

Appendix F - Somerset County Council Efficiency Plan 2018/19

Introduction:

This Efficiency Plan is an annual document that was triggered initially in 2017/18 in response to the offer from the Secretary of State on 10 March 2016 to engage with Government around arrangements which would secure a multi-year settlement. Somerset signed up to a four-year settlement to strengthen its financial management, whilst working collaboratively with local partners and reforming the way services are delivered. This links well with the additional benefit that will come from the flexibility to use capital receipts generated in the three year period starting in April 2016 for transformation purposes. The provisional settlement issued by DCLG on 19 December 2017 extended this flexibility for a further 3 years.

A four year settlement is seen as essential to the medium term financial stability of the Council as a guaranteed level of funding will assist in planning future budgets and what services will be delivered. However the four year offer only relates to a small element of the Councils funding; namely Revenue Support Grant, which is being gradually withdrawn and Transitional Grant and Rural Services Delivery Grant. As part of the provisional settlement it was announced that the Rural Services Delivery Grant would be maintained at the previous levels for 2018/19 and Somerset saw an additional £0.445m of grant in comparison to the previous values as a result of this change.

The grant values that will be protected for Somerset County Council (against the backdrop of a total SCC income of £312.276m in 2016/17) will be:

	2016.17	2017.18	2018.19	2019.20
	£	£	£	£
Revenue Support Grant	42,241,400	26,323,900	16,082,100	6,075,500
Transitional Grant	1,090,500	1,085,000	0	0
Rural Services Delivery Grant	2,387,800	1,928,000	1,928,000	1,928,000
Minimum Protected Funding	45,719,400	29,336,900	18,010,100	8,003,500

In addition to the above, tariff and top-ups will not be altered for reasons relating to relative needs of local authorities and may be subject in the final year to the implementation of 100% business rates retention.

	2016.17	2017.18	2018.19	2019.20
	£	£	£	£
Business Rates Top Up	47,995,900	48,715,800	51,077,700	51,405,300

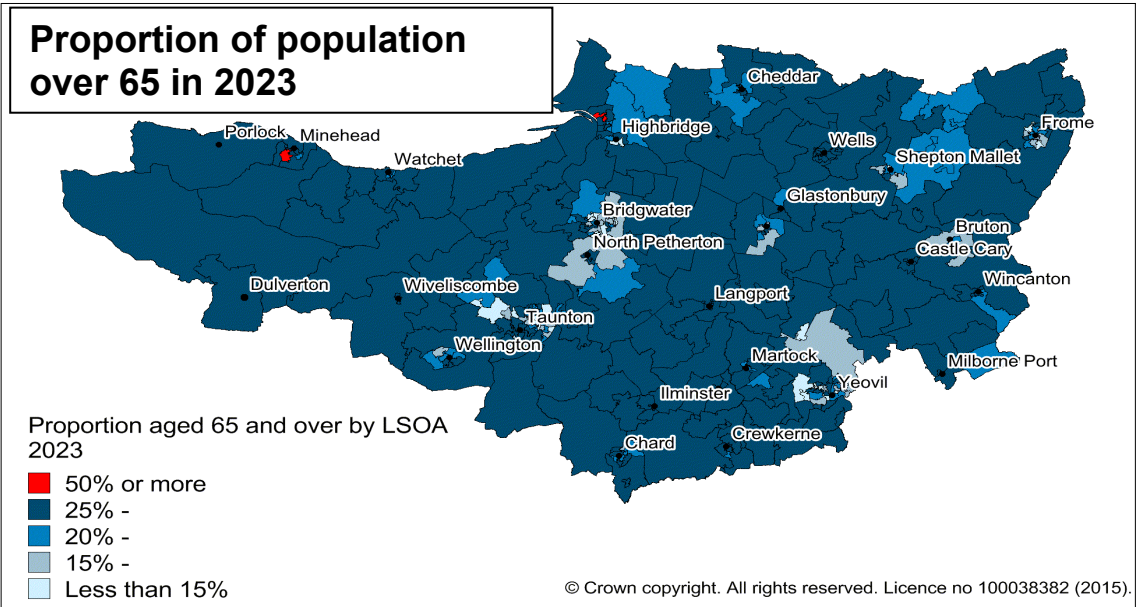
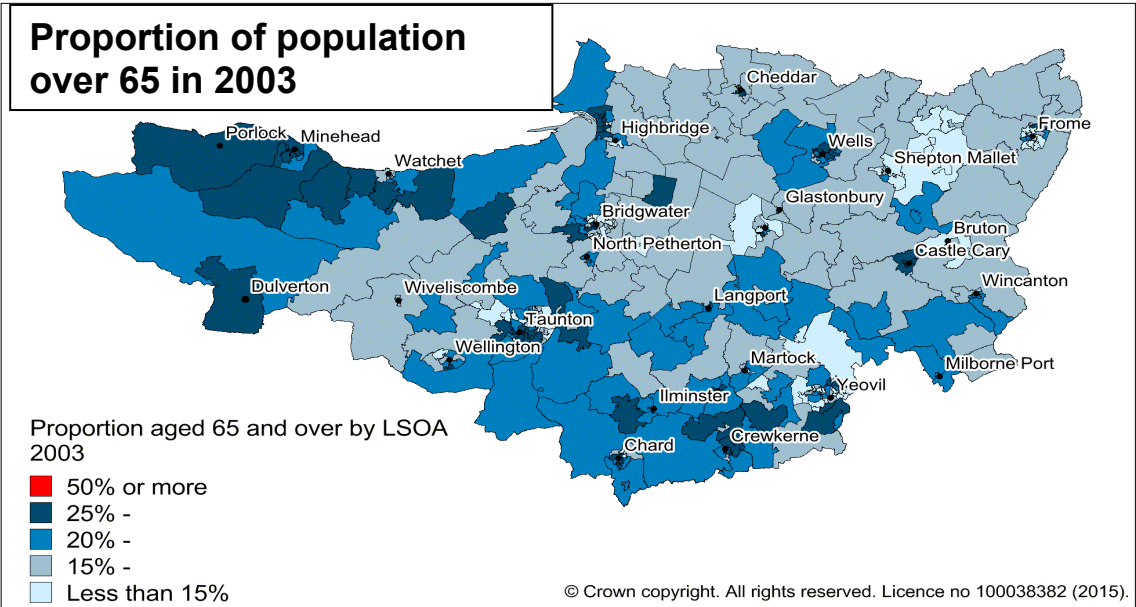
Context:

