICIENCY PLAN 2016/17 TO 2019/20

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1 Introduction

Welcome to the Council's Efficiency Plan which outlines our approach to delivering sustainable savings, whilst continuing to work towards our vision for Hartlepool and our continued objective of improving the life, health and education of every Hartlepool resident.

Reductions in Government funding continue to dominate our plans. Over the four years up to 2019/20 further reductions in Government funding will be implemented. As a result the Council will need to make further efficiency savings of £12.7 million by 2019/20. This is a cash reduction of 15% on the amount spent in 2015/16.

As the reductions in Government funding are front loaded in 2016/17 and 2017/18 the Authority will be using reserves to phase efficiencies over four years commencing 2016/17. This strategy provides a slightly longer lead time to implement the necessary changes in services and will help the Council manage the risks of delivering these changes over the next three years.

The Council also has to manage the impact of the decision by the Valuation Office Agency to reduce the Rateable Value of the Hartlepool Nuclear Power Station by 48%. From 2016/17 this decision reduced the Council's recurring income by £3.8m per year. This income reduction equates to 4.5% of the overall budget.

Following the outcome of the May 2016 local elections there will be no local elections until May 2018, when the Council will re-commence the cycle of annual elections for one third of Councillors each year. There is, therefore, a period of greater political certainty until the next elections take place and this will help the Council develop and implement our four-year Efficiency Plan.

The Efficiency Plan was approved by full Council on 7th July 2016.

The sections which follow provide further information on our approach to managing continuing financial challenges and our objective of seeking to maintain service performance.

Councillor Christopher Akers Belcher	Gill Alexander	Chris Little
Leader of the Council	Chief Executive	Chief Finance Officer

2 Financial History 2011/12 to 2015/16

The Council has made significant efficiency savings over the last five years (2011/12 to 2015/16) through a combination of measures, including:

- Restructuring the Council's management structure and reducing the number of departments from five to three. This included reducing the number of Council Directors from five to three, reducing the salaries of the remaining Director posts' and reducing the Chief Executive's salary. The number of senior management posts has also been reduced;

- Staffing restructures across the Council have also been reviewed and 430 posts have been removed – this equates to a 12% reduction on the 2010/11 staffing baseline;

- The introduction of new Governance arrangements in May 2013 has achieved savings by reducing the number of Councillors and the cost of Special Responsibility Allowances paid to Councillors with additional responsibilities;

- Achieving ICT procurement savings by awarding a new contract with a private sector company for the provision of these services;

- Completing service reviews to identify more efficient ways of providing services.

Many of the efficiency measures implemented over the last five years cannot be repeated. Therefore, the Council recognises that new approaches will need to be adopted over the four years up to 2019/20 to identify new efficiencies.

3 Efficiency Plan 2016/17 to 2019/20

The level of Government funding will continue to reduce on an annual basis over the four years up to 2019/20. The Council will also face increased inflationary pressures, including the impact of the National Living Wage, and demographic pressures arising from an ageing population.

The Council set a balanced budget for 2016/17 which reflected the planned use of reserves to provide a longer lead time to implement efficiency savings and the delivery from 1st April 2016 of £3.1 million of efficiency savings – which equated to an overall efficiency saving of 4%.

The Council has ambitious plans to grow the town, both business and housing growth. Business growth will not have a direct financial impact on the Council as growth in the Business Rates base is needed to stand still and offset significant rateable value reductions determined by the Valuation Office Agency. However, business growth will diversify the economic base of the town and provide increased employment opportunities for local people.

Housing growth will increase the number of house-holds paying Council Tax, which will have a direct impact on the Council's financial position. To achieve the Council's ambitious housing growth targets for the next 10 years investment will be required in new infrastructure, including roads and schools. The Council is actively pursuing funding to support the housing growth targets.

