

Cotswold District Council – Efficiency Plan

Cotswold District Council is applying for a four-year funding settlement (2016/17 to 2019/20) from the Department for Communities and Local Government. The application requires the Council to have published an Efficiency Plan. This document satisfies that requirement. Full Council agreed to the principle of the four year settlement on 27th September 2016.

Council Corporate Strategy

The Council's core aims and objectives are set out in its Corporate Strategy, which is available at:

<http://www.cmis.cotswold.gov.uk/cm5/Meetings/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/4327/Committee/879/Default.aspx>

The Council's aim is: *“to be recognised as the most efficient council in the country”*.

Its underlying priorities are as follows:

- To provide high quality services at the lowest possible cost to Council Taxpayers
- To protect the local environment whilst supporting economic growth
- To champion issues which are important to local people

Medium Term Financial Strategy

The Council's approved Medium Term Financial Strategy is available at:

<http://www.cmis.cotswold.gov.uk/cm5/Meetings/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/4327/Committee/879/Default.aspx> . The key points of the strategy are set out below:

- Over the period 2016/17 to 2019/20, annual central government funding (Settlement Funding Assessment) will reduce by £1.6m (49%);
- A review of the New Homes Bonus scheme is being carried out by central government. It is estimated that changes to the scheme will reduce funding by between £0.6m - £1.2m per annum;
- Retained business rates income is expected to exceed the baseline funding level over the four year period;
- The Council is part of the Gloucestershire Business Rates Pool which will enable the Council to minimise the levy payable to central government arising from business rates surpluses. However, due to the level of risk associated with the pool, additional income will be treated as a “windfall gain” and is not included in the financial strategy;
- A council tax freeze was implemented for 2016/17 and assumed future council tax increases at 1.99% per annum are below the government's 2% referendum limit;

- The Council is increasing its level of earmarked and general fund reserves to provide funding for 2018/19 and 2019/20 when there is a risk of the Council needing to utilise reserves to achieve a balanced budget;
- In order to maintain a sustainable long term financial position, the Council will need to deliver savings of between £2.3m to £2.8m during the period 2016/17 to 2019/20.

How the authority is addressing its financial position

During the period 2011/12 to 2016/17, the Council's core funding from central government has fallen by £3.5m per annum. In addition to this the Council has faced significant reductions in the level of investment income on cash balances as a result of low interest rate levels (£0.9m per annum) and increasing costs of the local government pension scheme, contributions rising annually have increased annual pension fund contributions by £0.8m per annum.

The Council has responded to these financial challenges by undertaking transformation change programmes which have delivered annual savings of £6m.

The Council has been rewarded financially for the development of new homes in the district through the new homes bonus scheme and for growth in businesses in the district through the business rates retention scheme. In order to maximise the financial benefit of retained business rates, the council has been part of the Gloucestershire Business Rates pool since 2013/14.

How the Council is balancing its budget

Significant savings have been delivered through key transformational projects such as:

Project	Annual Savings
Investing £5m of cash balances in commercial property	£200,000
Establishing an environmental services company together with Cheltenham Borough Council	£870,000
Outsourcing leisure and cultural services provision	£300,000
Joint working with West Oxfordshire District Council	£1,000,000
Shared services for Finance and HR services	£125,000
Establishing the "2020" Partnership Shared Services	£650,000

In addition to the transformational change projects, the Council has also improved its use of technology across service areas to improve efficiency. Investment in ICT has facilitated “hot-desking” to free up office accommodation which is now being let to the Department of Work and Pensions and other public sector organisations. Regular reviews of budgets are carried out to ensure that under-spends in service areas are taken as savings (or income targets are rebased to match demand for services), whilst ensuring there is no impact upon front-line services.

The Council has front-loaded its savings and this has enabled the Council to increase the level of general fund working balance to £4.2m. The Council also holds earmarked reserves totalling £5.1m. The earmarked reserves are held for specific purposes which include funding one-off costs to facilitate the next phase of transformational change – “The 2020 Partnership”.

