Efficiency Plan 2015/16 to 2019/20

This Efficiency Plan is drawn from the council's Corporate Plan, Medium Term Financial Strategy and, particularly, the 4-Year Integrated Service & Financial Plans which outline the council's approach to investing in service modernisation, customer service, and efficiency. This statement supports the council's application for 4-year settlement funding which will provide a level of funding certainty over the period 2016 to 2020.

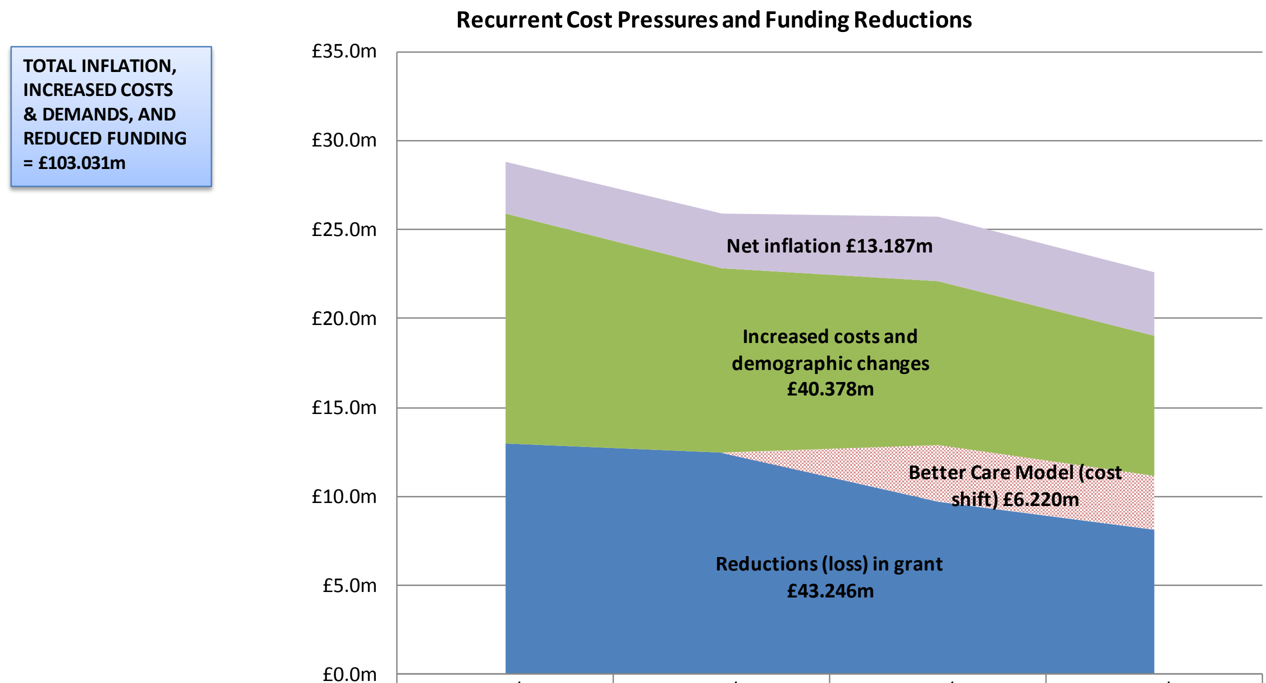
The Financial Challenge

The Council's Corporate Plan 2015 – 2019 'The Way Ahead' outlines the context within which public services will be delivered locally over a 5 year period. The principal issue is the financial pressure facing the council and other public services as the local population grows, demand for services increases, and government funding reduces.

