

# Lichfield District Council Efficiency Plan 2016/2020



## 1. The Council's Strategic Plan 2016-20

1.1. The Council's Strategic Plan 2016-20 sets out the Council's vision for the district and the priorities it will focus on between 2016 and 2020. The Strategic Plan<sup>1</sup> and the Medium Term Financial Strategy 2016-20<sup>2</sup> were approved recently by full Council on 23 February 2016. The Council's vision contained in the Plan is:

**“To be a strong, flexible council that delivers good value, quality services and helps to support a vibrant and prosperous economy, healthy and safe communities and clean, green and welcoming places to live.”**

1.2. The plan has been developed with the input of councillors, residents, partners and staff. It summarises what we will do, sets out where we will seek to influence other organisations, and suggests how communities can help to make sure our district has:

- **A vibrant and prosperous economy**
- **Healthy and safe communities**
- **Clean, green and welcoming places to live**

1.3. The plan sets out how the Council thinks it can best contribute to these three priorities. We know people who are in employment, stay active and healthy, and have somewhere safe and affordable to live, need less support and services from the council and other public sector organisations.

1.4. Our overall aim is to help our communities become more self-sufficient and resilient and ensure people have the support and opportunities to help themselves, so that we can better support those most in need. It is more important than ever that we are clear on how we allocate resources, and that we are confident we are focussing on the right things. We know Central Government funding will reduce even further, and that changes to our population will mean demand for some services will increase and customer expectations will change.

1.5. As part of our approach to being **a council that is fit for the future**, we need to continue to find new ways to deliver our services, adopt different approaches to using our resources, and influence more organisations and individuals to help achieve what we know are the most important outcomes for our district and communities. We need and expect other organisations to do their bit.

1.6. We remain committed to working collaboratively with a range of partners across the district including schools and colleges, the county council, health, police and fire services to achieve what is needed for our district. We also need the continued support of the voluntary, business and community sectors, to maximise the huge contribution they make to the quality of life of local communities and residents.

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<sup>1</sup> <https://www.lichfielddc.gov.uk/Council/Performance/Our-Strategic-Plan-2016-2020.aspx>

<sup>2</sup> <https://www.lichfielddc.gov.uk/Council/Meetings-committees-and-papers/FullCouncil/2016/02/23/Agenda/Council-23rd-Feb-2016-Full-Non-Con-Agenda-and-reports.pdf>

- 1.7. Given the rapidly changing environment we are operating in, we are committed to reviewing our plan each year through our annual action plan process to ensure it continues to reflect the needs of our district. We will also publish an annual action plan that sets out the key activities, programmes and projects we will deliver to help us achieve the outcomes set out in our plan.

## 2. The Medium Term Financial Strategy 2016-20

- 2.1. A summary of the Council's Medium Term Financial Strategy (MTFS) covering the four year period 2016 to 2020 is shown in the tables below:

### Revenue Budget

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
<u>Funding Covered by the 4 Year Funding Settlement</u>				
Revenue Support Grant	(773)	(236)	0	0
Transition Grant	(52)	(52)	0	0
<b>Sub Total</b>	<b>(825)</b>	<b>(288)</b>	<b>0</b>	<b>0</b>
<u>Other Funding</u>				
New Homes Bonus	(1,883)	(1,893)	(1,189)	(1,141)
Retained Business Rates	(2,320)	(2,293)	(2,439)	(2,792)
Council Tax	(5,857)	(6,109)	(6,391)	(6,664)
Tariff Adjustment	0	0	0	453
Other Sources (including Collection Fund Deficit)	359	87	84	81
<b>Sub Total</b>	<b>(9,701)</b>	<b>(10,208)</b>	<b>(9,935)</b>	<b>(10,063)</b>
<b>Total Funding</b>	<b>(10,526)</b>	<b>(10,496)</b>	<b>(9,935)</b>	<b>(10,063)</b>
<u>Corporate Priorities (net expenditure)</u>				
A vibrant and prosperous economy <sup>3</sup>	114	254	(154)	95
Healthy and safe communities	2,592	2,675	2,797	2,905
Clean, green and welcoming places to live	6,082	6,166	6,345	6,429
A council that is fit for the future	2,079	2,077	1,978	2,172
<b>Total Expenditure</b>	<b>10,867</b>	<b>11,172</b>	<b>10,966</b>	<b>11,601</b>
Contribution to / (from) general reserves	9	0	0	0
<b>Cumulative Funding Gap</b>	<b>£350</b>	<b>£676</b>	<b>£1,031</b>	<b>£1,538</b>