As highlighted above the reductions in funding from Central Government mean each year the Council faces a greater challenge to provide the statutory services and those discretionary services which the community value whilst ensuring budgets are robust.

Somerset already has a proven track record of delivering savings; and over the last six years has delivered over £100m of savings including

- Transformation of Library services
- Redesign of Health & Social Care delivery
- Renegotiation of contracts
- Restructure of Children’s Centre service (GetSet)
- CASA / Smart Office
- Rationalising the workforce

There continues to be sustained increases in demand for key services provided to the most vulnerable residents of Somerset and there is no sign that this increase will decline but continue to increase as can be seen from the diagrams below. Therefore a significant amount of the council’s budget is allocated to Social Care to meet an increasingly elderly and frail population.



The Councils Medium Term Financial Plan is a five year approach based on the particular financial circumstances facing Somerset and the need to respond to the continuing increase on service demands. At the end of this settlement the council will need to be self-financing i.e. providing services within the funding it can raise locally with no additional support from central government.

What remains unclear is the mechanism for the distribution of Business Rates following the 4 year settlement period across Local Government, and the impact of the Fairer Funding review and we continue to monitor and respond to consultations associated with any potential changes to the Business rates funding mechanism.

The publication of a four year allocation as part of the 2016/17 settlement has significantly helped the Council in updating its MTFP and arriving at the below position:

	2019.20	2020.21	2021.22
	£	£	£
Shortfall / (Surplus)	8,614,900	5,848,200	1,087,400
Cumulative	8,614,900	14,463,100	15,550,500

Assumptions:

The above forecast position is based on a number of assumptions, key ones being:

- Council Tax basic increase of 2.99% for the next 2 years dropping to 1.99% the following years (subject to political approval),
- Council Tax Taxbase increases in line with growth rates included in approved District local plans,
- Adult Social Care Council Tax precept increases of 3% for 2018/19 and 1% for 2019/20,
- Revenue Support Grant figures as published in the final local government settlement for 2016/17 to 2019/20,
- New Homes Bonus Grant allocations in line with those included in the governments consultation
- Services to absorb inflationary and demographic pressures wherever possible in 2018/19, with the exception of pay inflation which is funded within the 2018/19 budget process. Additional demography and general inflation is funded from 2019/20 onwards.
- Fees and Charges Income at Full Cost Recovery,

Reserves

The Council is required to maintain reserves that are adequate to meet the needs of the authority. The level of reserves is agreed annually within the Chief Finance Officers 'Robustness of the budget and adequacy of reserves' report. For 2017/18 this was set at the range of £12m to £20m. The level is deemed the minimum required in the event of any exceptional circumstances. By year end it is estimated that reserves may not be within this range and therefore it would not be prudent to continue to hold them at this level. Due to the increasing pressure on the revenue budget the assumption within the forward budget is for an additional contribution

annually into the General Reserve to bring the reserve balance back to within the range specified by the Chief Finance Officer.

Key Strategic Documents:

Somerset's Efficiency Plan for the four year period 2016/17 to 2019/20 (updated annually) is founded on its key strategic documents and addresses how efficiencies and savings will be delivered. The strategic documents are:

- County Plan which sets out the clear forward direction and priorities for the Council for the period 2016 – 2020;
- 20:20 Vision & Medium Term Financial Plan, which outlines the financial planning framework for the delivery of services;
- The Revenue Strategy outlines how the Council wants to structure and manage its finances over a five-year period to ensure it supports the County Plan priorities;
- The Capital Strategy provides a framework for the development and implementation of the Council's Capital Investment Programme
- Devolution Prospectus;

Future Plan:

The Councils external auditor made the following comment in their report on the 2016/17 accounts:

“The Council states that its medium term financial plan continues to be set against the backdrop of reducing resources to fund services and an increase in the levels of demand. It notes that the Council requires significant transformation of its services, in collaboration with partners, stakeholders and service users, in order to meet the difficult challenges ahead. Failure to achieve this transformation of services could impact on the future sustainability of the Council.”