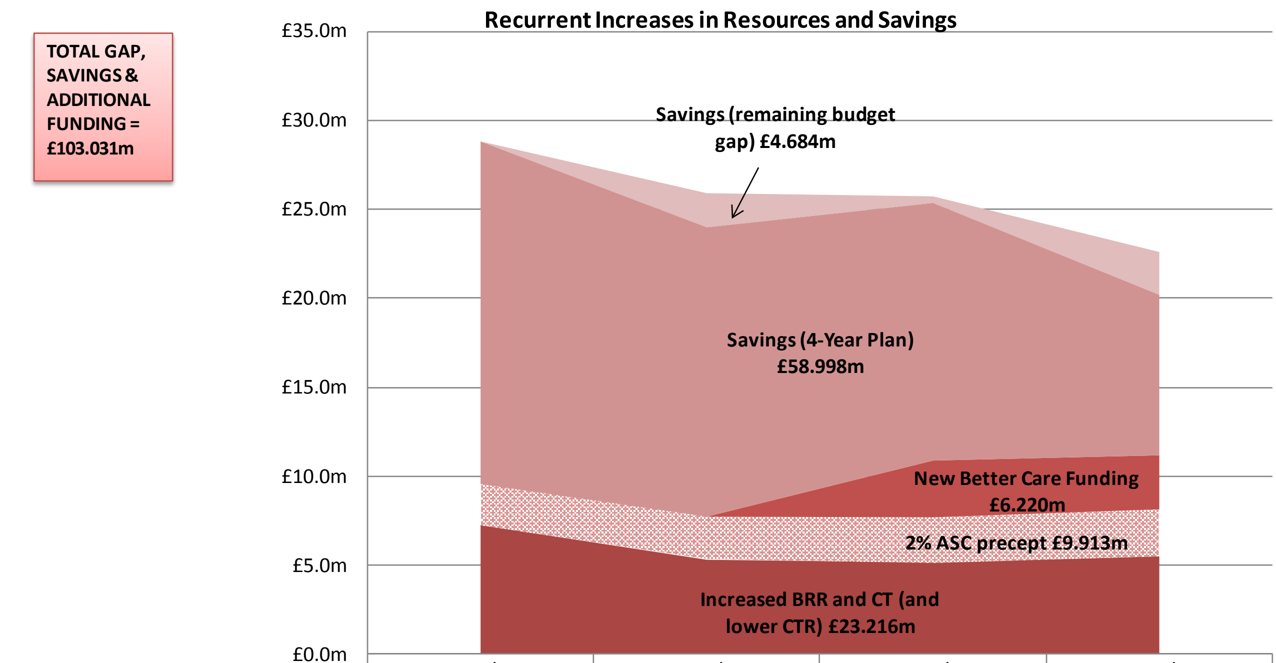
The 2016/17 Budget Council meeting in February 2016 confirmed the challenging scale of predicted budget gaps over the next 4 years following announcement of the government's Comprehensive Spending Review 2015 and an assessment of projected cost and demand pressures facing the authority over the period. A total budget gap of £64 million was predicted for the period, based on 1.99% annual council tax increases and 2% Adult Social Care Precepts. The primary drivers of the predicted gap were reducing government grant support, projected growth in service demands (mainly social care and homelessness), and cost increases (inflationary or new statutory requirements such as the National Minimum Wage).

Two charts below illustrate the position and are important in understanding why the budget gaps and consequent savings requirements are so significant. Both charts cover the 4-year period 2016/17 to 2019/20. The first chart represents the amount of money that will be added to the council's net expenditure each year. This is broken down into:

- Inflation i.e. standard pay and price increases at 1% and 2% respectively. These represent averages increases across pay, expenditure and income budgets;
- Increased costs and demographic changes. This relates to new costs such as the impact of the National Living Wage on the cost of care provider contracts. It also includes a wide range of demographic factors including increasing complexity of social care needs, increasing population demographics for certain age groups, and other new statutory demands;
- Better Care (cost shift). This cost assumption directly matches new Better Care funding due to be provided by the government from 2018/19 (see second chart). The current assumption is that the Better Care Programme, through preventative strategies and integration of health and social care, will result in a significant shift in cost from the hospital setting to other care provision, notably social care. It is therefore assumed that all of this new funding will be matched by new costs and will not be available to address current pressures in councils which the Local Government Association's (LGA) estimates at between £1.5 billion to £2.8 billion by 2020;
- Reductions (loss) in grant. This reflects the known reductions in central government grant support including Revenue Grant Support (RSG), Education Support Grant (ESG), New Homes Bonus and Housing Benefit Administration grant along with other smaller grant reductions.



