



CITY OF
Lincoln
COUNCIL

Efficiency Plan
2016/17 to 2019/20

Introduction

This Efficiency Plan sets out what the Council intends to do to address the challenge of financial stability over the medium term to 2019/20. It should be read alongside the Council's Medium Term Financial Strategy (MTFS) 2016-2021, Strategic Plan 2012-2017 and Organisational Development Strategy. These key documents identify how the Council will deliver financial sustainability in the medium term, how its limited resources will be directed towards its Strategic Priorities it holds for the City and the vision of what sort of organisation the Council wants to be.

Severe reductions in government funding to councils, combined with a national economic downturn affecting jobs, housing and business growth, which in turn has created pressure on the generation of local income streams together with rising demand for council services, who rely on the safety net provided by local government, have created a unique set of financial challenges for the Council. These coupled with radical changes in the basis on which local government is funded, introducing an unprecedented level of uncertainty and volatility, has meant that the Council has had to make significant reductions in its net expenditure budget, and ultimately some difficult decisions in order to continue to deliver services to the public, remain within its continually reducing funding envelope and have the ability to respond to the financial risks it faces.

As the financial forecast for the Council looks set to follow the same downward path the Council must continue to deliver reductions in its net expenditure budget, but must also strike a careful balance between this and the need to deliver a range of new projects that will make a real difference for the City.

In terms of the reductions in net expenditure that are required, the Council will continue to do all that it can to minimise the effect of these on the public, and will prioritise those services that are needed the most. This will not be an easy task and will require the Council to make further, increasingly, difficult decisions about the services it provides, where it provides them and the way in which it provides them. The Council faces this challenge constructively, with imagination and in the context of its role as an "ensuring council" and will ensure that at the heart of this decision making there remains a focus on four main strands of growth, poverty, affordable housing and financial sustainability.

The commitment to four year funding through this Efficiency Plan enables the Council to plan its service delivery and investment in new projects with greater certainty of funding over the medium term thereby ensuring the best possible outcomes for the residents of Lincoln.

Financial Context

In 2016/17 the Council plans to spend 11.048m, which is £1.075m (9.7%) lower than in 2015/16.

The Council have already taken a proactive response to the reduction in resources it has faced and has in recent years undergone a significant number of fundamental reviews of its services leading to a reduction in its annual net expenditure of £4m between 2008 and 2013. Despite this success a new savings target was set in

2013/14 to deliver a further £3m of annual savings over a 4 year period to 2016/17. The first three years of the programme were successful in delivering the targets and considerable progress has been made towards the target for 2016/17, with annual reductions secured to date of £2.9m, taking total savings delivered since 2008 to £6.9m

However based on a further deterioration in its financial forecast the 2016-2021 MTFS set out a further increase in the required level of savings by a further £500k in 2017/18, rising to £1m in 2018/19.

Approach to delivery of efficiencies and savings

The Council's strategy to address the deficit it faces is set in the context of its Organisational Development Strategy which sets out the distinctive approach of the Council described as an "Ensuring Council". This is a council which sees itself as having a strong service provider role, a strong community leadership role in promoting social justice, but with a highly developed spirit of entrepreneurship to secure its long term sustainability. Specifically in relation to the financial position and delivery of a sustainable financial position it will:

Promote a "public sector first" ethos by;

- Ensuring accountability and value for money for the tax payer.
- Seeking first to provide services itself unless there is, without loss of public accountability, a compelling business case for doing otherwise.
- Choosing public sector partnerships first where alternative service provision proves necessary in order to retain public accountability.
- Reviewing legacy services outsourced to the private sector, continuing to secure standards and value for money, and continuing to evaluate opportunities for returning those services to public ownership and control.

Become financially sustainable by;

- Look for ways of entering the market place itself, selling goods and services, for the purposes of generating income to support our service providing role;
- Seek to achieve financial self-sufficiency and sustainability over the next five years in order to maintain the strategic advantage of in-house services designed to meet local needs.

It is within this framework that the Council will deliver the required level of budget reductions. However given the level of savings that have already been delivered and the balance left to achieve the Council will inevitably be faced with some very difficult decisions in relation to its non-priority services. The delivery of the savings targets will continue to be achieved through the Towards Financial Sustainability Programme, which has been in place since 2014, and focuses on the following prioritised key strands of activity:

- Generation of new income streams and commercial opportunities, whilst ensuring that fair and appropriate charging regimes for services are implemented.
- Redesigning and modernising services to improve customer experiences maximise efficiencies and continue to make the business fit for purpose.
- Rationalising the City's property and land portfolio to optimise usage and commercial returns.
- Driving greater value from procurement and commissioning activity.
- Focussing on sustainability and the savings that can be gained by making greener choices in the way that we work.
- Withdraw or part withdraw from some services not deemed to be of sufficient priority or any longer affordable.

It is important that the Council maintains the pace and extent of changes that it has already delivered as it moves forward with this increased savings target and renewed focus in line with its role as an "Ensuring Council".

