

LONDON BOROUGH OF BEXLEY – EFFICIENCY PLAN 2016/17 TO 2020/21

1) Introduction

The 2016/17 Local Government Finance Settlement published in February 2016 sets out a four year funding offer from Government to local authorities.

This is the first time in recent years that a multi-year offer has been provided, with the aim of providing local authorities with some certainty of future Government funding. The gradual phasing out of the core grant (RSG) alongside the implementation of 100% business rate retention in 2020 means that local authorities will become more reliant on locally generated sources and move to self-sufficiency.

The Council welcomes the offer which can now be accounted for in the five year financial forecast rather than the previous approach that relies on the annual announcement by the Government of grant funding after the Autumn Statement. Local authorities have taken the biggest hit in terms of central funding cuts since 2010 and the reliance on annual announcements has caused volatility and uncertainty around where the cuts would hit, which in turn has made it difficult to strategically plan spending priorities over the medium term but also in the short term and the setting of a balanced budget for the following year.

Although the Council has a proven track record in successfully responding to the financial pressures - managing within reducing resources and keeping council tax low, the introduction of the four year offer will alleviate some of this uncertainty and better support the medium term planning process.

The four year offer for Bexley is set out below:

	2017/18 £'m	2018/19 £'m	2019/20 £'m	2020/21 £'m	2021/22 £'m
Revenue Support Grant	13.8	8.5	3.3	2.6	2.6

A requirement of accepting the offer is the publication of this Efficiency Plan, which aims to draw together existing plans and strategies and 'tell the story' of how the Council is responding to the financial challenge and the move to financial sustainability.

2) Bexley's Corporate Plan

The Council's Corporate Plan, 'Investing in Bexley 2016 to 2019' was agreed in April 2016 and sets the foundations for the Council's strategic planning process. It sets out our ambition, including the outcomes we want to achieve for people living and working in Bexley and summarises what we will do to make them a reality.

The Council is reviewing everything it does to ensure it helps us deliver these outcomes and anything which does not contribute sufficiently may be stopped or altered to better support what we want to achieve.

For the period 2016 to 2019, our priorities are

(1) To ensure we embrace and capture the benefits of growth for the borough. The outcomes we want to achieve are:

- A Place where People Want to Live;

- A Clean & Green Environment;
 - A Place to do Business; and
 - Education to Employment.
- (2) To support residents in the borough to live fulfilled and independent lives. The outcomes we want to achieve are:
- Living Safely with Dignity;
 - A Supportive Community; and
 - Healthy Lives and Minds.
- (3) To secure value for money so we spend every pound of public money wisely. The outcomes we want to achieve are:
- Balancing the Books; and
 - A Well Run Council

Further details of these outcomes and how we are measuring progress is set out in [Bexley's Corporate Plan](#)

3) Medium Term Financial Strategy

The Medium Term Financial Strategy sets out the strategic financial position of the Council over a five year planning period, taking account of external funding and spending and income pressures both within service expenditure and as a result of changing economic conditions. The strategy then sets out the Council's approach to addressing the financial challenge, closing the budget gap and meeting its statutory requirement to set a balanced budget each year.

With clear links to the Corporate Plan, the overarching aim of the Medium Term Financial Strategy is to provide a framework which enables the Council to effectively allocate its available resources to achieve its priority outcomes, as set out above.

The latest forecast shows a budget gap of £15m in 2017/18, rising to £32m in 2021/22. For the last two years, the Council has adopted an outcome based approach which involves a cross cutting look at all Council activity and spending to re-align resources to the key priorities within the Corporate Plan. This approach enabled the Council to set a balanced budget for 2016//17 and has been further extended for the 2017/18 budget setting process. Good progress has been made for closing the gap for 2017/18 and over £12m of spending reductions and income generation opportunities have been identified. Details are set out in Appendix A. The Council is optimistic that as work continues over the next few months on developing new savings proposals, a balanced budget will be agreed for next year. However, in the medium and longer term, there remains a significant budget gap and the focus is around transformational change to the services we deliver and how we deliver them, including:

- Identifying alternative funding options, such as social investment to fund and therefore maintain service provision;
- Identifying alternative revenue streams that can be used to cross subsidise and invest in services across the Council;
- To build stronger communities and developing capacity within the community to support the ongoing delivery of the Council's outcomes;
- To explore the role of the Council in delivering skills and employment in the future;
- Exploring scope for further growth. The Council is already benefitting from increases in the Council Tax base and the new Homes Bonus but the Growth Agenda will enable the Council to more fully exploit opportunities for further growth, ensure

residents have a stake in the borough's growth, increase our income and therefore our spending power.