	2016/17	2017/18	2018/19	2019/20
Net inflation	£2.913m	£3.076m	£3.626m	£3.572m
Increased costs and demographic changes	£12.925m	£10.366m	£9.213m	£7.874m
Better Care (cost shift)	£0.000m	£0.000m	£3.188m	£3.032m
Reductions (loss) in grant	£12.971m	£12.458m	£9.696m	£8.121m



	2016/17	2017/18	2018/19	2019/20
Savings (remaing budget gap)	£0.000m	£1.912m	£0.367m	£2.405m
Savings (4-Year Plan)	£19.248m	£16.256m	£14.475m	£9.019m
New Better Care Funding	£0.000m	£0.000m	£3.188m	£3.032m
2% ASC precept	£2.307m	£2.425m	£2.534m	£2.647m
Increased BRR and CT (and lower CTR)	£7.254m	£5.307m	£5.159m	£5.496m

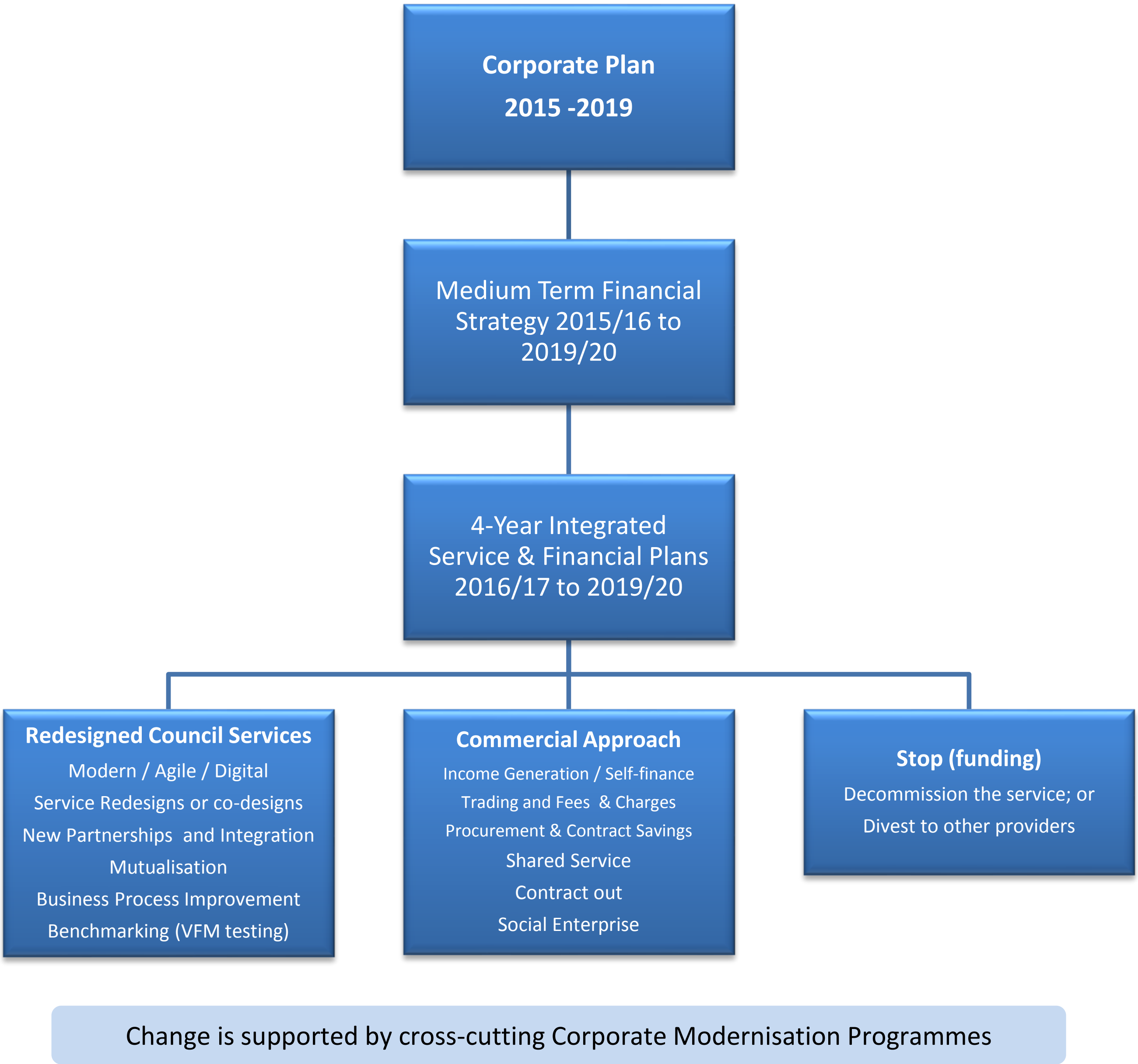
The above charts are identical in size. The first represents the total amount of additional annual costs that the council expects to incur over the 4 year period 2016/17 to 2019/20, totalling £103.031 million. The second chart shows how this must be exactly matched by either new resources and funding, or by reducing costs (i.e. savings). If the two blocks represented by the charts do not match, the council's budget will not be in balance. While a budget surplus is highly unlikely, a budget deficit cannot be permitted.