A summary of progress against the programme, as at September 2016, is shown at Annex 1. Based on the current programme of reviews in place, and the expected level and timing of savings delivered, the target for 2016/17 is expected to be achieved, with a minor shortfall against the target for 2017/18 currently forecasted. There however remains a more considerable shortfall in 2018/19, and subject to the outcomes of the Autumn Statement later in 2016, further initiatives under the above strands will need to commence development.

Whilst the Towards Financial Sustainability Programme focuses on reducing expenditure and increasing income to ultimately reduce the Council's net expenditure budget, the Council also recognises the importance of supporting growth in the local economy to maximise the Council's income from local taxpayers, devolved business rates, and central government growth incentives. Such examples being the Council Housing New Build Programme and the £30m investment in the Central Lincoln Transport Hub.

Reserves & contingencies

To provide capacity to manage financial risks, the Council holds reserves and balances. These include an appropriate risk assessed level of general balances and earmarked reserves that are suitable and adequate.

The Council has a very proactive approach to managing risk and there are effective arrangements for financial control already in place. However, as a result of the changes to the core system of local government funding introduced in April 2013, which saw a move from an absolute funding level to one which is very sensitive to changes in the level of local business rates, the level of volatility and risk to the Council significantly increased to unprecedented levels. Given the threat that this

poses to the Council's financial position, and has already been experienced, and given the forthcoming changes as local government moves to a new era of self-sufficiency, the prudent minimum level of general reserves is now held at a level greater than previously.

Based on the financial risks that the Council faces and an assessment of the estimated exposure, likelihood and possible mitigation, made in the context of the Council's overall approach to risk management and internal financial controls, it is deemed prudent that General Fund reserves are maintained at around £1.5m - £2m. General balances were £2.010m at 31st March 2016 and at 31st March 2020 are forecast to be £1.561m.

In addition to general balances, earmarked reserves are also held to enable funds to be built up to meet known or predicted liabilities. In assessing the appropriate level of earmarked reserves, a review is undertaken annually to determine if they are both appropriate and adequate. Earmarked reserves were £6.523m at 31st March 2016. These are expected to reduce over the next few years as they are utilised in a planned way, to £4.823m at 31st March 2020.

Governance arrangements

The Towards Financial Sustainability Board, chaired by the Chief Executive, which was established in 2014, has responsibility for driving the delivery of savings in the MTFS and tracks progress on a monthly basis. The board comprises of the Leader and Deputy Leader of the Council, the Corporate Management Team and the Chief Finance Officer. The board considers and approves all business cases prepared under the programme and focuses on projects and reviews that are rated red and amber in terms of progress against milestones. Assistant Directors are required to provide explanations and plans either to get savings back on target or alternative ways to deliver the savings. Portfolio Holders are kept informed of progress of the programme, specifically in relation to their portfolios, on a regular basis. Accountability for performance monitoring also lies with Performance Scrutiny Committee and the Executive, both of which receive regular information on delivery of savings and the in-year financial monitoring reports. The most significant of projects and reviews are the subject of Policy Scrutiny prior to any decisions being made by the Executive, with the considerations of Policy Scrutiny being submitted as part of the final detailed business case.

Risks to delivery

The main risks to delivery of this Efficiency Plan fall are contained within the risk register for the Towards Financial Sustainability Programme. This is a separate risk register to that contained within the MTFS which focuses on the financial risks the Council faces.

Both risk registers are monitored on a quarterly basis, with a full refresh each year and have mitigation and action plans in place for all red and amber rated risks.

Annex 1 – Towards Financial Sustainability Programme

Service/ Item	2016/17 £	2017/18 £	2018/19 £	2019/20 £
<u>Review/Business Case Approved/Delegated Decision Taken</u>				
Withdrawal of Services	854,303	880,633	890,413	900,383
Driving Greater Value from Procurement/ Commissioning	658,970	827,220	743,560	753,890
Redesigning and Modernising Services	761,410	666,140	674,830	678,130
Implementation of Fair and Appropriate Charging	647,780	728,790	820,020	878,170
Asset Rationalisation	0	0	0	0
Total Savings - Secured	2,922,463	3,102,783	3,128,823	3,210,573
<u>Business Case Developed - Subject to Approval</u>				
Withdrawal of Services	0	0	0	0
Driving Greater Value from Procurement/ Commissioning	3,000	3,000	14,260	14,260
Redesigning and Modernising Services	0	12,930	13,190	30,420
Implementation of Fair and Appropriate Charging	0	0	0	0
Asset Rationalisation	80,780	35,720	38,340	40,950
Total Savings - Business Case Developed	83,780	51,650	65,790	85,630
<u>Subject to Review/Business Case</u>				
Withdrawal of Services	0	133,420	148,330	163,670
Driving Greater Value from Procurement/ Commissioning	0	0	0	0
Redesigning and Modernising Services	31,000	95,750	96,510	97,270
Implementation of Fair and Appropriate Charging	11,500	23,000	23,000	23,000
Asset Rationalisation	12,500	89,780	87,670	85,580
Total Savings - Subject to Review/Business Case	55,000	341,950	355,510	369,520
Overall Savings	3,061,243	3,496,383	3,550,123	3,665,723
MTFS savings target	(3,000,000)	(3,500,000)	(4,000,000)	(4,000,000)
(Under)/ over achievement	61,243	(3,617)	(449,877)	(334,277)