- 2.2 The Council will need to make significant levels of savings or achieve additional income to close the Funding Gap of **£1.538m** by 2019/20. The Council has developed an **Efficiency Plan**, to meet the Funding Gap. The **Efficiency Plan** has four strands :

- **In Year Efficiency Savings/Income Generation.** The Council has had favourable financial performance over the last three financial years, in comparison with the Approved Budget as a result of improved budget monitoring procedures and efficiency opportunities. Examples include unanticipated planning application receipts or reductions in utility costs in the event of mild winters. Any recurring savings are captured and built into the MTFS.
- **Fit for the Future (F4F) Efficiency Savings/Income Generation.** This is part of the Council's ongoing F4F programme. This programme is designed to manage the change that will be needed across LDC and its services in order to meet all of the changes following the fundamental review of Local Government finances. Examples include the current review of community transport and contract renewals
- **F4F Transformational Change.** This is the element of the F4F programme designed to reshape and redesign LDC and its services into one that is fit for the future. Examples include: the review of the Leisure Service which seeks to outsource the management and operation of Council's leisure centres and digitisation of services

<sup>3</sup> A number of the activities under this corporate priority including Planning, Building Control and car parking generate significant income meaning the net expenditure is relatively low.



- 2.13. At present the Council is in two Local Enterprise Partnerships. This has enabled contributions of **£5m** in total from the Local Growth Funds to our flagship redevelopment project for a retail and leisure scheme in Lichfield City Centre. Our relationship with the West Midlands Combined Authority and Staffordshire Councils are kept under constant review as we assess the best route for the public sector reform and the appropriate geographical and administrative footprints on which we can best serve our communities.
- 2.14. The level of expenditure delivered through partnership arrangements is currently **24%** with **13** Service Level Agreements and contracts with other Local Authorities and the ICT Partner. This will increase to **30%** when the Council outsources the management and operation of its Leisure Services to an alternative provider in 2017/18.

#### Reserves

- 2.15. The risk based minimum level of reserves has increased from **£1.0m** in 2013/14 to **£1.4m** in 2016/17 principally because of the risks around the Localisation of Business Rates. Total reserves at 31 March 2016 were **£9.9m** and include some required as a result of legal agreements or partnerships of **£3.0m**. The legal agreements and the governance arrangements of these partnerships mean there are restrictions over how and when these resources can be utilised. These arrangements mean the level of reserves where the Council has discretion over their use in achieving strategic objectives total **£5.5m**.
- 2.16. At present these reserves are not being utilised to support the revenue budget although an element is being used for capital investment such as investment in the mixed use development in Lichfield City Centre. Therefore as detailed below these remaining reserves can be used to support the delivery of strategic priorities that require 'up front' funding to deliver transformation and savings.
- 2.17. The Council is also in the process of establishing a new approach for the management of earmarked reserves. The aim of this approach will be to ensure a more strategic approach together with more effective rigour in their monitoring and management.

