



HILLINGDON

LONDON

EFFICIENCY PLAN - September 2016

A. Purpose

1. This Efficiency Plan provides an outline of the Council's approach to implementing efficiency savings and the delivery of balanced budgets over the next five years.

B. Background

2. An Efficiency Plan covering the period to 2019/20 is required to enable the Council to qualify for the four year funding settlement from the Government for that period. This offer covers approximately 11% of the Council's budget requirement for 2016/17, projected to fall to 4% by 2019/20. This plan has been prepared to cover the longer period to 2021/22, reflecting the Council's current timeframes for financial planning.
3. In order to access this offer of certainty, the Council must publish an Efficiency Plan online and provide a link to the Department of Communities and Local Government by Friday 14th October 2016.

C. Overview

4. Effective financial management is at the heart of the Council's vision of Putting Residents First, with Sound Financial Management being one of the Council's four priority themes alongside Our People, Our Natural Environment and Our Built Environment.
5. The Council's approach to delivering balanced budgets is based on two key strands, the Medium Term Financial Forecast (MTFF) and Business Improvement Delivery (BID) Programme. This proven approach will be key to managing the challenges of further funding reductions and increased demand for services over the next five years.
6. This Efficiency Plan reflects these existing business processes, providing links to the development and monitoring of the MTFF within which the BID Programme is fully integrated. This document provides:
 - a. an overview of the successful implementation of this approach to date;
 - b. an update on the latest outlook for the Council's finances over the next five years; and
 - c. details of the approach being taken to meet the challenge of shrinking resources and growing demand for services.

D. Sound Financial Management (2010/11 to 2016/17)

7. The Council has effectively had an efficiency strategy in place since 2010, with two key strands: the MTFF and the BID Programme run through the Hillingdon Improvement Programme. The two strands run alongside each other and are fully aligned.
8. From the outset of central government's austerity programme, the MTFF strategy has been to protect front line services that Residents value and has therefore concentrated on the delivery of efficiency savings.
9. The strategy has evolved over time but essentially has concentrated on:
 - Service Transformation;
 - Better Procurement;
 - Maximising Income;
 - Preventing Demand;
 - Zero Based Reviews; and
 - Technical Accounting Adjustments
10. Development of the Council's MTFF over this period is an iterative process, with both development of new savings proposals and updates to the broader financial forecast, including income and demand for services, being refreshed throughout the year. This process results in a set of proposals to deliver a balanced budget for the coming year, which are then subject to public consultation and formal adoption by the Council on an annual basis.
11. Given the inherent uncertainties involved in financial planning for an organisation as complex as the Council in an ever-evolving environment, these budget proposals focus on the upcoming financial year while providing an update on the Medium Term Outlook. Budget proposals, approved by the Council in February 2016, and associated background for 2016/17 can be found on the [Council's website](#).
12. Between 2010/11 and 2015/16, the Council successfully delivered £94,034k efficiency savings, with a further £13,309k on track for delivery during 2016/17. Progress towards delivery of savings is proactively monitored, with status reports presented to Cabinet on a monthly basis alongside the broader financial position of the authority, which can be found on the [Council's website](#).
13. The Council set up the BID programme in 2009 in advance of the start of central government's austerity programme in 2010 meaning the Council was ahead of the curve. Its task was to take a more fundamental review of services rather than apply arbitrary cuts. Over the last seven years the BID Transformation Programme has been a key factor in the Council's ability to navigate the financial challenges it faced and continues to face. The BID programme is fully aligned to the MTFF and focuses on projects that are capable of saving the Council money although the programme also continues to identify and address key areas of Council practice & processes that are inefficient or ineffective.
14. The BID Programme is delivered by a dedicated team of five FTEs. In delivering the programme, they are supported by specialist targeted resources where needed, for example in the review of ICT and the re-design of social care services. The specialist

resource may be a subject matter expert or targeted commissioning support. In addition Council support functions are aligning resources with the BID programme and individual projects also have the full commitment and support from the specific service areas themselves.

15. To date, the Council has financed investment in development and delivery of savings from a range of sources, including capital investment in new systems, earmarking of funds to finance the costs of change and, under new flexibilities available from 1 April 2016, through the use of Capital Receipts.