Transformation Projects, Savings and Efficiencies

The Council plans to save £2.3m over the period from 2016/17 to 2019/20. The outsourcing of the leisure and cultural services contract will contribute £0.17m to the savings target. Savings from efficiency gains in services areas will contribute £0.77m to the target. The balance of savings (£1.4m) will be delivered by building upon previous successful partnership working. The Council is working with West Oxfordshire District Council, Forest of Dean District Council and Cheltenham Borough Council in a collaboration programme known as the “2020 Partnership”. The business case for the programme is available at:

<http://www.cmis.cotswold.gov.uk/cm5/Meetings/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/4390/Committee/879/Default.aspx>

An extract of the savings for Cotswold District Council are shown below. A significant proportion of the Shared Service Savings have already been made in 2016/17.

	CDC £000	Total All Partners £000
Joint Committee		
Shared Services	845	2,891
Other Efficiency Savings	549	1,462
Total Joint Committee Savings	1,394	4,353
Company		
Pensions	250	700
Commercial Approach	282	819
Company Overhead	(92)	(301)
Total Company Savings	440	1,218
Total Savings	1,834	5,571

The programme will see the creation of three local authority owned companies established to deliver services on behalf of the councils. The aim is for all local authority employees to be employed under the company model using a new, modern, fit for purpose set of terms and conditions. The programme is expected to deliver combined savings of £5.6m per annum - £1.8m for Cotswold District Council.

The programme plan is for the companies to be incorporated by April 2017 and operational around autumn 2017. Services which are not currently shared will be brought together in the company model to deliver savings. New employees will be offered a stakeholder pension scheme rather than the local government pension scheme. Over time combined pension savings for the local authorities are expected to deliver £0.7m of savings per annum. A more commercial approach to service delivery is expected to deliver combined local authority savings £0.8m per annum.

The programme is estimated to cost £10.1m to implement and has been partially funded by Transformation Challenge Award Grant of £3.8m.

Risk and Uncertainties

The key financial risks to the council and the mitigating measures are set out below

- New Homes Bonus - uncertainty over proposed changes to the scheme. The Council received an allocation of £3.2m in 2016/17. The MTFS assumes that changes to the scheme will be implemented in 2017/18 and the budget has been reduced to £2.1m – a reduction of £1.1m.
- Retained business rates – a revised rating list will come into effect from April 2017. While it is expected that the financial implications will be neutral to the council, businesses will appeal against their new valuations and 40% of the appeal costs will fall upon the council. The Council will face in-year costs as a result of refunding successful appeals and reduced business rate income in future years as the business rate base is permanently reduced following successful appeals;
- Retained business rates – appeals from the 2005 and 2010 lists still remain undetermined. The council has made provision for its estimate of successful appeals in the system. The actual costs could be higher than the provision and this will impact upon the value of retained business rates in future years.
- The movement to 100% business rate retention, the reset of the business rates baseline and the outcome of the “Fair Funding Review” pose a significant risk to the longer term financial stability of the council. The council will respond to government consultation as it is published.
- The council is part of the Gloucestershire Business Rates pool which offers both reward and risk. Each of the pool partner councils has made provision

for appeal losses. Financial modelling indicates that the pool will provide a financial benefit. However, there are risks of unforeseen business rate appeals which would be borne by the councils due to the increased level of the safety net associated with the pool. The pool can be collapsed on an annual basis in the autumn of each financial year. Viability of the pool is reviewed each financial year.

Conclusion

Cotswold District Council has an excellent track record of delivering efficiency savings through joint working with partner councils (especially with West Oxfordshire District Council), delivering services through third parties such as Ubico Ltd (a local authority owned environmental services company) and SLM (leisure and cultural services specialist provider). The council has led on the establishment of shared back-office services such as Finance, HR, Legal and Property and ICT services across four councils and also provides support services to three private sector clients.

The council's innovative approach has delivered savings early and has enabled the council to reduce its council tax by 13% since 2010/11, whilst increasing its financial resilience through its general fund working balance.

However, the medium-term financial stability of the council is uncertain due to the changes to the funding mechanisms for local government. The council is reacting to this uncertainty by implementing the 2020 Partnership which will see most staff delivering services through a new company model. The combination of all staff resources across three councils (Cotswold District Council, Forest of Dean District Council and West Oxfordshire District Council) provides an opportunity to maximise efficiency, increase resilience and retain (if not improve) service provision to the communities the councils serve.

The certainty of a four-year funding settlement will greatly assist the council as the Members and Officers focus upon the challenging, innovative and exciting 2020 Partnership programme.

Lynden Stowe

Leader of the Council

Jenny Poole

Chief Finance Officer

11 October 2016