#### Capital Programme

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Usable Capital Receipts	(2,026)	(984)	0	0
Revenue	(154)	(154)	(154)	(154)
Reserves	(935)	(1,242)	(42)	(3)
Planning Obligations, Grants & Contributions	(3,901)	(891)	(441)	(441)
Invest to Save	(67)	(20)	(15)	(32)
Finance Leases	(422)	(280)	(20)	0
<b>Total Funding</b>	<b>(7,505)</b>	<b>(3,571)</b>	<b>(672)</b>	<b>(630)</b>
<u>Corporate Priorities</u>				
A vibrant and prosperous economy	2,749	2,036	286	0
Healthy and safe communities	2,771	737	737	698
Clean, green and welcoming places to live	1,219	750	35	32
A council that is fit for the future	766	216	60	60
<b>Total Expenditure</b>	<b>7,505</b>	<b>3,739</b>	<b>1,118</b>	<b>790</b>
<b>Funding Gap - Borrowing Need</b>	<b>£0</b>	<b>£168</b>	<b>£446</b>	<b>£160</b>

- 2.18. The other key assumptions and influences in the Capital MTFS are summarised below:

#### The Council's Assets

- 2.19. The Council is entering into a joint venture with a private sector partner to provide opportunities for accessing funding and expertise in relation to Council assets. The partner will review the Council's property portfolio and develop any opportunities for revenue savings,

increasing revenue income and increasing capital values. The overall aim and purpose would be the achievement of strategic objectives through the effective use of the Council's assets.

- 2.20. The Council has transferred ownership or has entered into long term leases for a number of Council owned assets to other organisations such as Parish Councils and voluntary organisations. The transfer of these assets enables more effective use of these assets. The Council continues to identify Council owned assets where strategic objectives could be better achieved through alternative arrangements.

#### Invest to Save

- 2.21. The Council evaluates the potential for Invest to Save as opportunities are identified. At present this has focussed on fleet and asset replacement however the level of reserves available to the Council provide the opportunity for this to be considered on a much wider scale. One area currently being considered as part of the Leisure Services Fit for the Future (see below for further details) review is investing in two synthetic pitch replacements to enable transfer of the management of Leisure Centres from the Council to a School and alternative providers to produce ongoing revenue savings.
- 2.22. In addition, the Council is planning to invest £0.536m under our corporate priority of a Council that is fit for the future in the digitisation of its services to enable new ways of delivering services including the ways we interact with our customers and communities.
- 2.23. The level of revenue reserves currently available mean at present the Council is unlikely to take advantage of the new capital receipts flexibility for funding transformation projects.

### **3. Risks**

- 3.1. There are a number of risks facing the Council and these are summarised below:
- The City Centre Redevelopment Project (Friarsgate) – this significant project is subject to a number of market risks including the ability of the Developer to attract a funder.
  - The Council is currently undertaking a restructuring of its management arrangements.
  - The Business Rates framework including issues such as appeals, the business rates revaluation and the full localisation of Business Rates including the specific issues of its operation in a two tier area.
  - The housing market and our ability to therefore maximise income from Council Tax and New Homes Bonus.
  - The impact of welfare reform.
  - The impact of further Public Sector Reform including budget pressures in partner public sector bodies impacting on our service areas and community.
  - The local issues that could result from the decision to leave the European Union including the impact on Businesses located in Lichfield District and the ability to attract a funder for the Friarsgate project.
  - The impact of implementing the National Living Wage