Planned Efficiencies 2016/17 to 2019/20

The Council faces a gross budget deficit for the next three years of £20.8m, which equates to 25% of the 2015/16 budget. Planned annual Council Tax increases, in line with the Government Council Tax referendum limit (including the 2% Social Care precept) and forecast housing growth will reduce the gross deficit. In addition, corporate budget savings will also reduce the gross budget deficit. After reflecting these factors the Council will need to make efficiencies of £12.7m over the next three years, as summarised below:

	£'m
Gross budget deficit	**20.8**
Less - Forecast additional income from a 1.9% Council Tax increase	(2.1)
Less - Forecast additional income from 2% Social Care precept	(2.2)
Less - Forecast additional Council Tax income from housing growth	(1.4)
Less - Corporate budget savings	(2.4)
Efficiency savings 2017/18 to 2019/20	**12.7**

The efficiency savings of £12.7 million required over the next three years equates to an overall efficiency target of 15%. By using reserves to phase the efficiency savings evenly across the next three years the Council will need to achieve annual efficiency savings of 5% for 2017/18, 2018/19 and 2019/20.

In view of the scale of the efficiency savings already achieved in previous years it will be extremely challenging to achieve further annual efficiencies of 5% in future years. Therefore, to address this challenge the Council will be implementing a range of new measures to achieve further efficiencies based around the following key themes:

- **Demand Management**

The Council recognises that for many services efficiency savings need to be achieved by managing demand for services to ensure that Council intervention occurs at the right time and lowest cost. This approach is based on intelligence led targeting of interventions and promotion of alternative service delivery models.

Demand management ranges from reducing street cleansing costs by changing people's behaviour regarding littering, to more complex changes in how Social Care Services are delivered.

- **Strategic Asset Management**

The Council will continue to reduce the cost of using buildings by rationalising the overall estate.

- **Alternative Delivery Models**

The Council is exploring a range of alternative service delivery models to increase efficiency and sustainability of services, including the potential extension of existing contractual arrangements with external providers, or the establishment of trading companies to deliver services to the Council and other organisations.

- **Service Reviews**

The Council will continue to undertake service reviews to identify efficiency savings which can be achieved by changing service delivery arrangements, increased automation and use of technology.

Delivering the Planned Efficiencies 2016/17 to 2019/20, key risks and mitigation strategies

The Council has a strong record of implementing efficiencies over the last five years. These arrangements have included implementing some of the planned savings in advance of the financial year they are required to be made. This removed the risk of not achieving these savings and helped focus management capacity on the efficiencies which were more difficult to achieve.

The Council recognises that achieving the planned efficiencies for 2017/18 to 2019/20 will be increasingly challenging owing to the scale of budget reductions achieved in previous years and the front loading of Government funding reductions in 2016/17 and 2017/18.

To help mitigate this risk the Council has allocated one-off resources to smooth the annual efficiencies required over the 3-years commencing 2017/18. This approach provides a slightly longer lead time to manage the necessary operational and service changes. If this approach had not been adopted the Council would have had to make higher efficiencies in 2017/18 and this would have increased the risk of successfully delivering this level of efficiencies.

The Council has developed a range of projects to achieve the efficiency target of £12.7 million and detailed business cases are currently been prepared for submission to the relevant Council Committee for approval. As part of this approach decisions regarding efficiency savings to be achieved over the next three financial years will be made in the current year. This is a significant change in the Council's previous approach of identifying efficiencies on an annual basis. The new approach recognises that many of the efficiency projects have a longer lead time and early decisions will ensure these savings are phased over the next three years and achieved when needed, as follows:

Phasing of Planned Efficiencies

	£'m
2017/18	£4.6m
2018/19	£3.8m
2019/20	£4.3m
Total	**£12.7m**
Total Efficiencies as percentage of 2016/17 budget	15%

Delivery of the overall efficiency plan will be managed by the Finance and Policy Committee and the Corporate Management Team. This approach will ensure that the overall plan is achieved and if necessary enable corrective action to be taken at an early stage.

Over the last five years the Council has successfully achieved significant efficiencies and this has addressed the impact of reduced Government funding. Over this period the Council has maintained service performance.

The Council recognises that achieving further efficiencies will be challenging and detailed business cases for individual projects will seek to maintain existing service performance. Where this is not possible the business case will explain the revised level of service performance and the implications this will have.

