

**Report of Head of Finance**

**The Efficiency Plan and Key Projects update**

**1 Purpose of report**

To advise members on the progress to date of efficiency actions in line with the agreed efficiency strategy and to agree further key property related projects to focus on in the coming months to maximise the council's use of its capital assets. The use of capital resources to generate either revenue income or reduce ongoing revenue costs is one of the council's financial priorities. This report also includes details on the four year settlement offered by central government and the flexible use of capital receipts, both of which the council could use once the efficiency strategy and other key documents are submitted to the Department of Communities and Local Government (DCLG) for review.

**2 Executive summary**

- 2.1 In March 2016 this committee received a report outlining an efficiency strategy and draft action plan that would enable the council to take advantage of the opportunities presented in the financial settlement of a four year funding agreement and the flexible use of capital receipts.
- 2.2 This report provides an update on the work to date in achieving efficiencies for the revenue budget and other key projects that will enhance the use of the council's assets and provide revenue efficiencies for the future.
- 2.3 These projects are part of the detailed efficiency action plan, which in turn will be used to further develop proposals for the medium term financial plan for future years. The efficiency strategy and action plan will dovetail with the medium term financial plan and other key strategic reports, that outline priorities and the use of the councils assets to be refreshed later in the year.
- 2.4 In order to ensure that the efficiency actions are focused over the medium term it is necessary to refresh the council's priorities for this period. These will be discussed with members over the coming months, so that any future financial plans are focused on those priorities, and are within the capacity and affordability of the council's resources.
- 2.5 The priorities will be based on members' views on the direction of travel for the council they wish to see over the next four years, and for the longer term ambition of the council.
- 2.6 Once these have been established a more detailed action plan can be developed and included in both the medium term financial plan and the service plans for the coming year.

**3 Appendices: None**

#### **4 Proposed action:**

**The committee is invited to:**

- 4.1 **RESOLVE to note the progress to date on efficiencies achieved and major projects to date**
- 4.2 **RECOMMEND agreement to the use of capital receipts outlined in section 6.9 of the report and authorise the Head of Finance to submit a request for the flexible use of capital receipts to the DCLG**
- 4.3 **RECOMMEND that the Head of Finance submits to the DCLG a request for the four year funding settlement as outlined in the report**
- 4.4 **RECOMMEND the delegation to the Directors of WBS Ltd the setting of ancillary sales prices for the business.**

#### **5 Background**

- 5.1 The council faces significant challenges in both service delivery and financial resources. The future financial sustainability of the council depends on how it adapts to face these challenges to remain viable.
- 5.2 The council has, for the last few years, set a medium term financial plan which shows the financial position of the council over a four year period. The council has been using its reserves to bridge the gap between expected expenditure and expected income. However, these reserves are not a sustainable form of funding and a strategy and action plan to ensure the council's financial sustainability was needed.
- 5.3 The strategy and outline action plan to address this was agreed in March 2016. This will also allow the council to take advantage of the opportunities presented by the government as part of the latest financial settlement to enter into a four year funding agreement with the flexible use of capital receipts.
- 5.4 More detailed efficiency actions will be developed in line with the agreed strategy to ensure that the council's financial position is strengthened over the medium term.

#### **6 Discussion**

##### **Progress to date:**

- 6.1 The progress report presented to this committee in June 2016 outlined some of the actions officers had been taking to deliver efficiencies within their service areas and to progress corporate projects. Below is an update on the main actions and outcomes on some of the main projects since that time.

##### **(a) IT strategic review**

IT costs are a significant proportion of the council's total revenue spending. A project has been jointly initiated with East Northants Council to review the IT strategy for future years to produce significant savings on the revenue budget. The strategy has now been developed and an implementation plan is being worked on. The project will move the council's IT into a modern IT environment that will achieve not only a reduced cost but a better service to IT users. The reduction in cost will inevitably lead to changes in the staffing structure of the IT team and as

the team are employees of East Northamptonshire council that council will be leading on any personnel issues. Once the implementation plan has been developed a report will be presented to this committee on the proposed way forward. In order to deliver the savings there will need to be investment in some infrastructure and a capital bid will be submitted in due course. There will also be a need to recruit temporary project officers to allow the current IT team the capacity to continue to deliver the services to both councils. This cost can be met by the flexible use of capital receipts as outlined above, and so will not have any effect on the revenue budget. This would in effect mean that the capital bid will include the project management costs, normally revenue in nature, as part of an invest to save bid.