It is evident that in both charts, there is a level of influence possible in respect of all elements except reductions in grant. However, the two key elements that must be focused on are 'Increased costs and demographic changes' where every effort must be made to avoid increasing costs, for example through effective demand management, preventative health & social care initiatives and integration, and improved homelessness strategies. In addition, identifying other ways to mitigate cost increases such as re-procuring or re-designing services to manage new demands will be explored. The other element, 'savings', is equally critical and will need to follow the 4 year service and financial planning approach below.

4-Year Planning Approach 2015/16 to 2019/20

The Corporate Plan recognises that the council will need to change and, with a decreasing budget, is open about the fact that the council will shrink in size, employ fewer people over the coming years, and that the relationship between the council, partners, providers and citizens will need to adapt.

Due to the scale of financial challenge over the medium term, an annualised budget setting approach was no longer considered appropriate. For 2016/17, Budget Council therefore considered longer term, 4 Year Service & Financial Plans setting out potential savings proposals for closing the budget gap over the period 2016/17 to 2019/20. The 4 Year Service & Financial Plans will be refreshed and 'stress tested' to ensure that proposals remain deliverable and achievable in the context of current service demands and statutory requirements. The approach to Integrated Service & Financial Planning is shown below. This approach will be overseen by a Member Modernisation Oversight Group and managed by the Corporate Modernisation Delivery Board and Directorate Modernisation Boards and will be supported by a number of Corporate Modernisation programmes which apply across the whole council.



The rationale for adopting one approach over another will take into account a wide range of factors including but not limited to:

- The cost of providing services compared with other available provision (i.e. benchmarking or soft market testing);
- The availability of alternative provision, particularly locally;
- Trading or income generation opportunities (i.e. market research on demand and supply);
- Advantages and disadvantages of alternative provision including taxation, VAT, employment, pension liabilities and other financial, legal or reputational risks;
- Statutory versus non-statutory provision or ‘universal’ services with the latter often providing more choice about what level of service is provided or funded and how;
- The willingness or availability of partners in the city region to develop joint or shared ventures; and

- Levels of one-off or ongoing investment needed to change to a different model of service delivery i.e. whether or not the business case for changing is financially viable when taking into account the cost of change.

The 4-year Integrated Service & Financial Plans will be delivered in the context of the council’s modernisation programme outlined in the Corporate Plan and MTFS 2019 to 2020. Modernising the council will involve considerable project and programme support, and investment but will enable the council to deliver, procure or commission more efficient, cost effective services for its citizens and customers.

