

## SURREY HEATH BOROUGH COUNCIL EFFICIENCY PLAN 2016-2020

This Plan is drawn from principles agreed in the Council's Medium Term Financial Plan approved in July 2016 and takes account of the current savings and investment programmes designed to deliver a balanced budget over this period.

### Introduction

In February 2016 the Government published local government funding figures for the period to 31 March 2020. These figures provide the Council with certainty over the level of funding for four years. The detail of the settlement is shown in the table below:

	<b>4 year settlement - February 2016</b>			
	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
<b>Core Funding</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>
Revenue Support Grant	357	0	0	0
Share of Business Rates	1,435	1,464	1,507	1,555
Tariff adjustment				-933
	<b>1,792</b>	<b>1,464</b>	<b>1,507</b>	<b>622</b>
<b>Other Grants rolled in:</b>				
Transitional Grant	133	84		
	<b>1,925</b>	<b>1,548</b>	<b>1,507</b>	<b>622</b>
Reduction in funding		-377	-41	-885

In the autumn each year the Government informs Councils of its funding for the year. This consists of Revenue Support Grant (RSG), redistributed Business Rates and Transition Grant as in the table above. Additional grants are also given for specific services including any new burdens but they do not form part of the settlement.

The four year settlement announced in December 2016 introduced a 'Tariff Adjustment' in 2019/20 which was a completely new device. The Council had planned for a number of years for the withdrawal of RSG but not reductions beyond this. Although it was implied that this may be superseded by the introduction of 100% Business Rates retention by the local government sector there was no guarantee of this.

### Overall approach to financial sustainability

Throughout the recent period of austerity, the reduction in funding has progressed very quickly and since 2012/13 we have lost £2.5m. This coupled with the uncertainty around the annual settlement figures has made it difficult to plan beyond the annual budget cycle.

The four year settlement figures now provided by the Government have enabled the Council to prepare financial forecasts with greater certainty. In July 2016 the Council agreed an updated Medium Term Financial Strategy (MTFS), which is on the council's website, which set out the expected financial position over the period and this is reproduced in the table below:

### Forecast Resources and Expenditure

Resources vs. Expenditure	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
<b>Resources</b>	11.252	10.939	9.816	10.143
<b>Expenditure</b>	10.780	11.000	11.015	11.110
<b>Net Position</b>	<b>0.472</b>	<b>(0.071)</b>	<b>(1.199)</b>	<b>(0.967)</b>

Negative figures in the table represent a budget shortfall which will need to be addressed by generating further income and efficiencies.

The Council in its response to the Government's four year settlement said that it does not agree with the Tariff Adjustment of £933k in 2019/20 as it was just a mechanism to enable a larger slice of locally generated taxes to be passed to the centre. The Council also believes that when 100% Business Rates retention is introduced, a minimum of 5% should be retained locally. Currently Surrey Heath retains just 4.2% of the Business Rates it collects and this will fall to 1.7% when the tariff adjustment is applied.

### Addressing the financial challenge

This financial challenge outlined above is being addressed by services in the following ways around a number of key themes:

Theme	Services	Delivery	Opportunity	Value
Transformation	All	Sharing/ outsourcing	Dependency on 3 <sup>rd</sup> parties through joint working.	£292k
Income from existing assets	Property	Availability of tenants	Generating more income from council assets	£32k
Increase fees and charges	All	Internal decision	Increase or introduce new fees and charges for discretionary services	£276k
Governance structures	Corporate and Legal	Electoral commission and internal	Reduce members and streamline decision making	£56k
Review discretionary services	All with DS	Members and residents	To review cost of discretionary services	£220k
Investment income	Finance	Financial Markets	Increase return from investments and reserves the Council holds.	£24k

Increase efficiency	All	Internal decision	Increase self-service and more efficient working practices and systems	£134k
Economic Growth	Transformation	LEP, 3SC, Property developers	Encourage development of business premises within the borough	£152k

### **Transformation beyond 2016/17**

In tandem with the above work is to progress developing solutions and options to enable the Council to have a balanced budget in 2021/22 which recognises the following key principles:

- Financial self sufficiency
- Driving hard economic growth in the form of jobs and buildings
- Empowering individuals and communities to help themselves
- Being ambitious for our community and taking commercial opportunities
- Working with partners to further these principles

The Council recognises that its ability to continue to deliver the full range of front line services depends on its ability to maintain and generate new funding streams, streamlining the way residents access services so that they become more self-sufficient whilst protecting the more vulnerable.