(b) **Revenues and Benefits customer self-service changes and structural review**

The Revenue and Benefits team is currently in the middle of a restructure to deliver significant staffing savings. This is the second phase of the efficiency plan for the team, the first being the implementation of new software (via a capital invest-to-save-scheme) that promotes self service and flexible working practices. An annual saving of £84k is anticipated for future years' budgets. The new structure and job descriptions have been reviewed and consulted upon and the process to align the current staff in post to the new structure has just begun. No compulsory redundancies are anticipated as the staff levels in the team have been kept flexible through the use of temporary contracts whilst the restructure has progressed.

(c) **Conversion of Croyland Hall and Abbey to residential units**

This previously operational building has now received planning permission for 14 residential units. Full costings of the conversion are being prepared as part of a final viability check. The costs have increased significantly since it was originally considered, and a final capital bid will be submitted once these are finalised. This scheme has previously been provisionally agreed for capital funding at a lower level and so will need to be reconsidered to ensure it provides a sufficient return on investment or other benefit to the council. Revenue income from the rental of this property will provide a return on investment that will support the revenue budget going forwards, meeting the council's objective of using capital resources to generate revenue income, but as the costs may potentially be higher this return will be proportionally less. However in the current economic climate and with potential interest rate reductions it may still be a viable proposal as, not only will there be a return, but also benefits relating to the provision of much needed housing in the town. It is intended that the properties will be managed by a wholly owned council company, the creation of which has been agreed in principle by council already.

(d) **Town centre development**

The Development Committee received a report on the regeneration of the town centre, and a working group to progress this has been agreed. This

group will look at all the projects relating to the town centre regeneration, including those that are for council owned property and land. Updates on this will be via the working party to the development committee in future.

(e) **Crematorium update**

The crematorium design and build project has now been signed off. There remain a few snagging items, as with all large scale building projects, that have been worked through with the main contractor, Wates' Construction. As such the estimated final cost of the scheme can now be reported and this is detailed in the Capital Monitoring report elsewhere on the committee's agenda. There may be some further minor costs to address some operational issues once the premises is used on a daily basis.

The estimated costs of the project were last reported to this committee in March 2014 when a supplementary estimate of £300k was requested, based on the estimated costs submitted at that time. The costs of the project have not changed since then, and in fact have reduced slightly. Cost control has been a key element of the project management and Wates have worked with the council to ensure that they were not exceeded.

However, the monitoring position shows an over spend of £107K on the agreed budget. This is because the supplementary estimate of £300k was requested in March, but it had not been clear at that stage that this sum was insufficient to cover the estimated cost because of an arithmetical error. This fact was not picked up until the late stages of the project. The monitoring process should have detected this at an earlier stage and so a full investigation into the circumstances of this has been undertaken. The Chief Executive and Head of Finance have fully discussed the situation and the findings of the investigation and are both confident that this situation will not arise again in the future because internal procedures have been changed as outlined below.

Revisions to the process for monitoring high cost corporate projects have been made so as to ensure that this type of error cannot be made again in the future. Further control measures have been put in place, along with additional segregation of duties and responsibilities. An internal audit review of the revised process is planned for later in the year to ensure no further control issues are present and identify whether other changes to the process are needed. Whilst the overspend appears to be a large amount in real terms, as a percentage of the overall cost of the project it is a variance of 1.8%. The contingency budget set aside for the project of £250k has not been fully utilised and the overspend can be absorbed from this, leaving approx. £100k to be returned for use on other major projects.

The crematorium has now become fully operational, with only a few minor operational issues to be resolved. A number of open days have been held, giving both members and the public a chance to view the facilities.