An update on the Council's Medium Terms Financial Strategy was considered by the Finance and Policy Committee on 20th June 2016.

4 Strategy for the use of Reserves

The Council's Efficiency Plan is underpinned by a detailed Medium Term Financial Strategy, which includes a strategy for using reserves. The Council has built up reserves over a number of years by achieving planned efficiency saving early and managing the annual budget to achieve an under spend.

The Council is a complex organisation and holds reserves to:

- Partly mitigate the impact of Government funding reductions over the period of the current Medium Term Financial Strategy by using reserves to support ongoing services. This approach provides a slightly longer lead time to make permanent budget reductions;

- To fund one off redundancy costs over the period of the current Medium Term Financial Strategy. These one off costs will be unavoidable as the Council needs to reduce recurring costs and as employees costs are the largest part of the Council's budget it is inevitable that there will be staffing reductions;

- To underpin the management of services, including services where demand can increase and exceed the available annual budget. The use of reserves helps to manage service risks and enables the Council to maintain services when there is a temporary increase in demand. This approach avoids having to make in-year budget cuts and provides time to develop a permanent strategy to either reduce demand, or where this is not possible to make savings in other areas to release permanent funding;

- To manage income risks and the impact of actual income being less than forecast. Since April 2013 income risks have increased as councils retain 49% of business rates income generated in the local area. This has been a specific issue for Hartlepool owing to the decision by the Valuation Office Agency to reduce the rateable value of Hartlepool Nuclear Power station by 48%. The Valuation Office Agency decision was made in May 2015 and backdated the reduction to April 2010. Whilst, the Government provide one off financial support to cover the majority of the back dated reduction, the Council will only receive Government support of approximately £260,000 towards the recurring annual income reduction of £3.8 million. The Council had recognised this risk and allocated a specific reserve to partly mitigate the annual shortfall and this strategy provides a longer lead time to develop a permanent strategy to address the recurring annual income reduction;

- To fund one off capital investment in projects which will improve Hartlepool, help to attractive external investment and increase economic activity. For example, one-off funding to support the development of the National Museum of the Royal Navy facility in Hartlepool.

The strategy for using reserves commitments significant one-off funding over the four years up to 2019/20. Whilst, this approach will help the Council manage funding reductions and financial risks, the Council recognises this is not a permanent solution and will reduce future flexibility to manage new financial shocks beyond 2019/20.

The Council will continue to manage reserves carefully and review reserves and risks on an annual basis to ensure the level of reserves remains appropriate. Where circumstances change and existing reserves are no longer needed the Council will develop a strategy for using any uncommitted reserves. This will include consideration of additional temporary support for the revenue budget and capital investment. The next review will be considered by the Finance and Policy Committee in October 2016 and proposal then reflected in the 2017/18 budget.

5 Benefits of the Efficiency Plan

The Efficiency Plan provides the strategic framework for improving service efficiency and achieving a reduction on the Council's operating costs of 15% by 2019/20. This will ensure that the Council is able to continue to set a sustainable budget and deliver services to the local community.

The Efficiency Strategy should also enable the Council to secure a four year Government funding settlement for the period 2016/17 to 2019/20. This will provide certainty over future funding allocations, which will underpin the development of the Council's service planning up to 2019/20.

The Efficiency Strategy and detailed business cases for individual projects will enable the Council to explain to the public the financial challenges facing the Council and the approach to be taken to address this position.

6 Monitoring delivery of the Efficiency Plan

Over the last five years the Council has had a successful track record of delivering planned efficiencies and has managed the achievement of planned efficiencies as part of existing budget management arrangements. These arrangements will form the basis for monitoring progress in achieving the Efficiency Plan for the period 2016/17 to 2019/20.

In addition, revised performance managed arrangements will be implemented where this is necessary to ensure planned efficiencies are being delivered within the agreed timescale, or to identify where corrective action is needed. This will include an annual review of progress in achieving efficiencies planned for that year and progress made to deliver efficiencies for future years.