- Further exploitation of digital solutions that modernise the delivery of service provision, improving the effectiveness and efficiency and thereby reducing costs.

Partnership working is a critical factor in Bexley's financial sustainability. The Council works closely with a range of partners in both the public and private sector and believes that all partners are experiencing a 'financial challenge'. By working together, collectively we can ensure that we are making the best use of all financial resources in the borough to achieve the best possible outcomes for people living and working in the borough.

Early examples include partnership working with health to develop an Integrated Care Provider that will see health and adult social care take a further big step towards integration from April 2017. Closer working alongside our voluntary sector to improve outcomes and develop the local community is already starting to take shape. The new voluntary sector compact has been agreed, the year of the volunteer is proving a success in Bexley and the Council and voluntary sector are discussing ideas around how they can support service provision, particularly in terms of early intervention.

The Council's partnership working is not limited to the public sector. Being commercially minded and considering alternative delivery models will be part of all the Council's transformational change and future delivery of services. This is already expanding beyond the traditional 'outsourcing route' or shared services and discussions are already underway with private investors to develop Social Impact Bonds and other joint venture models.

The transformation of our services with partners and the commercialisation agenda are likely to be key threads that will run through the Council's financial planning process in the short, medium and longer term.

Finally, the Council's new Insight Team will ensure that information and insight on the boroughs demographics and service needs better inform the Council's decision making process so we are using this information to target financial resources.

Further details of the financial position and the Council's assumptions in the forecast are set out in the Council's Medium Term Financial Strategy 2017 to 2022 that was agreed in July 2016 and also the latest Financial Plans report to Public Cabinet on 11 October 2016

<http://democracy.bexley.gov.uk/documents/s73739/Item%204-1%20MTFS.pdf>

<http://democracy.bexley.gov.uk/documents/s75057/Item%205-1%20Financial%20Plans.pdf>

The certainty that the four year offer provides will enable the Council to develop a more planned approach to transformational change because there is more visibility of the scale of savings required over the next five years to balance the books.

4) Risk and Reserves Strategy

All Council's hold reserves for both specific purposes and projects but also to manage risks on the budget and unforeseen events. Over the next five years the reserves strategy will need to ensure that funds are available to smooth out the fluctuations and manage risks that the Council will face. Any use of reserves must be controlled carefully due to the impact this can have on financial planning and council tax and although use of reserves in the medium term is not permissible and any use is not assumed within the current five year financial forecast, the use of reserves in the short term cannot be ruled out.

The Council's Reserves Strategy is set out in full in the Medium Term Financial Strategy and is focussed around a number of risks:

- Current economic conditions are volatile. Although interest rates and inflation are currently low, medium term prospects are that both are likely to increase, thereby increasing the cost of borrowing and the cost of commissioned services but also prospects of further periods of austerity cannot be ruled out.
- Although Bexley will sign the four year settlement agreement, it is still unclear if any of the £3.5bn in further cuts that were announced in the 2016 Budget will impact on Local Authorities. Further details are expected as part of the 2016 Autumn Statement in November.
- The impact of the 2017 Business Rate revaluation is still being analysed and could impact on the Council's business rate income and therefore our spending power.
- The outcome of the consultation of 100% business rate retention and how the new system will operate is still unknown. Bexley will be part of the London pilot commencing in April 2017 and discussions continue in terms of a devolution deal for London.
- The ongoing demographic pressures means that the Council is supporting more children with special needs and in need of care and more adults with complex needs and for longer as the average life span continues to increase.
- Through the 100% business rates retention scheme, the Council and London will acquire new responsibilities. The Government's intention is that these new responsibilities will be fully funded but there is a risk that any new services for which the authority's ability to control spend is limited, if demand shows an increasing trend then this could result in unfunded new burdens for the Council if additional funding does not follow.
- The Council has a good reputation at delivery of savings and financial plans assume all previous savings will be delivered as planned. However, as the financial challenges become tougher so does the deliverability of the savings.

The main earmarked reserves for managing these risks include:

Transformation and Investment Reserve

The Transformation and Investment Reserve was established primarily to pump-prime projects that required this upfront expenditure.

