

**Efficiency Plan**  
**2016/17 – 2019/20**



## **Introduction**

1. This document is Harrogate Borough Council's Efficiency Plan submission to the Department of Communities & Local Government (DCLG), covering the period 2016/17 to 2019/20. It summarises the key issues from our current Medium Term Financial Strategy (MTFS), which is updated annually, and other key corporate strategies.
2. Harrogate is the 13th most populous of England's 201 shire district councils. Since 2008, we have been on a journey of modernisation and transformation and have risen to the challenges posed by austerity extremely well. We are rightly proud of the award winning services that we have been able to maintain during this period and the strong record of governance and financial management that underpins the organisation.
3. We welcome the opportunity presented by the Government for longer term funding certainty and hope this approach becomes the new norm.

## **What We Have Achieved So Far**

4. Harrogate's latest Corporate Plan, covering the years 2014 to 2017 was approved by Council in July 2014. This sets out our long term vision for the Harrogate district, our aim as an organisation, our corporate priorities and the long term outcomes that we want to achieve. Each year we publish our delivery plan, which details what we will do, what are targets are and how we will measure these. It comprises the following four priorities:
  - i) A Strong Local Economy
  - ii) A Sustainable Environment
  - iii) Supporting our Communities
  - iv) Excellent Public Services
5. Underpinning this, our MTFS sets out the characteristics of, and the need to be, a thriving district during a period of austerity. These characteristics include: taking a longer term approach to financial and service planning; reliance on locally generated income sources; investment in facilities and infrastructure, and; innovative and effective service provision.
6. We can demonstrate many achievements that places us firmly in the thriving district category, including:
  - i) Our new Office Accommodation, which we will move into during 2017, will save up to £1m in running costs per annum.
  - ii) Innovate, our most recent transformation programme which focussed very much on modernisation of Council services and which finished in March 2016, resulted in over £2.1m in budget savings.
  - iii) Various service collaboration partnerships including being the host authority in a shared Audit Partnership with Craven District Council, shared management arrangements for ICT and Building Control hosted by City of York Council and spearheading the work of the Harrogate District Public Services Leadership Board. Furthermore, we are currently involved in negotiations for two devolution deals for the Leeds City Region and York, North Yorkshire and East Riding.
  - iv) Significant savings of over £1m resulting from the delayering of management structures and back office service reviews.

## What We Want to Achieve Next

7. Notwithstanding these successes, we are not a Council that rests on its laurels. In spring 2016, we embarked on a new combined transformation and organisational development programme called Our Strategy for Success. The programme has four strands:
- i) Customer Focus - improving our understanding of our customers to ensure the services we deliver meet their needs whilst being clear about the level of service we can provide.
  - ii) Team HBC - empowering all Team HBC to work as 'One Council'. We will deliver services and work together with a 'can do' approach to achieve common objectives and be positive and proud of our organisation helping us to continue being a high performing council.
  - iii) Community Leadership - ensuring we are in a position to work in partnership to shape our district and localities through leadership and influence, whilst maximising opportunities from regional and national changes.
  - iv) Self Sufficient by 2020 - reviewing processes, streamlining activities and increasing income to minimise the impact of the loss of central government grant on our services whilst reshaping our council.
8. Key to our financial strategy is the Self Sufficient strand, and in particular the focus on increasing income by adopting a more commercial culture. This is a deliberate attempt to create capacity that will enable us to continue providing excellent public services to the district.

## Our Efficiency Plan Forecast

9. In February 2016, Council approved a balanced budget for 2016/17 and agreed in principle a balanced budget for 2017/18. The table and section below shows our current assumptions covering the required period of the Efficiency Plan. Note our current MTFS covers the period to 2021/22.

	<u>2016/17</u> <u>Agreed</u> <u>Budget</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
	£000	£000	£000	£000
<b>Net Expenditure Brought Forward</b>	<b>17,991</b>	<b>17,637</b>	<b>17,966</b>	<b>18,716</b>
<b>Changes:</b>				
External Cost Pressures	2,043	914	690	740
Investing in Facilities	111	111	276	276
Changes in Grants	140	-8	858	37
Savings and New Income Identified	-2,470	-540	-1,053	-15
Effect of Use of Reserves	-178	-148	-21	257
<b>Net Expenditure Carried Forward</b>	<b>17,637</b>	<b>17,966</b>	<b>18,716</b>	<b>20,011</b>
Council Tax	-13,480	-13,886	-14,303	-14,734
Retained Business Rates	-3,033	-3,145	-3,207	-3,271
Revenue Support Grant	-1,543	-399	0	0
Net Collection Fund (Surplus)/Deficit	419	-130	0	0
<b>Net Funding</b>	<b>-17,637</b>	<b>-17,560</b>	<b>-17,510</b>	<b>-18,005</b>
Cumulative Savings and New Income to Identify	0	406	1,206	2,006
<b>Annual Savings and New Income to Identify</b>	<b>0</b>	<b>406</b>	<b>800</b>	<b>800</b>

