

## **BRACKNELL FOREST COUNCIL**

### **EFFICIENCY PLAN 2016 – 2020**

#### **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.

The ensuing settlement consultation process showed that there was support for the Secretary of State's proposed approach. In March 2016 the Government made a clear commitment to provide minimum allocations of Revenue Support Grant and Transitional Grant for each year of the Spending Review period, should councils choose to accept the offer and publish an efficiency plan by 14 October 2016.

On 14 September 2016 at a meeting of its Full Council, Bracknell Forest Council accepted the Government's offer of a four year financial settlement and agreed to publish this efficiency plan demonstrating how it intends to transform its services and deliver balanced budgets over the period 2016 – 2020.

#### **THE COUNCIL PLAN**

Bracknell Forest's Council Plan was agreed in November 2015 and is rooted firmly in the Conservative election manifesto of 2015. It puts those election commitments into the post general election financial context to provide the organisation with a strategic approach and clear framework to meet the challenges ahead.

Pressure on public sector spending remains intense and it is anticipated that the Council will need to make significant savings for the foreseeable future. This means it will not be possible to continue to deliver all services in the way we have come to accept and expect. In order to meet this challenge the Council needs to find a framework for delivering services that allows us to adapt, innovate, find new ways of working and, in some cases, reduce what we do.

The Council Plan is centred upon a new narrative or philosophy for the organisation;

- many residents of Bracknell Forest are affluent, well educated and independent. We want to continue to support that by providing core services that all residents can benefit from
- but we need to prioritise if we are to live within our means, and that will mean making difficult decisions
- in targeting our services we will prioritise people and areas with the greatest need, early help and prevention so struggling or vulnerable people can maximise their opportunities to become independent.

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This narrative is supported by six strategic themes, as set out in the diagram below:



Each theme is underpinned by a number of key measures of success and a set of associated performance indicators. Full details can be found on the Council's public website ([www.bracknell-forest.gov.uk/council-plan-2015-to-2019.pdf](http://www.bracknell-forest.gov.uk/council-plan-2015-to-2019.pdf)).

## MEDIUM TERM FINANCIAL STRATEGY

### Resources

The Final Local Government Finance Settlement for the period 2016/17 to 2019/20 was published on 8 February 2016. The Settlement contained previously unannounced changes to the distribution of resources amongst authorities depending on the different sets of services provided by them and their relative ability to raise income through council tax locally. The intention is to recognise both the rising costs of adult social care and the differing relative abilities of local authorities to raise income. The impact of this is for the significant cuts announced by the Government in the November 2015 Spending Review to fall greatest on those authorities with a perceived ability to raise more income from council tax, of which Bracknell Forest is one.

As part of the Final Settlement the Government has offered all local authorities the opportunity to take up a four year funding settlement to 2019/20. The Government has committed to provide a minimum allocation of Revenue Support Grant and Transitional Grant for each year of the Spending Review period, should councils wish to accept the offer and publish an efficiency plan. For Bracknell Forest the offer comprises:

	<b>Revenue Support Grant</b>	<b>Transitional Grant</b>
	<b>£000</b>	<b>£000</b>
2016/17	11,283	934
2017/18	7,081	914
2018/19	4,445	0
2019/20	1,743	0

Whilst the offer represents an almost complete withdrawal of Revenue Support Grant over the four year period, the alternative is to accept an annual settlement and the inherent uncertainty around medium term financial planning that this brings. In addition to this there is clearly the underlying risk that future settlements will result in the withdrawal of Revenue Support Grant at an even faster rate than that contained in the Government's offer. Therefore, on balance, the Council accepts the Government's offer of a four year settlement.

### Assumptions Underpinning the Strategy

New Homes Bonus - alongside the settlement the Government launched a consultation on the New Homes Bonus. The results of the consultation have yet to be announced. For the purposes of the Medium Term Financial Strategy a realistic assessment of the likely outcome has been included. A slight reduction in grant of £0.228m is anticipated in 2017/18, with a more significant and further reduction of £1.414m expected in 2018/19.

Public Health and Other Ring Fenced Grants - these funding streams will be used to support services and initiatives within their specific service area and as such are financially neutral for planning purposes.