Somerset County Council continues to strive to achieve greater value for money across its services and the achievement of efficiency savings is a key component of its financial strategy. Service Commissioners have been challenged with outlining their vision for sustainable services from 2020. From this a number cross cutting themes have been developed; which are outlined below:

Technology and People:

The main aim of this theme is to improve organisational productivity and process efficiency by using technology as a key enabler. This will ultimately result in improved interaction with partners and customers. Specific issues it sets out to address are

- Outdated technology offering and inadequate IT support
- Reliance on traditional ways of working that could be replaced with technology based solutions
- Duplication of effort and inefficient business processes
- Management and cultural reluctance to change ways of working and reform processes

Productivity and Culture:

This theme looks at whether SCC has the best policies, processes and environment for its managers and staff to be as productive as possible and considers whether these factors being applied in a consistent way. The main focus of the theme is on the reduction in the use of, and cost of, agency staff.

Commercial and Third Party spend:

This theme focuses on Third Party spend and Commercial initiatives to deliver savings in service budgets through procurement, strategic sourcing, supplier management, and contract management.

Stronger Communities:

The theme is based on the desire to build stronger, more resilient and empowered communities. It will not be a quick fix but it will enable us to better manage demand for the future. Stronger communities are seen as essential to reducing demand and becoming more prevention focused. The theme will look at the following:

- Involving others from the outset
- Changing our culture so that practitioners think communities and families first and individual services last
- Have a strategic approach with our partners to developing community capacity and resilience
- Recognise when others are better placed than us to lead

Partnership and Integration:

This theme is about exploring opportunities to reduce costs by partnering or integrating with other service providers to deliver services currently funded by SCC. A considerable amount of work is already done in this way e.g. Somerset Waste, Libraries West Consortium, and South West Audit Partnership (SWAP). The aim of the theme is to build on the successes so far and pursue new opportunities and deliver more savings to the Council and tax-payer. Potential areas of opportunity are:

- Integration with Health Services;
- Better use of publicly-owned buildings;
- Exploring savings opportunities with a number of local Councils.

Service Redesign:

Service redesign is about the way we work and looking to change to make us more efficient and more effective. We will use the commissioning approach to look not at just what a service costs, but what it is delivering and apply value judgements to that.

Transport:

The transport theme aims to review the way transport enables SCC to deliver its strategic priorities in Adults and Children's services (including Learning Disabilities) and how this transport should be provided. This review should clarify the correct level of investment in fleet and the future configuration of the Integrated Transport Unit as well as expediting delivery of any short term

savings opportunities. The scope of this theme is the provision of all passenger transport commissioned or delivered by SCC and includes:

- Early Intervention (EIS)
- Home to School
- Adult Social Care and Health Community & Public Bus services, including the entirety of the Concessionary fare scheme
- Further Education

As part of the delivery of this thematic approach savings are targeted to be delivered. The proposed minimum level of savings to be made from these themes is detailed in the table below and has been updated for additional savings to be delivered as part of the 2018/19 MTFP process:

Themes	2017.18	2018.19	2019.20	2020.21	Total
Technology & People	2,000,000	765,000	3,740,000	2,575,000	7,080,000
Productivity & Culture	700,000	2,428,700	21,600	21,600	2,471,900
Commercial & Third Party Spend	2,545,000	2,495,600	274,000	0	2,769,600
Stronger Communities	222,000	45,000	400,000	0	445,000
Partnership & Integration	300,000	730,000	300,000	300,000	1,330,000
Service Redesign	1,620,000	5,124,000	60,000	0	5,184,000
Transport	559,000	329,400	1,000,000	300,000	1,629,400
Total	7,946,000	11,917,700	5,795,600	3,196,600	20,909,900

Capital Receipts Flexibility:

In the local government settlement for 2016/17, the Government announced greater flexibility for Councils in the use of capital receipts from the sale of non-housing assets. These receipts were previously only allowed to be used for other capital projects; however the new flexibility allows Councils to use these receipts to fund the revenue costs of service reform and transformation. The provisional finance settlement issued on 19 December 2017 extended this flexibility for a further 3 years.

In 2016/17 Somerset used £2.4m of capital receipts to fund the delivery of transformational projects to release efficiency savings that will help reduce the shortfall in future years. In 2017/18 Somerset is planning to use £3.8m of capital receipts to continue supporting the delivery of transformational projects and including more specifically the transformation in the Learning Disabilities service. This flexibility will be further utilised in future years to continue the transformation of the authority and its services.

Conclusion:

Through the use of careful planning to minimise demand, generating additional income streams and the identification of further efficiencies the Council can ensure continued delivery of statutory services.