E. Financial Outlook (2017/18 to 2021/22)

16. The Council's MTFE has been refreshed since its most recent publication in February 2016 and the latest position estimates a total budget gap of £57,035k projected over the period to 2021/22. While this represents an estimate of the challenge faced by the Council, sensitivity analysis around underlying projections indicates that significant changes in assumptions would be required to materially affect the result.
17. Projected reductions in Central Government funding for core services represent £16,189k of this budget gap, with the decline in Revenue Support Grant from £29,431k in 2016/17 to £6,655k in 2019/20 outlined in the multi-year settlement offer financing a notional increase in resources available to support Social Care through the Better Care Fund. In the absence of indications to the contrary, this projection assumes funding levels remain steady in cash terms beyond 2019/20.
18. New development and population growth within the borough is expected to secure an additional £2,619k of Business Rates receipts and £7,846k Council Tax income by 2021/22. This growth reflects growth in the taxbase, assuming that Council Tax rates remain frozen at current levels, and will drive an equivalent increase in demand for services. Allowing for the £1,500k surplus for local tax receipts in 2015/16, local income growth will reduce the budget gap by £8,962k.
19. Forecast inflationary pressures on the Council's current expenditure total £19,497k, including assumed 1% per annum pay awards for employees, increased pension contributions, increases in Social Care placement costs, energy and other contractual commitments. This position assumes maintenance of the recent low inflation environment in the longer-term.
20. Increasing demand for local services is expected to contribute an additional £15,724k to the budget requirement, with Adult Social Care Placements (£7,273k), Waste Disposal (£5,000k), Children's Social Care Placement (£2,820k) and SEN Transport (£1,104k) representing the most significant areas of growing demand. An analysis of this growth between population-led and other factors identified the element of this increase being driven by growth in population, is broadly equivalent to additional income being generated from this growth.
21. In addition to this increase in the direct costs of service delivery, the Council's current programme of capital investment, including locally funded school expansions and the St Andrew's Park Theatre development, is projected to require an additional £6,645k for the servicing and repayment of debt. With the unwinding of one-off and short-term savings from the reversal of historic provision for debt repayment, deferral of borrowing

and capitalisation of equipment adding a further £3,451k to capital financing budgets, the total contribution of capital activities to the budget gap is £10,096k by 2021/22.

22. The current planned drawdown from balances contributes a further £4,216k to the budget gap by 2021/22, with the phased reduction in planned drawdowns reducing unallocated General Balances from £39,005k at 1 April 2016 to £23,376k. This limits the availability of reserves to further contribute towards bridging the budget gap over that already factored into the MTFF.

F. Continuing to deliver Sound Financial Management (2017/18 to 2021/22)

23. The Council's MTFF strategy remains focused on protecting valued services and continuing to put 'Residents First', securing savings and efficiencies over the coming years to manage this emerging budget gap. This will be achieved through maintaining the successful approach adopted in recent years, focusing on development of savings under a number of refreshed key themes:

- a. Service Transformation: further fundamental reviews of services, including structures, methods of service delivery and process re-engineering. These projects will continue to be principally delivered through the BID Programme.
- b. Better Procurement: The continuing evolution of the Council's procurement function into a category management model is enabling the Council to generate significant savings, both in contracting for goods and service and also as part of service transformation through commissioning support.
- c. Maximising Income: Capturing the benefits of economic development within the borough continues to be fully aligned with the MTFF, providing key intelligence on growth in Business Rates and potential Council Tax income from new developments. Fees & charges will remain under review but aligned to the Council's wider policy objectives - for example keeping parking charges low for residents to support the local economy.
- d. Commercialisation: With the move towards self-financing, development of sustainable local revenue streams represents an additional theme for savings development. The MTFF will review the potential for revenue generating activities and commercialisation of trading.
- e. Preventing Demand: As outlined above, demographic pressures represent a key factor in the growing budget gap and this theme remains focussed on new ways of delivering key services to residents to ensure that the best use can be made of limited funds, helping people through preventative measures to reduce demand for critical services.
- f. Effective Use of Assets: Rationalisation of the Council's estate to maximise value from the asset base while continuing to deliver key services locally provides scope for additional savings over the medium term. In addition, investment in key assets will provide a route to delivering 'invest-to-save' measures.

- g. Zero Based Reviews: Aligning service budgets to current demand and maintaining tight expenditure controls through rigorous management will remain a key part of the annual budget setting process.
- h. Technical Accounting: In line with the approach to service budgets, technical accounting practices will remain under review and revised as necessary to ensure that resources are effectively directed to service provision.

24. Driving efficiencies within the organisation and developing savings proposals will remain embedded within the Council's operating model in future years, with the BID Programme remaining a key driver of this activity. Resulting budget proposals will continue to be subject to internal review and broader public consultation as part of the annual budget setting process. On-going monitoring of effective delivery of proposals will remain part of the Council's budget monitoring processes, with regular reporting to Cabinet on the status of the savings programme.

25. Development and delivery of savings initiatives across the Council will continue to be supported by the dedicated BID Team, continuing to be supplemented by specialist targeted resources where necessary. Funding for such support will continue to be sourced from a combination of sources, including Prudential Borrowing for invest-to-save schemes, Earmarked Reserves and General Balances, and where applicable Capital Receipts.

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