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Education Services Grant - this is not a ring fenced grant and authorities are free to decide how it is spent based on their individual circumstances. As part of the 2015 Spending Review the Government announced that it was looking to make savings of £600m from the grant. Announcements and consultations published since the settlement now indicate that the grant will be withdrawn almost completely and for Bracknell Forest this represents a further funding reduction of £1.242m in 2017/18, followed by a further £0.255m in 2018/19. Reductions of this level mean that services provided to schools cannot be maintained at their present level unless schools wish to pay the full cost of providing them.

Interest Rates - whilst the Council still retains some surplus cash, the Capital Programme embarked on by the Council in 2015/16 (including the investment in the Town Centre regeneration and related highway works, the development of the Binfield Learning Village and the re-development of the Coral Reef Water World), will see the Council having to borrow to fund its on-going capital commitments at some point during 2016/17. With borrowing rates still at historically low levels and unlikely to significantly rise in the coming 18 months, the Council will be borrowing at a relatively advantageous time. However with long-term borrowing rates close to 3%, there will be a material interest cost that will need to be factored into the Council's forward budget projections.

Inflation - allowances for budget increases due to inflation are calculated based on September indices. An estimate has been made at this stage of 1% for CPI in 2017/18, rising to nearer 2% in 2019/20. This translates into a non-pay inflationary pressure of £0.7m in 2017/18. In terms of pay inflation, a 1% increase in public sector pay has been agreed for 2017/18. This represents an additional cost of £0.5m. Similar increases have been factored into the Medium Term Financial Strategy for 2018/19 and 2019/20.

Fees and Charges - Increases in fees and charges are determined by the overall economic conditions, the willingness of customers to pay the higher charges and continued demand for Council services. For planning purposes it has been assumed that income from fees and charges will increase in line with CPI. The Council's long term average rate of increase in fees and charges is between 2% and 3%. If the market will bear increases of this magnitude in 2017/18 this will have a positive impact on the budget forecasts. As a guide, a further 1% increase in fees and charges could be expected to yield an additional £0.2m in 2017/18.

Business Rates - the Government will undertake a business rates revaluation in 2017, which it has promised to be cost neutral overall. However there are clearly likely to be risks and uncertainties linked to potential appeals. Locally, the Council's largest business ratepayer has applied to the Government to join the central rating list. Whilst no decision has yet been made this represents a considerable risk to the Council's future business rate income. For the purposes of the Medium Term Financial Strategy, however, income is forecast to grow in line with the Government's baseline assumptions. In addition to this the Council can also expect to see a growth in business rate income once the new town centre opens. An initial forecast suggests that the Council can expect to see its share of the additional business rate income to be in the region of £1.5m per annum. The main uncertainty around this will be the timing with which this income is received as it is dependent upon the Valuation Office agreeing rateable values over the coming months and the speed with which the remaining town centre units are let. For the purposes of the Medium Term Financial Strategy an additional £0.75m has been assumed for 2017/18, with the balance of a further £0.75m being achieved in 2018/19.

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Capital Programme - the indicative Council funded three year General Fund capital programme included within the budget assumptions is £8m each year. The long-term capital programme will be funded from a combination of capital receipts and borrowing.

Budget Pressures - at this stage it is not possible to quantify the precise impact of service pressures and developments but experience has shown that the Council typically needs to add around £1.5m per annum to the budget for essential service pressures predominantly within adults and children's social care.

Contingency – in order to manage in year risks a contingency of £1m will be retained throughout the planning period.

### Budget Overview

Drawing together the above projections for future commitments and resources provides a starting point for considering the budget strategy for 2017/18 and beyond. Further details are available in the report to the Executive on 18 July 2016.