From April 2016, the reserve has also been used to establish Bexley's Transformation Fund, an additional resource to add capacity to the work to re-design services, pump priming for Invest to Save projects and staffing to drive the growth agenda. Service transformation is critical to the Council over the next few years if we are to address the financial challenges and close the budget gap and therefore further releases from this reserve will be required for upfront investment that delivers longer term revenue savings.

Financing Reserve

This reserve exists to deal with the variations in financing costs that arise during the year. Interest rates and therefore the cost of borrowing remain low so the call on this reserve has been minimal. Although in the short term we are not expecting any significant rises in interest rates, the Council's planning period is five years so some increases are expected in the medium term.

Financial Planning Reserve

This reserve exists to deal with uncertainties in the forward planning process, mainly from reductions in Government grant. The four year offer provides some certainty and the

Council's intention is to close the budget gap by reducing net expenditure rather than any planned use of this reserve. Given the Council's strong record on delivery of savings, use of this reserve has been limited in recent years, however, the financial challenge remains and there are still a number of unknowns around the new 100% business retention scheme and in particular the new responsibilities and their associated funding that will be passed to local authorities so use of this reserve in future years has not been ruled out.

5) Bexley's Organisation Structure

Fundamental to the delivery of the Council's strategic corporate and financial planning processes is its staff.

The Council has undertaken a number of organisational reviews in recent years and these have delivered substantial reductions in the number of senior management posts and significant expenditure reductions as a result.

The most recent review has been undertaken by the Council's newly appointed Chief Executive. This review has demonstrated that the Council is well-run, with a careful and consistent grip on the delivery of services and budgetary control. Although the current arrangements have worked well, the review has concluded that the challenges ahead require a refocusing and rebalancing of the structure to ensure that the Council can pursue growth and other outcomes with the pace and vigour that is now required in order for Bexley to be self-sufficient.

The new structure is currently subject to consultation and presented to General Purposes Committee on 10th October for approval. Full details of the new structure are set in the [report](#).

6) Monitoring the Efficiency Plan

The Council understands that the current financial environment for local authorities remains volatile. Adequate provision has been made within reserves to manage risk but circumstances and policies change that could impact on the Council's MTFS and this efficiency plan. This plan will be monitored throughout the financial year as part of the Council's financial planning and budget setting process.

Signed on 12 October 2016



Councillor O'Neill
Leader of the Council



Gill Steward
Chief Executive

A handwritten signature in blue ink, appearing to read "A. Griffin". The signature is written in a cursive style with a large, stylized initial "A" and a long, sweeping tail.

Alison Griffin
Director of Finance

Appendix A

Description	Cabinet Portfolio	2017/18	2018/19	2019/20	2020/21	2021/22
		STRETCH SAVINGS				
Digital Future	Finance and Corporate Services	40	385	790	790	790
Asset use (non-strategic assets)	Regeneration and Growth	370	410	660	660	660
Growth	Regeneration and Growth	605	795	1,250	1,250	1,250
Core Environment	Community Safety, Environment and Leisure	103	263	383	483	483
	Total Stretch	1,118	1,853	3,083	3,183	3,183
DEEP DIVES						
Trading and Investment income - increase in income to pay for other essential services	Finance and Corporate Services	160	160	160	160	160
Review of contract management and client units	Finance and Corporate Services	500	1,000	2,900	2,900	2,900
Reduction in Cost of temporary accommodation for homeless households and better regulation of private rented sector	Adults	310	460	460	460	460
Reduce and delay the increasing reliance and demand on statutory services, through empowerment of voluntary and universal services to deliver person centred support to people according to their needs at the most earliest opportunity of intervention.	Adults	2,600	3,800	5,000	7,000	7,000

Description	Cabinet Portfolio	2017/18	2018/19	2019/20	2020/21	2021/22
Working with young people from age 14 to ensure a seamless and cost effective pathway into adults services. In addition, working with adults aged 65 and over the learning disabilities to ensure that their service provision reflects their primary need	Adults	100	150	250	250	250
Waste Collections and Disposals	Community Safety, Environment and Leisure	304	402	402	552	552
Charging Strategy	Finance and Corporate Services	600	1,200	2,400	2,400	2,400
Review of SEN reforms	Education	-	-	-	-	-
More effective use specialist placements for looked after children	Children's Services	1,300	1,300	1,300	1,300	1,300
	Total Deep Dive	5,874	8,472	12,872	15,022	15,022
VALUE FOR MONEY						
Value for Money Review	Cross Cutting	5,414	2,007	2,003	2,003	2,003
	Total	12,406	12,332	17,958	20,208	20,208