The operational opening date was planned for mid September 2016 to allow staff training to take place, and deal with all snagging issues. A number of bookings have already been taken for later in September 2016.

As part of its commercial strategy Wellingborough Bereavement Services Ltd will offer a range of additional products and services to complement the basic service provisions already agreed by full council. The sale prices of these ancillary products will be dependent on supply costs and will only account for approx. 10% of the sales revenue for the business. They will be numerous and varied, from the provision of memorial items and potential bearer services to support Funeral Directors, to the sale of caskets and custom-made commemorative jewellery. It is proposed that the directors of the company agree the sales prices for these items, whilst the setting of the main fees for the cremation services be retained by full council. The main fees were agreed by the Council in July, and the committee is asked to recommend to Council that delegations to the directors include the setting of ancillary sales prices. The main fees will be reviewed periodically and recommendations for any changes brought before members for agreement.

(f) The Castle update

The Castle theatre was handed back to the council by the administrator on 23<sup>rd</sup> June 2016. Since this time the council, supported by Hazel Clover as an interim Head of Service for the management of the theatre, has been working to ensure that the theatre did not stay closed for long. A number of property health and safety compliance issues had to be dealt with, as well as fundamental management duties such as recruiting staff and contacting interested parties. This took a considerable amount of time but the theatre has now reopened and is planning bookings into next year. The programme will be fairly low level in the first instance, but a Christmas show has been booked and tickets have now gone on sale.

Whilst the basic compliance issues for health and safety have been dealt with to get the theatre open again, a condition survey has been commissioned, which has highlighted the need for significant capital spending on both the fabric of the building and essential equipment. The maintenance of the building does not currently meet the standards expected of the councils operational assets and so the cost of returning both the building and equipment to an acceptable standard is significant. Further details on the works required and costs are being completed, and any capital bids for this work will be made at the same time as a report on the longer term future of the theatre is presented to members.

In the mean time the senior management team, under the agreed delegations for the interim management, will continue to develop the programme of shows and events and promote the use of the theatre in a way that supports a viable future for the business.

## 6.2 Other key projects

### (a) The Waendel Centre

A capital bid for improvements to the Waendal Leisure Centre has already been agreed by this committee, which was intended to cover items outside the scope of the current arrangements with Places for People. These items related to latent defects from the original building of the centre that needed to be rectified, and as the original builder has become insolvent the responsibility unfortunately fell back on the council to resolve these issues.

The main issue is around the tiling of the pools. Investigative works have revealed the original pool build to be inadequate and as a consequence a number of the tiles have begun to lift and become unsafe. Remedial work to ensure health and safety has been ongoing on the basis of “patching” the areas but the underlying problem has yet to be rectified. The patching work is no longer sustainable and so a larger scale temporary solution is being planned to retile a significant proportion of the pool. Eventually a full retiling of both pools will be needed and the logistics of how to do this and maintain a swimming provision to the community is being looked into. This will potentially mean some closure of the facility but alternatives are being investigated and options will be presented to members for consideration in due course. The current cost of the temporary solution, which is hoped to last for up to two years, can be covered from the current capital budget. However, longer term solutions may require further capital investment. This will link to the options presented to members on both the provision of facilities at the Waendel centre, and also the need for facilities identified as part of the local plan for other areas of the borough.

### (b) Redwell Leisure Centre

Redwell Leisure Centre, together with the bowling green and tennis courts is managed by Places for People. Services Committee has already identified a need to put together an improvement programme for the outside areas at Redwell, but a further review of the internal areas will also be required. The contract with Places for People provides for a review in respect of this leisure centre after three years, and this period is halfway through. A further report will come to members to consider the future of the premises and whether or not further development should take place.

## **Options for the use of flexible receipts and a four year settlement**

- 6.3 As part of the settlement for 2016-17 the DCLG proposed that authorities who produced an efficiency strategy and plan to ensure they were sustainable for the future could benefit from both the agreement of a four year minimum funding settlement and the flexible use of capital receipts. The guidance on what the efficiency strategy and plan should contain was very limited and it was left to

each council to decide what it felt was appropriate for its specific circumstances. It is the Head of Finance's opinion that the efficiency strategy and plan produced is sufficient to allow the council to apply to DCLG to take advantage of both these opportunities.