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Budget Requirement	84,221	90,707	94,967
Funding	-74,078	-73,156	-71,475
<b>Cumulative Funding Gap</b>	<b>10,143</b>	<b>17,551</b>	<b>23,492</b>
<b>Annual Funding Gap</b>	<b>10,143</b>	<b>7,408</b>	<b>5,941</b>

### Budget Strategy

The Council has a track record of delivering efficiency savings and reducing back office costs in order to protect front line services although it is becoming increasingly difficult to achieve similar types of savings year-on-year. In practice, each of the following measures will need to be considered if a balanced budget is to be achieved:

- a) taking a firm line to limit future year's pressures
- b) delivering efficiency savings and reducing back office costs
- c) increasing the council tax
- d) utilising available balances
- e) implementing transformational savings

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In order to balance the Council's 2016/17 budget council tax was increased by 3.99% (representing 2% for the adult social care precept and a further 1.99% to fund services in general). Whilst no decisions have yet been taken on council tax increases the impact of a similar level of increase would reduce the funding gap as follows:

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Budget Requirement	84,221	90,707	94,967
Funding (including 3.99% council tax increase)	-76,046	-77,170	-77,618
<b>Cumulative Funding Gap</b>	<b>8,175</b>	<b>13,537</b>	<b>17,349</b>
<b>Annual Funding Gap</b>	<b>8,175</b>	<b>5,362</b>	<b>3,812</b>

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General balances were approximately £12.7m at 31 March 2016. The 2016/17 budget includes plans to spend £1.7m of this reserve on the assumption that the Council is able to spend within budget for the nineteenth consecutive year. Historically £4m has been considered to be the minimum prudent level for revenue balances. There is, therefore, £7m available to support future expenditure. As an example, if £6m of the £7m available were used, on a phased basis, to support the next three year's budgets the funding gap would reduce further, as follows:

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Budget Requirement	84,221	90,707	94,967
Funding (including 3.99% council tax increase)	-76,046	-77,170	-77,618
Phased use of Balances	-3,000	-2,000	-1,000
<b>Cumulative Funding Gap</b>	<b>5,175</b>	<b>11,537</b>	<b>16,349</b>
<b>Annual Funding Gap</b>	<b>5,175</b>	<b>6,362</b>	<b>4,812</b>

Clearly the Council faces a challenging financial outlook for the next three years and a combination of council tax increases, use of balances, efficiency and transformation savings will be required to achieve a legal and balanced budget in each of these years.

### **TRANSFORMATION PROGRAMME**

A Transformation Board was established in October 2015 to develop and deliver the programme to fulfil one of the Council Plan's commitments which was to review the focus and delivery of all services over the next 3 years.

The Transformation Programme that is currently underway will be critical to the achievement of balanced budgets in the future. It is a continuous programme of work, aimed at transforming the services we provide and identifying significant savings that can be incorporated into the 2016/17 budget and beyond.

During autumn 2015 the Board moved quickly to develop a work programme. The services chosen for review represent some major areas of historical and current expenditure. The reviews started in early 2016 and will be delivered at pace through 2016/17 so that the outcomes can be implemented as soon as possible in the second half of the financial year to

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transform services and deliver savings for 2017/18. During autumn 2016 the work programme will be refreshed for 2017/18 and further service reviews and projects confirmed.

The overall shape of the work programme for 2016/17 is set out below:

<b>Strategic Reviews</b>	<b>Other Projects</b>
Council wide support services	Major property reviews
Early intervention/prevention	One Public Estate
Library review	Further savings from Public Health, Highways and Welfare and Housing
Leisure services review	Communications and Marketing Team review
Arts review	Income Generation - Property Investment Strategy
Citizen and Customer contact	NHS integration
Schools Support Services	

Each strategic review or project is led by a director or senior manager responsible for that service, reporting to an Executive Member lead and supported by a project manager. The director or senior manager chairs the project board, whose membership also includes some Chief Officers or Heads of Service who are not involved in that service area to bring some additional external challenge and a wider corporate ownership to the reviews. Not only will the Transformation Programme deliver savings but fundamentally it will transform services and the way we work.

The Council has set up a Transformation Reserve to help fund the delivery of projects contained within the Transformation Programme. When combined with the Council's other reserves, this is considered sufficient to manage the implementation of the Transformation Programme and the inherent risks and uncertainties contained within the four year financial plan. Details of all reserves and balances are contained within the Council's audited financial statements for 2016/17.

**EFFICIENCY PLAN**

Whilst the Transformation Programme focusses on the strategic reviews and other projects initiated in 2016/17 these will not on their own be sufficient to meet the financial challenge facing the council between now and 2020. In response to this the following efficiency plan has been developed, identifying those service areas to be reviewed in future years and their associated savings targets. The efficiency plan is not fixed and the service areas and savings targets will be reviewed and updated on a regular basis to ensure it remains current and deliverable.

