

## GOSPORT BOROUGH COUNCIL

## EFFICIENCY PLAN

**1. Background**

- 1.1. In response to the Local Government Sector's request to Government for increased funding certainty over the medium term, Government has made an offer to all local authorities of a guaranteed minimum grant envelope to be paid to councils for a four year period from April 2016. This is an important step to enable Local Authorities to be able to make informed plans to meet the further Austerity measures announced by Government in the Comprehensive Spending Review for the period to 2020.
- 1.2. In return for funding certainty over the forthcoming period, Government require Local Authorities to have an Efficiency Plan in place which describes the way in which Local Authorities will approach the necessary savings required arising from the 4 year Settlement.
- 1.3. This is intended as a key step towards supporting councils to strengthen financial management and work collaboratively with local partners when considering the way local services are provided in the future.
- 1.4. To take advantage of this offer, each authority is required to submit an Efficiency Plan by 14 October 2016.

**2. Economic and Financial Context**

- 2.1. The local Government Finance Settlement 2016/17 highlights significant reductions in Central Government support to Councils over the term of the Parliament.
- 2.2. The headline figures for this Council in relation to the final grant settlements for 2014/15 2015/16 and 2016/17 are as follows:-

	2013/14	2014/15	2015/16	2016/17
	£,000	£,000	£,000	£,000
Revenue Support Grant	3,289	2,557	1,824	1,176
Baseline Funding Level*	<u>2,188</u>	<u>2,231</u>	<u>2,274</u>	<u>2,292</u>
Start Up Funding Assessment	5,477	4,788	4,098	3,468

\* Funded from Business Rate Receipts

- 2.3 The above table highlights the very significant reduction (approximately £2M) in Central Government funding between 2013/14 and 2016/17. The four year Settlement indicates further reductions in funding with Revenue Support Grant reducing to £612,000 in 2017/18, £264,000 in 2018/19 with none payable in 2019/20 or later years.

- 2.4 Section 2 of the Medium Term Financial Strategy projects the cumulative general fund savings that this Council will need to achieve between 2017/18 to 2020/21 from the current year in order to achieve a balanced budget namely £666,000 in 2017/18, £1,147,000 in 2018/19, £1,532,000 in 2019/20 and £1,485,000 in 2020/21.
- 2.5 The savings targets detailed in paragraph 2.4 must be viewed with some caution as although the grant settlement is more certain than in previous years other funding areas such as that arising from the New Homes Bonus are still very uncertain. Further uncertainty has arisen following the 'Brexit' vote the longer term impact of which is impossible at this stage to confidently predict.
- 2.6 The new grant certainty will greatly assist the Council in planning over the medium term and in particular to make the necessary steps to look at ways of further increasing efficiency especially through the extension of partnership working to ensure the Council continues to serve the Community as effectively as possible.

### **3.0 Partnership Working**

- 3.1 The Council currently undertakes partnership working in a number of areas including a shared Environmental Health Partnership with Fareham Borough Council, the Building Control Partnership with Fareham Borough Council and Portsmouth City Council and the sharing of the Head of Internal Audit post with Test Valley Borough Council.
- 3.2 The Council agreed at its meeting held on 8 June 2016 to enter into a shared senior management agreement with Portsmouth City Council in order to help address the financial challenges facing the Council. The agreement entails the sharing of six senior posts including the Chief Executive, Borough Solicitor and Deputy Chief Executive and the Borough Treasurer from 1 October 2016 and will achieve significant savings for both Councils.
- 3.3 The initial shared senior management arrangement is forecast to result in annual savings of £591,847 which would be offset by a recharge of £247,652 from Portsmouth City Council leading to a net annual saving of £344,195.
- 3.4 Whilst this Council will remain an independent Council with no political merger proposed it is anticipated that further sharing of senior management will be possible in the future and to achieve this it is intended that each service is reviewed over the next 12 months.
- 3.5 It must be stressed that the savings from this arrangement will not only be forthcoming from the sharing of the posts themselves but also from savings arising from joint procurement, identifying additional service efficiencies and opportunities for increased income. Although the level of savings from these sources is impossible to quantify at this stage it is anticipated they will provide a significant contribution to the savings that need to be achieved over the next

four years. The new grant certainty will help provide greater certainty regarding the level of savings that this and other measures will need to address.

- 3.6 In addition to those savings forecast from the shared senior management agreement with Portsmouth City Council this Council has achieved additional annual salary savings of approximately £187,000.

#### **4. Reserves**

4.1 The Council's levels of reserves as at 1 April 2016 have increased substantially over the last five years and a new reserve, the Stability and Resilience Reserve (SRR) was established in 2014/15 to help safeguard against the significant increase in risk and volatility arising from the introduction of the Business Rate Retention Scheme and Council Tax Support Scheme and uncertainty relating to future levels of Central Government Support. The level of this reserve was £1.3M at 1 April 2016.

4.2 The other principal reserve is the Revenue Financing Reserve (RFR) which was £3.1M as at 1 April 2016 and is used to fund spend to save initiatives, underwrite uninsured risks and ensure that fluctuations in annual maintenance requirements can be met. This reserve will fund the redundancy costs arising from the shared senior management agreement and the other salary savings achieved in the current year.

4.3 In view of the challenges the Council will face over the next 4 years and the additional risks identified both funds are likely to play a key role in helping to provide both essential invest to save funding and support the revenue position whilst further funding streams are identified and realised.

#### **5. Achieving Future Saving Targets**

5.1 With the new PCC arrangements only commencing on 1<sup>st</sup> October 2016 the level of efficiency savings and increases in income (including those arising from identifying new income streams and 'invest to save opportunities) that can be achieved particularly in the medium to longer term are still unclear. It is possible however that any further significant reductions in Central Government support or worsening of the economy leading to increased expenditure on core services may require additional measures such as:-

- (a) Raising Capital receipts to reduce the impact of capital investment;
- (b) Increasing fees and charges;
- (c) Reducing expenditure on lower priority services functions and,
- (d) Considering local tax rises in excess of the current policy, possibly requiring a local referendum.

## **6. Conclusion**

**This Council has a considerable challenge ahead in meeting the savings targets currently estimated as being required (approximately £1.5M p.a. in general fund savings by 2019/20) largely the result of the reduction in Central Government grant support.**

**Savings totalling £532,000 p.a. have already been identified in the current year arising from the sharing of senior management with PCC and other staffing reviews which will assist in meeting the savings required in both the General Fund and Housing Revenue Account.**

**The new arrangements with PCC will be developed over the medium term to identify further efficiencies and it is planned that all services will be reviewed over the next 12 months to help achieve this objective. The Council also has significant reserve levels (including the RFR and the SRR) which can be applied to fund invest to save projects identified.**

**The greater certainty regarding future grant levels offered by Central Government is seen as beneficial as they strengthen the ability off the Council to plan in the medium term to longer term to address the financial challenges facing this Council.**