### **New Opportunities**

The Council is revenue constrained due to the current economic climate and government funding reductions. The financial strategy will focus on using resources to enable growth, jobs and income generation both in terms of investment returns but also increased business rates and council tax. This will involve the council taking on significant financial risk in terms of borrowing to deliver these outcomes but there is little choice if services are to be maintained and communities supported.

### **Working with Partners**

The Council is working with it's the LEP – EM3 – to bring investment in infrastructure in to the borough to support the delivery of economic growth and indeed has been successful in a number of grant applications. In addition the Council is part of the 3SC devolution proposals which seeks to bring significant investment to the area to kick start housing and business development by using borrowing funded against future growth. The Council is also working with Government through the “One Public Estate” program to deliver housing on MOD sites across the borough.

Locally the Council is entering in to a Joint waste partnership with 3 other districts to substantially reduce the cost of waste collection. It is also working with the Surrey Heath CCG to look at ways residents can manage and be supported in the community rather than in hospitals thus saving money for local taxpayers.

## **Managing financial risk and Uncertainty**

As Government Funding has reduced the Council has become more reliant on locally generated income which has exposed it to greater income fluctuations. The main areas of risk are:

- Reducing business rates yield
- Rising council tax support costs
- Falling income from services from demand changes and other external barriers
- Rising operational asset lifecycle costs
- Rising demand and expectation of core services
- New and extended legal duties
- Future of new homes bonus and government grants
- Setting of Council Tax

### **To manage the impact of a reducing business rates yield, the Council has:**

- Agreed investment in technology, such as on line billing, to reduce administrative effort and diverting staff resources towards debt collection and enforcement
- Worked with the District Valuer and partners to try and develop reliable forecasts of business rates valuation changes
- Reviewed the benefits and risks of 'pooling' with neighbouring authorities
- Worked with the LEP in fund infrastructure improvements to facilitate economic growth
- Worked with our devolution partners on a plan to fund an infrastructure program to support economic development

### **To mitigate the impact of rising council tax support costs, the Council has:**

- Designed and implemented a local scheme which has reduced both current and future costs
- Invested in technology to improve the level of resources to focus on supporting those in need, including a 'discretionary fund' and strong focus on collection including additional ways to pay.
- Worked with partners in the Surrey Fraud partnership to tackle benefit fraud and mitigate the financial impact of any abuse of public funds.

### **To address falling income from services, the Council has:**

- Implemented measures to ensure where possible users pay up front for services.
- Reviewed fee structures and tariffs to generate more income.
- Lobbied government individually and in partnership with others to seek changes which frustrate income opportunities and currently require Council Tax payers to subsidise services which could be paid for by the 'users' of those services. i.e. Planning

### **To address rising operational asset lifecycle costs, the Council has:**

- Prioritised investment of operational assets where opportunities exist to lower longer term costs
- Improved utilisation of assets and attracted tenants to contribute towards costs

**To address rising demand and expectations on core services, the Council has:**

- Invested in self-service and promoted these as the most effective way of doing business with the Council in terms of personal time, costs and the impact on Council Tax.
- Committed to embracing 'digital by default' across all of its services.
- Been explicit about the level of service residents can expect to receive from the Council within available resources.
- Been transparent in its dealings and published information on the Council's performance and operations.
- Worked with partners to ensure there is less duplication and overlap in service provision, with the Council looking to ensure services are provided but not necessarily by ourselves.
- Worked with the CCG and Surrey CC to look at ways that the overall cost of services can be reduced for the Surrey taxpayer and how these benefits can be shared

**To address new and extended duties, the Council has:**

- Lobbied government for funding through the new burdens provisions and worked with the SDCT, DCN and local MPs for a fair settlement.
- Responded to consultations to try and improve new legislation and the impact of changes on Surrey Heath

**To address uncertainty over the future of the new homes bonus and government funding the Council has:**

- Restricted use of NHB funding to no more than 60% of the total allocation within the revenue budget (£800k in 16/17)
- Set budgets asking services to absorb growth through greater efficiency
- Maintained reserves at levels that take account of realistic risk parameters

**Setting of Council Tax**

- Lobbied through our MP and professional bodies to maintain the £5 increase in Council Tax for districts and to give freedoms to Councils on levels of tax and discounts.

Approved by:



**Cllr Richard Brooks**  
Deputy Leader and Portfolio Holder for Finance



**Kelvin Menon**  
Exec Head of Finance

**Supporting documents:**

Corporate Strategy

<http://www.surreyheath.gov.uk/council/about-council/five-year-strategy>

Medium Term Financial Strategy