- 6.4 The four year settlement relates only to a limited part of the overall funding from central government, mainly the Revenue Support Grant, and is only a guarantee of a minimum amount over the four year period to give councils certainty and confidence in this part of their funding. It protects against any changes in the needs based calculations but not against any "future events" such as transfers of functions and responsibilities. The offer is very scarce on detail and may also be subject in the final year to changes from Business Rates Retention.
- 6.5 Whilst it is a limited guarantee and does appear to be vague in the detail, the one thing it is clear on is that if authorities do not accept the offer then they have no certainty over the level of funding they will receive, and could potentially receive less than the levels published.
- 6.6 This offer was made prior to the recent changes in both the Prime Minister and the cabinet, and the decision to exit the European Union, and so there is an element of uncertainty about what the new government may decide to do.
- 6.7 However, given all the uncertainty and lack of detail, the Head of Finance recommends that she submit the council's Efficiency Strategy to DCLG by the deadline of the 14<sup>th</sup> October 2016 to ensure that the minimum funding offer, if it still remains available, is accessed by the council.
- 6.8 In addition to the four year settlement, DCLG also offered councils the opportunity to apply capital receipts flexibly to projects that delivered efficiency savings for spending that may typically be revenue in nature. There is detailed guidance on process. The main elements are that an efficiency strategy has to be in place for the year in which the flexible use is proposed and that capital receipts have to be received within that same year.
- 6.9 To date the council has £450k of capital receipts from the sale of its assets this financial year. Larger capital receipts from land sales are expected later in the year and their use can be agreed upon in future reports. The Head of Finance recommends that the council uses the flexibility offered and deploys the current capital receipts received to fund two main elements of the efficiency plan:
- (a) project initiation costs for invest to save projects, such as feasibility studies and the costs of the IT Strategy changes and;
  - (b) The additional two employees required as support for property projects. These posts were agreed at the last committee meeting.

## **7 Legal powers**

The Council is required by the Local Government Acts 1972 and 2000 to make arrangements for the discharge of its functions and Section 12 Local Government Act 2003 – the power to invest and section 1 Localism Act 2011 – general power of competence.

## **8 Financial and value for money implications**

Effective management of urgent and important activities ensures value for money and optimum deployment of resources. The relative security of knowing the levels of some funding for future years will ensure that medium term plans

and budgeting can be done with a little more certainty than currently.

## 9 Risk analysis

| Nature of risk   | Consequences if realised  | Likelihood of occurrence | Control measures  |
|--|---|--------------------------|---|
| Resources not deployed to match priorities described in the plan | Improvements not delivered in time or to required quality   | Medium                   | Review of medium term financial strategy to be used to inform resource allocation |
| Failure to focus on the needs of the community                   | Inappropriate services provided<br>Inefficient use of resources<br>Adverse external audit and inspection reports<br>Reputation damage | Low                      | Business planning and performance management arrangements                         |

## 10 Implications for resources

Delivery of benefits and outcomes detailed in the plan should lead to efficiencies and increase the likelihood of attracting resources from stakeholders.

The current staffing resources are sufficient to deal with most operational issues, but as other tasks such as planning the repairs to defects at the Waendal Leisure center and progressing the sale of land in north Wellingborough use the little capacity we have, further resources to deliver major projects are needed.

## 11 Implications for stronger and safer communities

Delivery of benefits and outcomes detailed in the plan should increase the effectiveness of efforts aimed at forging safer and stronger communities.

## 12 Implications for equalities

Delivery of benefits and outcomes detailed in the plan should result in better outcomes for all people and communities served by the Council

## 13 Author and contact officer

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**14 Consultees**

Senior Management Team

**15 Background papers**

Medium Term Financial Plan Feb 2016.  
Previous reports to this committee