#### **4. Fit for the future**

- 4.1 The 'Fit for the Future Programme' (F4F) is the Council's transformation programme (**Appendix 1**). It was introduced in May 2013 to help make the organisation financially and functionally fit for the challenges ahead.
- 4.2 The F4F Programme has delivered significant financial savings to date and has helped put the Council on a sounder financial footing in the short term
- 4.3. Further change and transformation is required to ensure the medium and long term sustainability of the Council. Having achieved notable efficiency savings, the F4F Programme now needs to focus increasingly on reforming and modernising how the organisation operates so that the organisation becomes a more productive and corporate council able to deliver agreed strategic outcomes with a smaller budget.
- 4.4. The overall purpose of the Programme remains to help ensure the Council is 'fit for the future'. To achieve this, the focus of the Programme needs to continue to evolve. Essentially there have been two distinct phases to date. Phase 1 of the programme during 2013/14 focussed on addressing the short term financial challenges facing the Council when the emphasis of the programme needed to be on identifying immediate savings to balance the Council's budget. Phase 2 of the programme has included fundamental reviews of key service areas including Development Services, Housing Services and Parks & Grounds Maintenance, with reviews of Leisure and the Revenues and Benefits Service currently ongoing. These service reviews, focussed primarily on identifying efficiency savings, remain an important part of 'Fit for the Future', but now need to become more mainstreamed as part of how the Council manages services.
- 4.5. The current phase of the Programme focuses more on transforming the way the Council operates, including how it interacts with customers and making sure the way the organisation is structured and organised is effective, productive and better aligned with the priority outcomes that will be set out in the new Strategic Plan. Looking at how demand for services can be reduced or managed and how service users can access services and information in ways that costs the council less (channel shift) are important elements of this. Decisions about where to spend money will need to become more evidence based, so that reduced resources can be targeted on those areas and communities who need them most.
- 4.6. This is now being reflected in the current tranche of reviews, which involves some reviews that are explicitly about organisational development, including a project focussing on 'creating a corporate council'. This is intended to address some of the key areas for improvement identified by the LGA Corporate Peer Challenge in September 2014, including a need to strengthen the corporate culture and ethos to enable the organisation to be more productive and one which operates in a more consistent manner based on transparent policies, clear organisational values and good governance.
- 4.7. This year (2016/17) a comprehensive management restructure is being implemented involving a reduction from 4 to 2 Directors and the creation of a tier of empowered Heads of Service, all linked to the Strategic Objectives and ambition of the Council.
- 4.8. Strong programme management and governance is essential to the continued success of the F4F Programme. The original concept has been revised and strengthened to ensure the governance and process remains proportionate and relevant by striking an appropriate balance between ensuring consistency and enabling flexibility given the nature and purpose of each review.

## FIT FOR THE FUTURE REVIEWS

### Key principles and features

The approach to 'Fit for the Future' (F4F) reviews should include the following principles and features. These will ensure robustness and consistency across all reviews and builds on learning from previous reviews.

- 1. A baseline analysis:** All reviews should start with an analysis of the 'baseline' situation. This should include information about the current configuration, cost and performance of the service/function. It should set out the purpose of the service/function, the outcomes it enables for users/customers, and where the demand for it comes from.
- 2. Continuous challenge:** There should be critical friend challenge throughout the review process. This should be sought internally from Overview & Scrutiny Committee, Challenge Director, and officers from other service areas, plus regular reporting to Leadership Team (as the F4F Programme Board). Proportionate external challenge should be sought from peers/experts from other authorities and through engagement/involvement of service users.
- 3. Stakeholder engagement:** The review should identify the key stakeholders to engage with during the review. These should include staff and service users. An engagement plan should form part of the Project Plan setting out who, why and when stakeholders will be engaged and involved during the review. This should include identifying the stakeholders who may potentially be adversely effected by the outcome of the Review.
- 4. Member involvement:** Members should be kept informed and, where appropriate, involved in the project as it progresses (for example via the appropriate Overview and Scrutiny Committee and Cabinet portfolio).
- 5. Compare and contrast:** Benchmarking information (where it exists) and practice from elsewhere in the sector (and beyond where relevant) should be sought and considered during the review. This is vital for informing the thinking about alternative service delivery models and fundamental re-design of how services and outcomes are delivered.
- 6. Consider alternatives:** It is essential to demonstrate that alternative options have been identified and considered as part of the review, including consideration of how demand for services and functions can be reduced, managed, or met by other means. All reviews should include an appraisal of different options as any proposals for change need to be evidence-based.
- 7. Assess impact and risk:** An Equality Impact Assessment (EIA) should be undertaken as proposals for change start to emerge. An EIA should be included in the final Review report so the impact of any changes can easily be identified and considered. Identifying and assessing the key risks of any proposed change should be a feature too.
- 8. Report and communicate progress and proposals:** Regular progress reporting to F4F Leadership Team as the F4F Programme Board against the Project Plan is required. Communication back to stakeholders who have been engaged as part of the review needs to be considered. Other reporting requirements – including a final report – are set out in the 'Programme governance requirements'.