	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Annual Funding Gap <u>after</u> 3.99% Council Tax increase and phased use of balances	7,438	5,175	6,362	4,812
Efficiency Savings (Note 1)	-3,201	-2,000	-1,000	-1,000
<b>Revised Annual Funding Gap</b>	<b>4,237</b>	<b>3,175</b>	<b>5,362</b>	<b>3,812</b>
<b>Transformation Savings</b>				
Adult Social Care Packages	-1,340	(Note 2)		
Heathlands Re-provision	-500			
Welfare and Housing	-202			
Highways and Transport	-1,314			
Corporate Services/Chief Executive's Office	-290			
Parish Council Tax Reduction Support	-175			
Arts Review (South Hill Park)	-44	-100	-100	
Library Review	-100	-250	-150	
Early Intervention/Prevention (Note 3)	-272	TBA	TBA	TBA
Leisure Services Review		-300	-700	
Council Wide Support Services		-500	-300	-500
Citizen and Customer Contact		-400	-600	
Property Investment Strategy		-1,000	-1,000	-1,000
Major Property Review - Easthampstead Park			-250	
Major Property Review – Easthampstead House			-250	-150
Transformation Savings Carried Forward	-4,237	-2,550	-3,350	-1,650

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	2016/17	2017/18	2018/19	2019/20
	£000	£000	£000	£000
Transformation Savings Brought Forward	-4,237	-2,550	-3,350	-1,650
School Support Services			-1,200	-300
Communications and Marketing Review		TBA	TBA	TBA
NHS Integration		TBA	TBA	TBA
Public Health (Note 4)			-500	
Waste (Note 5)				0
Town Centre Car Parking (excluding The Lexicon)		-225	-312	-162
Children's Social Care/Youth				-500
Public Transport Subsidy				-600
Planning and Transport				-200
Parks and Open Spaces				-400
Democratic Core				TBA
Capital Financing		-400		
<b>Total Transformation Savings</b>	<b>-4,237</b>	<b>-3,175</b>	<b>-5,362</b>	<b>-3,812</b>
<b>Remaining Gap</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Notes

1. Better commissioning/procurement, changes in demand for services and changes in income.
2. Further savings from adult social care packages of £0.5m have been assumed in arriving at the funding gap of £5.175m in 2017/18.
3. Future savings dependent upon the outcome of a bid for Government funding
4. Dependent upon future decisions regarding the ring fencing of public health
5. Transformation work will aim to contain increasing costs and may include the outsourcing of garden waste collection.

## **FLEXIBLE USE OF CAPITAL RECEIPTS**

In March 2016 the Secretary of State issued statutory guidance on the flexible use of capital receipts. This will enable council's to finance certain revenue expenditure from capital receipts. The key criteria to use when deciding whether expenditure can be funded using the capital receipts flexibility is that it is forecast to generate ongoing savings. The guidance sets out some examples of expenditure that could be financed using this flexibility, including:

- Sharing services
- Service reform
- Collaboration between councils
- Service reconfiguration, restructuring or rationalisation
- Setting up alternative delivery models.

The Council's Transformation Programme will incur expenditure of this nature in order to deliver the savings specified above. As such the Council will utilise the capital receipts flexibility to meet expenditure that it incurs in order to realise the savings set out in this efficiency plan. Expenditure incurred in delivering the efficiency plan will be monitored continuously and the decision on whether or not to use the flexibility will be taken based upon the Council's best financial interests at the time. A more detailed approach, including any potential impact on the Council's prudential indicators, will be set out in the annual budget papers during the period of the four year settlement.

## **CONCLUSION**

The four year settlement represents the most severe financial challenge ever faced by Bracknell Forest Council. The four year settlement is, however, welcomed as it enables the Council to plan ahead with more certainty than in the past.

This efficiency plan sets out the scale of the financial challenge but demonstrates that the Council has a realistic and robust plan to deliver balanced budgets over the medium term. We have earned a reputation for sound financial management. This efficiency plan demonstrates that this reputation is fully justified because our overall approach is robust and the specific projects set out in this plan are realistic and deliverable.

Paul Bettison OBE  
Leader of the Council

Timothy Wheadon  
Chief Executive