The longer term service and financial planning approach also requires a different method of engagement and consultation to previous annualised consultation and engagement processes which may not be appropriate or robust enough for conversations relating to a longer term strategies. Links to the work of the Fairness Commission, City Management Board (i.e. public sector city partners), Greater Brighton City Region, Community & Voluntary Sector and other stakeholders will need to be clearer and feed into the planning process as appropriate. More in-depth conversations and engagement with neighbourhoods and communities are also needed and a new directorate structure will ensure this receives the correct focus.

Modernisation includes a wide range of initiatives that will change the workforce and transfer some services to alternative providers. Services and value for money will be improved through:

- Reductions to the workforce with the number of full time equivalent posts reducing by over 550 during the period including considerable management de-layering and administrative efficiencies.
- Reducing the number of administrative buildings we occupy and moving to flexible, ‘workstyle’ office space with smaller footprints and smarter ways of working. Total administrative office accommodation will reduce by 59 per cent from will deliver savings of £1.4m.
- Integrating our commissioning functions to better understand the needs of the City, design services which meet these needs, and achieve better value for money from providers by managing contract performance more effectively.
- Providing more services online by streamlining and digitising the way services are accessed through our ‘Digital First’ programme requiring over £6m investment from 2016/17 to help improve customer service and access to services while supporting achievement of 4-year plan savings and efficiencies. For example, we have invested in innovative new technology and digital working for collecting waste: new solar powered street litter bins which hold eight times more waste than normal bins, and use smart technology to let our street cleaning teams know when to collect, are helping to improve efficiency. Digital First is an exciting and ambitious programme and is at the forefront of a broader era of change including how we: integrate local health and social care services; work more closely in geographic neighbourhoods and with local communities; and develop new service offers such as the Orbis Shared Service Partnership with Surrey, East Sussex and West Sussex county councils.
- Bringing disability and families’ services together into one directorate to improve planning for ‘transition’ to adulthood and maximise the opportunities from the comprehensive SEND (Special Educational Needs & Disabilities) Review.

- We are changing a number of services where alternative providers or models can offer better value for money for example contracting out Learning Disability accommodation and community short term services while exploring trust options for the Royal Pavilion & Museums and the Music Service.
- Sharpening accountability for the performance of service managers, by improving management information and focussing on gaps in the behaviours required to modernise services.
- In some areas we will need to withdraw from providing services where others can take this on (e.g. through fundraising or volunteering) or where services are discretionary and can become self-financing, for example, through fees & charges.

The detailed Medium Term Financial Strategy is available on the council's website:

Medium Term Financial Strategy 2015-16 to 2019-20

The current 4-year plans are also available and set out detailed service strategies for each of the council's service directorates. These are due to be refreshed during the 2017/18 budget and council tax setting process:

4-Year Integrated Service & Financial Plans 2016-17 to 2019-20

Investing in Change

Delivering the large savings programme and modernising and changing services to be able to manage demands and continue to provide appropriate services with less resource requires significant one-off investment. This is needed to ensure that change can happen within an appropriate timescale but also to provide the resources and support necessary to achieve modernisation aims. The level of investment required will need to cover the following:

Investment in services to support spend-to-save initiatives, service redesigns and alternative delivery identified in the 4-year plans. This is estimated to be a minimum of £6m over the 4 year period. This will be held in a new reserve and only released through approval of business cases by the Corporate Modernisation Delivery Board.

Achieving the 4-Year Service & Financial Plans will also require additional support to co-ordinate and project-manage the implementation of savings and modernisation programmes. The estimated cost including legal support is £3.500m over the 4 year period .

Managing changes in the level of staffing with over 550 posts expected to be deleted from the council's staffing over the 4 years. This will happen through a mixture of normal turnover, redeployments and severance with the latter preferably through voluntary severance. This will inevitably need resourcing and an estimated £5m will be needed over the 4 years to manage change and transfers;

Modernising the council's customer service offer will require significant investment in digital services. The 'Digital First' programme has identified an investment requirement of £6m to provide digital services such as improved web site access, mobile working and data analytics.

Providing for these one-off investment requirements requires significant one-off resources and this Efficiency Plan and application for the 4-year deal will provide additional capital flexibilities to be utilised in investing in change and improved efficiency.