## Assumptions

- i) External Cost Pressures: annual 1% pay awards, past pension costs, inflationary pressures, contingencies in later years and removal of prior year business rates deficits. 2016/17 represented an extraordinary year with pressures around recycle income and changes to the National Insurance system.
  - ii) Investing in Facilities: ensuring we have enough capacity to maintain existing council facilities and supporting investment in new or replacement assets.
  - iii) Changes in Grants: reflective of the final Local Government Finance Settlement from February 2016.
  - iv) Savings and New Income Identified: proposals delivered (2016/17) or those agreed in principle for which achievable delivery plans are in place (2017/18+).
  - v) Council Tax: annual increases of 1% to the taxbase and 1.99% to the tax rate.
  - vi) Retained Business Rates: increases in line with the annual uplift.
  - vii) Revenue Support Grant: reflective of the final Local Government Finance Settlement from February 2016.
  - viii) Net Collection Fund (Surplus)/Deficit: net impact of Council Tax and Business Rates elements of the Collection Fund.
10. The forecast also contains the line 'Effect of Use of Reserves'. In July 2015, Council approved the creation of a Budget Transition Fund, now totalling £1.6m. The purpose of the fund is to use prior year underspends to smooth the savings requirements in the MTFS into manageable annual targets, thereby limiting volatility and increasing planning certainty. The MTFS assumes the use of the majority of this fund by 2021/22.

## **Delivering Balanced Budgets Over The Period**

11. The Efficiency Plan forecast shows a fully balanced budget for 2016/17, the need to identify £406k of recurring savings and new income in 2017/18 and, following usage of the Budget Transition Fund, a further annual requirement of £800k for both 2018/19 and 2019/20. This pattern is repeated for the rest of our MTFS up to 2021/22.
12. For 2017/18, the modest target relates to savings or income items that our robust monitoring procedures have deemed are no longer suitable for delivery in that year. The 2017/18 budget will therefore be balanced by 'quick win' income items from our Self Sufficient commercial agenda and efficiency savings that have materialised since the budget was agreed in principle in February.
13. From 2018/19 onwards, aided by the DCLG Efficiency Plan process, we will aim to manage our strategy on a rolling four year basis by:
  - i) Using the Budget Transition Fund to create fixed annual savings targets of £800k.
  - ii) Meeting the annual target by a mixed approach of:
    - a) Increasing existing fees and charges, where it is economically advantageous to do so, by c. 2.5% which would be worth c. £100k per annum.
    - b) Allocating each Council service their share of a £100k annual efficiency target, acknowledging that there are always ways to cut out wastefulness.

- c) Identifying new sources of income via the Self Sufficient commercial agenda. Current significant areas of focus include commercialising the town's famous Turkish Baths, extending our Trade Waste service and assessing property development opportunities.
  - d) Identifying budget reductions that result from other transformational activities in Our Strategy for Success programme, as well as from expenditure that doesn't meet our stated priorities. Current areas of focus include assessing alternative delivery models, channel shift of our customer service activity and operational reviews of our waste management and street services.
14. In summary, in further strengthening our thriving district credentials we are taking a long term approach to our financial management, placing further reliance on locally generated income and taking steps to increase innovation and effectiveness of our services. One of the other key themes of our financial management approach is that of flexibility. Where opportunities exist to do more, or do things differently, we will grasp these.

## **Capital and Reserves**

15. In terms of other areas of our finances, a fundamental review of reserves was carried out in June 2015. This found that £11m of balances were held for future investment and one of the recommendations of the review was to investigate different ways of managing our capital activities. As a result, in July 2016, we published a new 25 year Capital and Investment Strategy which outlines £107m of investment in our facilities and equipment over the period, brings together 21 earmarked reserves into one overall Council Investment Fund, consolidates £2.1m of existing revenue budgets into one overall annual Council Investment Fund contribution, and which will erode the original balances to nil by 2020.
16. In line with statutory requirements, we consider the minimum recommended level of our General Fund Working Balance to be £2.5m.

## **Risks and Uncertainty**

17. Medium term financial planning is a risk laden exercise. Many factors may impact on the figures presented here, most notably:
- i) Accelerated changes to the Local Government Finance System, particularly around relative needs and transfer of responsibilities (MTFS assumes 2020).
  - ii) Positive and negative impacts as a result of the April 2017 Business Rates revaluation.
  - iii) Timings of potential penalties to the New Homes Bonus grant where a Local plan is not adopted.
  - iv) The effects of UK's vote to exit from the EU, and in particular impacts of a potential recession on income generating activity linked directly to economic demand.

## **Key Strategic Documents**

Medium Term Financial Strategy; Corporate Plan; Our Strategy for Success